Meeting:	**Local Pension Committee**
Date/Time:	**Friday, 8 March 2024 at 9.30 am**
Location:	**Sparkenhoe Committee Room, County Hall, Glenfield**
Contact:	**Mrs Angie Smith (0116 305 2583).**
Email:	**Angie.Smith@leics.gov.uk**

AGENDA

Item		Report By	Marked
1.	Minutes of the meeting held on 26 January 2024.		(Pages 5 - 14)
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.	Terms of Reference.	Director of Corporate Resources and Director of Law and Governance	(Pages 15 - 26)
7.	Pension Fund - Business Plan and Budget 2024/25.	Director of Corporate Resources	(Pages 27 - 54)
8.	Summary Valuation of Pension Fund Investments.	Director of Corporate Resources	(Pages 55 - 72)

9.	Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 73 - 84)
10.	Pension Fund Policy Report.	Director of Corporate Resources	(Pages 85 - 186)
11.	Responsible Investing Update.	Director of Corporate Resources	(Pages 187 - 224)
12.	Adams Street Partners (ASP) - Private Equity Presentation.	Director of Corporate Resources	(Pages 225 - 250)
13.	Date of next meeting.		

The next meeting is scheduled for 19 June 2024, at 9.30am.

14. Any other items which the Chairman has decided to take as urgent.

15. Exclusion of the Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

16.	Adam Street Partners Quarterly Report.	Fund Manager	(Pages 251 - 360)
17.	Supplementary Information - LGPS Central Stewardship Approach.	Director of Corporate Resources	(Pages 361 - 370)
18.	LGPS Central Quarterly Investment Report.	Fund Manager	(Pages 371 - 480)
19.	Leicestershire Summary Valuation - Hymans Robertson.		(Pages 481 - 484)
	Growth		
20.	Ruffer Quarterly Report.	Fund Manager	(Pages 485 - 558)
21.	Aberdeen SL Capital.	Fund Manager	(Pages 559 - 606)
22.	Aspect Capital Quarterly Report.	Fund Manager	(Pages 607 - 614)
23.	Legal and General Investment Manager Quarterly Report.	Fund Manager	(Pages 615 - 638)
24.	LGPS Central PE Primary Partnership Quarterly Report.	Fund Manager	(Pages 639 - 676)
25.	Pictet Asset Management Quarterly Report.	Fund Manager	(Pages 677 - 694)
	Income		
26.	IFM Investors Quarterly Report.	Fund Manager	(Pages 695 - 748)
27.	UK Active Value Property Unit Trust.	Fund Manager	(Pages 749 -

			752)
28.	Colliers Global Investors.	Fund Manager	(Pages 753 - 772)
29.	Christofferson Robb & Company.	Fund Manager	(Pages 773 - 800)
30.	Infracapital Greenfield Partners.	Fund Manager	(Pages 801 - 852)
31.	JP Morgan Quarterly Report.	Fund Manager	(Pages 853 - 916)
32.	LaSalle Quarterly Report.	Fund Manager	(Pages 917 - 942)
33.	LGPS Central Core/Core Plus Infrastructure Partnership LP Quarterly Report.	Fund Manager	(Pages 943 - 956)
34.	LGPS Central Credit Partnership.	Fund Manager	(Pages 957 - 998)
35.	M&G Investments Quarterly Report.	Fund Manager	(Pages 999 - 1028)
36.	Stafford Timberland Quarterly Report.	Fund Manager	(Pages 1029 - 1122)
37.	Protection Aegon Asset Management Quarterly Report.	Fund Manager	(Pages 1123 - 1144)

TO:

Leicestershire County Council

Mr. T. Barkley CC (Chairman)
Mr. D. Grimley CC
Mr. P. King CC
Mr. D. Bill CC MBE
Mrs. A. Wright CC

Leicester City Council

Cllr. A. Clarke
Cllr. M. March

District Council Representatives

Cllr. M. Cartwright
Cllr. R. Denney

University Representative

Mr. Z. Limbada

Scheme Member Representatives

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

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Leicestershire County Council

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 26 January 2024.

PRESENT:

Leicestershire County Council

Mr. T. Barkley CC (Chairman)
Mr. D. C. Bill MBE CC
Mr. D. J. Grimley CC
Mr. P. King CC
Mr. C. A. Smith CC

Leicester City Council

Cllr Adam Clarke

District Council Representative

Cllr. Martin Cartwright and Cllr. Roy Denney

University Representative

Mr. Zubair Limbada

Staff Representatives

Mr N. Booth
Mr V. Bechar

Independent Advisers in Attendance

Mr Phillip Pearson	Hymans Robertson
Mr Russel Oades	Hymans Robertson

112. Minutes.

The minutes of the meeting held on 1st December 2023 were taken as read, confirmed and signed subject to an amendment being made to record that prior to consideration of the Climate Risk Management Report 2023 (minute 84 refers) the meeting had been adjourned for a short period.

113. Question Time.

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

114. Questions asked by members under Standing Order 7(3) and 7(5).

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

115. Urgent Items.

There were no urgent items for consideration.

116. 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.

There were no declarations made.

117. Overview of the Current Asset Strategy and Proposed 2024 Asset Strategy.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee of the outcome of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure. The report also provided advice regarding the Fund's current investment strategy relating to fossil fuel exposure and provided advice, as requested by the Committee at its last meeting in December 2023, on the proposal put forward to 'require LGPS Central to establish a fossil fuel free fund.' A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed to the meeting Mr. Philip Pearson and Mr. Russel Oades from Hymans Robertson, who supplemented the report with a presentation. A copy of the presentation slides is filed with these minutes.

At the request of the Chairman and in response to questions raised, the Head of Law advised the Committee that the report properly addressed the proposal put forward by Cllr Cartwright in the context of the motion unanimously agreed at its last meeting and referred Members to the relevant paragraphs (paragraphs 2, 9, 20 to 46 and the recommendation at paragraph 48(d)).

The Chairman reminded members of the legal advice the Committee had received about its duties and responsibilities, emphasising that the Committee's power of investment must be exercised with care, skill, prudence and diligence and that its predominant focus should be what was best for the financial position of the fund (balancing risk and return). The primary objective of the Committee was to ensure sufficient funding in the long term so that retirement benefits that employers promised to members under scheme rules could be paid when they fell due. Provided the risk of significant financial detriment to the fund remained low, the Committee's choice of investment might be influenced by wider social, ethical or environmental considerations where views on investment are likely to be widely shared by scheme employers and members.

Arising from the discussion and questions, the following points were made:

Annual Review of Investment Strategy

(i) Based on current figures the expected median return for the 2024 strategic asset allocation (SAA) of 8.7%pa, was considered achievable. The figures were based on yields on government bonds which were relatively high. It was noted, however, that as this was just a median estimate there was a 50 percent chance the returns could be higher or lower. Therefore, when establishing the funding position for the Fund a more prudent and conservative view would be taken.

(ii) A member questioned how the investment strategy took account of the recent announcement by the Department for Levelling Up, Housing and Communities (DLUHC) which suggested that funds might be required to invest up to 5% in assets to support levelling up in the UK. Mr Pearson advised that investing in projects that would contribute to levelling up would not be new for the Fund. The Funds investment in infrastructure assets were a good example of this, which included a significant allocation to the UK. Members noted that investment managers were in the process of assessing where the Fund's existing investments were already contributing to levelling up objectives, following which they would consider whether anything else needed to be done. However, the Fund already likely met the 5% target.

(iii) A Member raised concerns that some large-scale government projects aimed at levelling up had been cancelled, such as HS2 phase 2b, and questioned, given that government policy could change, if this increased the level of risk for the Fund. Mr Pearson reassured members that investment managers would not invest predominantly or primarily to help the levelling up agenda from a political perspective. This would not be appropriate as their professional role was to seek out and prioritise investments that would generate a good financial return for the Fund. They would, however, seek to take advantage of those opportunities that offered both an attractive financial return and had good positive economic and social impacts that could contribute to the Government's levelling up agenda.

(iv) Most of the Fund's mandates were global mandates which gave investment managers the widest possible opportunity to consider the best investments available. Of those in the UK, some could relate to Leicestershire. Members noted that unfortunately, original, good infrastructure investment opportunities were limited, despite the UK having a proportionately good share of the global investable infrastructure market.

(v) A Member questioned whether LGPS Central helped to inform the market of the sort of projects it would be interested in. Mr Pearson confirmed that all infrastructure managers, as well as LGPS Central, did this on a regular basis, particularly as infrastructure managers were now more proactive in dealing with the issue of a lack of supply. Members noted that infrastructure managers had moved into developing projects themselves, identifying infrastructure needs, taking them through the planning process, raising the finance needed and thereafter managing projects through to construction.

(vi) Investment managers were sensitive to a wide range of risks, including climate change and geopolitics. Whilst steps were taken to avoid such risks this was not always possible; recent events in the Red Sea being a good example, given its importance as a trade route. Members were reassured that the Funds exposure to BRICS (emerging market countries including Brazil, India, China and South Africa and others) was relatively small (less than 10%). Risks were also managed through good diversification both in terms of asset type and geography.

(vii) A Member questioned to what degree consideration was given to how other funds and pools chose to invest, how they performed, and whether the Fund was benchmarked against them. Mr Pearson advised that whilst other funds activities were considered, managers would not be influenced by them, as every fund was different, particularly in areas such as funding position, risk appetite, the ability of sponsoring employers to flex their contribution rates up and/or down. It was important that the funding strategy and the investment strategy reflected the needs of individual Funds, not the LGPS average.

(viii) The Committee noted that Boarder to Coast had created a fund that was dedicated to climate opportunities. This was different to the approach taken by LGPS Central which had chosen to invest in decarbonisation opportunities across a number of different funds. Whilst two different approaches, it looked like both, in terms of the sorts of assets they invested in, were similar. However, Mr Pearson advised that LGPS Central could demonstrate better progress on meeting its climate change targets.

(ix) As part of the SAA review investments in protection assets had been considered to control investment risk and mitigate the Fund's liabilities. However, as both were linked to interest rates and inflation both moved in the same direction. Whilst the rise in inflation had resulted in a material fall in the value of the Fund's protection assets by around 8%, the Fund's liabilities had also fallen by the same percentage. In monetary terms, however, its liabilities had fallen a lot further and so overall the Fund's position had improved from the last valuation point. Consequently, whilst an increase in the Fund's allocation to protection assets might appear justifiable, Mr Pearson advised that a more detailed assessment would be needed before considering such approach. Hymans Robertson would undertake more detailed modelling in the first quarter of 2024 and an update would be provided to the Investment Sub Committee in April.

Proposal to establish a fossil fuel free fund

The Chairman advised members that the Committee could not 'require' LGPS Central to set up a fossil free fund, as had been originally proposed by Cllr Cartwright at the previous meeting in December. It could only 'request' this. To avoid confusion, and before commencing the discussion on this item, the Chairman sought and obtained the consent of the Committee to alter the wording of the recommendation set out in paragraph 48(d), to replace the word 'require' with 'request'.

At the invitation of the Chairman, Cllr Cartwright confirmed that he had no objection to the change in terminology. He commented that he wished to seek to add a fund that allowed for investments to be made which were specifically fossil fuel free. The request was simply to allow the Fund to have choice and clarity and specifically did not seek to change current investments.

Arising from discussion and questions on this section of the report, the following points were made:

(i) The approach currently adopted by the Fund was based on the core principle that it was better for the Fund, the wider economy and the climate, to remain invested in companies that had high emissions, or fossil fuel reserves, so it could engage very firmly with those companies to decommission those reserves and reduce emissions. Three different mechanisms were adopted to achieve this: (a) managers met regularly with companies to make sure they had sensible decarbonisation plans in place and were delivering on them; (b) use a 'tilted index approach' where a sub-fund reduced the weight to those companies that had high emissions or high exposure to fossil fuel reserves; (c) managers made decisions on individual stocks, taking into account a variety of criteria including exposure to climate risk, prioritising those companies that offered good investment returns but had a responsible approach to managing climate risk. Members commented that more information was needed to better understand what outcomes these approaches achieved. It was noted that Hymans Robertson had recommended that the Fund improve reporting in this area to provide officers and the Committee with greater insight.

(ii) Members noted the Fund was on target to achieve its Net Zero objectives. Its greenhouse gas emissions and exposure to fossil fuels had fallen faster than was needed to meet these targets, and current levels of both emissions and fossil fuels were well below the asset markets that the Fund invested in. Mr Pearson commented that this was one of the reasons why Hymans Robertson had not recommended changing the Fund's current investment approach as this was working very well.

(iii) A Member questioned whether fossil fuel free funds were producing better outcomes. Mr Pearson advised that whilst there were several such funds on the market, these currently appeared to have higher greenhouse gas emissions than those which the Leicestershire Pension Fund currently invested in. At the request of a member, the Director undertook to provide the data that showed LGPS Central was performing better than the Border to Coast fund.

(iv) A Member raised concerns that whilst the comments now made were compelling, this had not been supported by evidence within the report. The Director of Corporate Resources emphasised that officers had been asked to provide advice on the Fund's current investment strategy and the merits of the concept of requesting LGPS to introduce a fossil fuel free fund. Comparisons on the rate of decarbonisation with other funds had not therefore been included though this could form part of the annual report on performance against the Fund's Net Zero Climate Strategy.

(v) Members raised questions regarding the practicalities of establishing a fossil fuel free fund. It was noted that the LGPS Central pool was managed as a whole, in line with a single investment strategy agreed by the partners. Partner funds were currently aligned on the approach to address climate risk. Members were advised that LGPS Central would be hesitant to develop a new fossil fuel free product without funds first being committed to invest within this given the cost implications for all the administering bodies. Officers confirmed that the cost of developing a fossil fuel free fund would not be insignificant and would have to be shared under the cost sharing agreement signed by all eight-pension fund administering authorities within LGPS Central.

(vi) The Fund was not structured to offer choice to individuals. The Fund combined all the assets and liabilities across the employers to share risks. Mr Pearson advised that offering a fossil fuel free investment strategy choice alongside a normal investment strategy choice would essentially create two funds which would result in the splitting of liabilities and losing some of the benefits of sharing risk, including those not related to climate change. This was not therefore recommended.

(vii) Members noted that, given the legal and shareholder agreements put in place for individual pools, investing in another partnership pooled fund that had already established a fossil fuel free fund would be complex and give rise to added cost and risk. By way of example, the transition costs to move £0.8 billion from LGIM to LGPS Central's climate multifactor fund had been in the region of £18m. The longer such transitions took, the greater the risk and the higher the potential cost.

(viii) The Director of Corporate Resources reminded the Committee that this was a defined benefit contribution scheme. The choice around investments were made by the trustees of the scheme which was this Committee (and the Investment Sub Committee). Whilst the Committee should be cognisant of individual members views, individual scheme members did not have a choice as to how the Fund would be invested. It was incumbent on the Committee to make those decisions and to ensure pensions could be paid now and in the future, noting that responsibility ultimately fell back onto the employers, such as the County, City and district councils, who underwrote the scheme.

(ix) A Member questioned if a scheme member could choose to opt out of the LGPS if they felt strongly about the way it was being invested. The Director confirmed that employers were obliged to offer the LGPS and did not have to offer a different defined contribution scheme. A member could therefore opt out as membership was not mandated. However, they would not then receive the employer contributions.

(x) There was a general consensus that the Committee was concerned about climate change and wished to identify ways in which it could be addressed. However, there were varying views on the best approach to take. Some members had concerns that requesting the establishment of a fossil free fund could be costly and would not necessarily achieve a better result than the current approach. These members felt that the safest, most responsible approach would be to continue with the current investment strategy, particularly as scheme members had been consulted on the Net Zero Strategy just two years ago and were supportive of the strategic direction the Fund was taking on carbon reduction. As performance and outcomes were monitored this would be kept under review. The Director confirmed that from the outset it had been agreed that the Net Zero Climate Strategy would be reviewed every three years and so would be due for review in 2026.

(xi) It was noted that partner funds in the pool could discuss whether they would like to apply a selective exclusion on thermal coal from funds that are run by LGPS Central. However, it was more complicated for LGIM as they invested for and with an enormous number of investors. Members noted that the Fund was already invested in an LGIM fund called the Low Carbon Transition Index Fund (LCTIF) where the stocks were weighted towards companies with low emissions and low fossil fuel reserves which already excluded thermal coal. Consideration could be given to progressively investing more in this fund.

(xii) Mr Pearson commented that key concern with establishing a new fossil free fund would be that in doing this, efforts would be displaced from what is currently being done by LGPS Central to address climate change, which was proving to be very successful. Hymans Robertson's recommendation was to remain invested and to continue to focus on engaging with those companies that needed to decarbonise, but to approach this more rigorously, instead of creating expensive parallel fund structures that might not be as effective. Members noted that Hymans Robertson had made some recommendations to strengthen the current engagement approach on a variety of ESG issues, but particularly climate change

At the invitation of the Chairman, Cllr Cartwright commented that he accepted the advice now provided and welcomed the healthy debate that had taken place in light of the motion he had originally put forward. It was clear, that whilst not considered appropriate now, this would be something that might be reconsidered in the future, which he thought partners who each had like minded aspirations regarding climate change, would support. Members commented that if LGPS Central were in the future to develop a fossil fuel free product it would be appropriate for the Committee to reconsider its approach.

Cllr Cartwright then moved an additional recommendation, seconded by Cllr Clarke, that greater clarity be provided regarding individual companies detailing those which were fossil fuel free and those that were not. This would ensure transparency to Members and scheme members on where the Fund was invested and help address some of the concerns now raised regarding transparency.

The Chairman invited officers to comment on the proposed additional recommendation before a vote took place. The Committee was advised that companies could not yet easily be identified as either fossil fuel free or otherwise as this was not one of the international standard classifications currently used by investors. However, the annual report to the Committee setting out performance against delivery of the Net Zero Climate Strategy did set out the Fund’s overall fossil fuel exposure and consideration could be given to breaking this data down into more detail on a company-by-company basis. Members noted, however that LGPS Central invested in thousands of different companies and some limitation on the data to be provided was therefore needed.

The Director also advised that consideration was being given to the measures available to assess outcomes and performance against the Net Zero Strategy, with a view to increasing the breadth of those currently reported to the Committee. He suggested that a report on the outcome of this work could be presented to the Committee in September to allow Members to also input into that process and to advise where they felt the identified measures still fell short of expectation. Member feedback would then help shape the annual report on the Net Zero Climate Strategy which was due to be presented in November.

In the light of the advice now received, Cllr Cartwright withdrew his amendment and confirmed he was satisfied with the approach suggested by officers. However, he sought assurance that the planned reports, both the report on the outcome of work to review the measures available to assess outcomes and performance against the Net Zero Strategy planned for September, and the annual report on delivery of the Net Zero Climate Strategy planned for November, would firmly address the concerns now raised regarding the lack of clarity and data provided in relation to where the Fund was currently invested with specific regard to fossil fuel. The Director agreed to circulate copies of reports considered by the Committee in 2023 to enable Members to provide initial feedback on where they considered more detail was needed. This would aid officers in preparing the report in line with Members expectations. The Director further confirmed that any Member of the Committee was welcome to contact him directly in advance of the meeting in September regarding what information they though was needed.

RESOLVED:

(a) That the maintenance of the target SAA allocation as described at paragraph 19 of this report be agreed;

(b) That the Director of Corporate Resources be authorised to make benchmark changes as per the guidance given at paragraph 11 of the report and the appendix to the report, with such changes to be delivered quarterly through the year, commencing for the June Local Pension Committee meeting;

(c) That the following two reviews be undertaken and presented to the ISC for consideration:

- A protection assets review as described at paragraph 12 of this report, with the final detailed scope of the review to be agreed between officers and Hymans Robertson.
- A review to maintain exposure to two asset classes which will be returning capital over the coming years (bank risk share investments and Timberland). The final scope of the review to be agreed between officers and Hymans Robertson.

(d) That the advice now provided by the Fund's investment advisor, Hymans Robertson, regarding the proposal to request LGPS Central to establish a fossil fuel free fund be noted and that it be agreed not to proceed with that proposal at the current time.

(e) That the Director be requested to:

(i) circulate copies of reports considered by the Committee in 2023 to enable Members to provide initial feedback on where they considered more information and data was needed to address the concerns now raised regarding the need for greater clarity and transparency around where the Fund was currently invested with regards fossil fuel;

(ii) present a report to the Committee in September, having regard to the feedback provided on (i) above, on the review of measures to be used to demonstrate the outcomes achieved and performance made against the Fund's Net Zero Climate Strategy to allow Members further input into that process and to advise where these still fell short of expectation;

(iii) present the annual report on the Net Zero Climate Strategy to the Committee in November taking account of Member feedback under (i) and (ii) above.

(iv) provide to Members after the meeting the data that showed LGPS Central was performing better than the Border to Coast fund with regard to its green house gas emission levels;

(f) That the recommendations put forward by Hymans Robertson, as detailed in paragraph 43 of the report, to be implemented as part of the Fund's Net Zero Climate Strategy be agreed.

118. <u>Draft Responsible Investment Plan 2024</u>

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek the Committee's approval of the Leicestershire Pension Fund's Responsible Investment Plan 2024 to enable the Fund to further improve the management of responsible investment risks. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

RESOLVED:

That Responsible Investment Plan 2024 attached to the report as Appendix A, be approved.

119. Pension Fund Training Needs Self Assessment.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the Training Needs Self Assessments undertaken, to identify training Members of the Committee were expected to complete to demonstrate a suitable level of knowledge and understanding and to set out options for the Committee to consider as part of the planned review of the current Training Policy. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

(i) The Chairman commented that, whilst training was not currently mandatory, this did appear to be the Government's intended direction of travel to make sure members of local pension committees had a good level of knowledge and understanding relevant to their role.

(ii) A Member commented that the Hymans Robertson on-line Aspire training modules provided a good, 'nuts and bolts' overview and members were encouraged to complete this. The modules were not time consuming and very manageable.

(iii) Members welcomed the suggestion of providing for different training requirements (such as starter, interim and advanced courses), taking account of the different levels of experience of Committee Members. It was suggested that this would provide a more flexible and targeted approach.

(iv) It was suggested that training events held in person were more beneficial as much was learnt from the questions raised by other members and from the informal discussions held with officers.

(v) A Member commented that a new Code of Practice from the Pensions Regulator had been introduced and which would come into force in March 2024. Members queried what the implications of this would for the Committee. The Director undertook to provide an update as part of a future regulatory update to the Committee.

RESOLVED:

a) That the report on the Pension Fund Training Needs Self-Assessment be noted;

b) That all members be encouraged to complete the training needs assessment, if not yet done, and to return this to officers by 14 February 2024;

c) That Members be encouraged to commit to progressing with completion of the Hymans Aspire training modules, noting that a record would be taken as at 31 March 2024 for the Fund's Annual report;

d) That Members feedback any further views on the current approach to the Fund's Training Policy as part of the review;

e) That the Director be requested to provide an update on the Code of Practice from the Pensions Regulator as part of a future regulatory update.

120. <u>Date of next meeting.</u>

RESOLVED:

That it be noted that the date of the next meeting would be 8 March 2024, at 9.30am.

9.30am – 12.30pm CHAIRMAN
26 January 2024

Agenda Item 6

Leicestershire County Council

LOCAL PENSION COMMITTEE – 8 MARCH 2024

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE DIRECTOR OF LAW AND GOVERNANCE

TERMS OF REFERENCE

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval of the revised Terms of Reference for the Local Pension Committee.

Background

2. Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation, as defined under the Public Service Pensions Act 2013, to administer a Pension Fund for eligible employees of all local authorities within the County boundary and also the employees of certain other scheduled and admitted bodies.

3. In accordance with Section 101 of the Local Government Act 1972 the County Council has delegated the responsibility for decisions relating to investment of the Fund's assets to the Local Pension Committee.

4. The Terms of Reference for the Committee were last reviewed in November 2020 following recommendations made by Clare Scott, the Fund's Independent Adviser, who undertook a high-level governance review of the Leicestershire County Council Pension Fund. This was in light of the expectations of the Pensions Regulator and the emerging themes from the Scheme Advisory Board's Good Governance Review.

5. As part of that review, it was agreed that the Terms of Reference would thereafter be reviewed at least once every three years or following any significant change in law or guidance. This review has been undertaken in accordance with that requirement.

Terms of Reference Review

6. The review has been undertaken having regard to Government legislation, other relevant guidance and having considered the terms of reference of other similar Committees.

7. While the main features of the original Terms of Reference have been retained, such as the number of times the Committee will meet each year and the number of

members on the Committee, the revised terms of reference, attached as an appendix to this report, offers far more detail and clarity about the role and function of the Committee and its Members and the legal requirement for proper advice to be provided before decisions are taken. The Committee's attention is specifically drawn to the following key changes: -

(i) The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. To properly emphasise this, a new paragraph 2, titled 'Purpose of the Committee', has been added.

(ii) The responsibilities of the Committee, as detailed in paragraph 3, have been updated to include reference to management of responsible investment and the Net Zero Strategy.

(iii) In accordance with advice previously given to the Committee, both in training and during meetings, paragraphs 3 and 4 have been expanded to emphasise the Committee's fiduciary duties and the requirement for Members to prioritise the interests of Fund Members over and above their own personal and political beliefs.

(iv) The section on training has been strengthened to specifically refer to the Fund's training policy. As has always been the case, any substitutes that attend a meeting on a Committee Member's behalf must also have undertaken the induction training, and they must adhere to the Fund's training policy and such other training as the Administering Authority considers appropriate.

(v) Added provisions have been included to enable a reserve employee representative to be appointed in future at the Fund's annual general meeting (see paragraph 6.3 and 6.4).

(vi) Section 8 has been updated to reflect current process, that the Chairman and Vice Chairman are nominated at the County Council's annual meeting from one of its five voting members as the Administering Authority for the Fund, who also act as a shareholder on LGPS Central and chair the Annual General Meeting of the Pension Fund.

(vii) Paragraph 9 has been updated to reiterate the County Council's Constitution regarding meeting procedures, public access and quorum. In particular, this has been expanded to reflect the law which requires the Committee to take proper advice before making decisions. Where a member moves a new recommendation or an amendment during a meeting, the decision of the Committee can be deferred if, in the opinion of the Chairman and/or the Section 151 officer and/or the Monitoring Officer, this is necessary to allow for such professional advice to be provided.

(viii) The revised terms of reference are also now stated to apply to the Investment Sub Committee.

Recommendation

The Committee is asked to approve the revised Terms of Reference.

Equality Implications

None.

Human Rights Implications

None.

Appendix

Revised Terms of Reference

Background Papers

Local Pension Committee – 27 November 2023 – Terms of Reference
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6090&Ver=4

Officers to Contact

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LOCAL PENSIONS COMMITTEE

TERMS OF REFERENCE

1. Introduction

1.1 This document sets out the terms of reference for the Local Pension Committee of Leicestershire County Council, which is the scheme manager of the Leicestershire County Council Local Government Pension Scheme (the Fund), as defined under Section 4 of the Public Service Pensions Act 2013 (and any associated legislation).

1.2 The Committee is constituted as a Committee of Leicestershire County Council (the Administering Authority) under Section 101 of the Local Government Act 1972. The key functions and terms of the Committee are therefore as detailed in Leicestershire County Council's Constitution.

1.3 These Terms of Reference will also apply to any subcommittee of the Local Pension Committee.

2. Purpose of the Committee

The Committee's purpose is to safeguard and manage the employers' assets held by the Fund, which are for the purpose of ensuring that pensions and lump sum benefits can be paid to Fund members.

3. Responsibility and Role of the Committee

3.1 The Committee is to act on behalf of the Administering Authority in its role as a scheme manager of the Fund.

3.2 The Administering Authority has delegated responsibility for all decisions relating to the investment of the Fund's assets and administration of the Fund in accordance with Section 101 of the 1972 Superannuation Act (see Part 3 of Leicestershire County Council's Constitution).

3.3 In the conduct of the Committee's purpose, its principal duties are to:

3.3.1 Exercise all functions of the Fund in line with all relevant law, statutory guidance and industry codes of best practice;
3.3.2 Determine the investment and funding strategy and all other relevant policies for the Fund and deliver this in accordance with the best interests of Fund members (i.e. using the assets of the Fund to ensure over time benefits are paid to Fund members) and employers (i.e. safeguarding the Fund and making investments that will minimise the overall costs to employers);
3.3.3 Ensure appropriate investment management arrangements are in place for pension funds monies including pooling of investments;
3.3.4 Undertake all functions relating to LGPS Central;

[Note: LGPS Central Limited is the company formed by eight partner funds (including the Leicestershire County Council Pension Fund) which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the partner funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

The Fund holds dual interest in LGPS Central Ltd as shareholder of the company and as a recipient of its investment services, these are managed separately through the Shareholders Forum and the Joint Committee.]

3.3.5 Establish and maintain arrangements for the effective administration of the Fund including discretionary elements of the scheme, staffing and budgetary arrangements;

3.3.6 Delegate functions to pension fund officers, the Investment Sub-Committee, and other service areas within the Administering Authority as the Committee may consider appropriate to ensure the smooth administration of the Fund having regard to the Scheme of Delegation to Officers as set out in Part 3 of Leicestershire County Council's Constitution;

3.3.7 Approve the allocation of resources for the operation and administration of the funds from Fund assets in accordance with the applicable pension regulations;

3.3.8 Approve responses to consultations relevant to the Fund issued by government and other bodies;

3.3.9 Monitor overall performance of the Fund in the delivery of services and financial performance, and consider all matters in respect of the Fund including:

- approving the pension fund annual report and accounts;
- approving strategies and policies;
- setting standards for service delivery;
- securing best value in the provision of services;
- Managing responsible investment, including the Net Zero Climate Strategy;
- ensuring appraisal of the control environment and framework of internal controls in respect of the Fund to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations;
- ensuring an appropriate risk management strategy and risk management procedures;
- Oversight of the performance of investment managers, including those appointed by LGPS Central
- promoting, monitoring and developing continuous improvement.

3.3.10 Work with the Local Pension Board considering all their recommendations and determine any appropriate action(s) to be taken, or provide a reason to the Board for not enacting a recommendation made by them.

3.4 In addition to the duties set out in para 3.3 above, the Committee is subject to a fiduciary duty to act in the best interests of employers and Fund members, in accordance with the advice provided to the Committee from time to time in light of guidance and the law.

4. Duties of all Members (including Employee Representatives) on the Committee

4.1 Members of the Committee should at all times act in a reasonable manner in the conduct of the Committee's purpose.

4.2 Members who sit on the Committee act as 'quasi-trustees' and must ensure that the Fund is managed in the best interest of all its members, employers and beneficiaries. As quasi-trustees, Committee members have a clear fiduciary duty in the performance of their functions and must ensure that the Fund is managed in accordance with the regulations and do so prudently and impartially, in the best interest of all its members as above.

4.3 Members should be mindful that, when making decisions, they are required to put the Fund, the interests of Fund members and employers first, at the exclusion of their own personal and political interests. Members of the Committee must therefore take a non-political approach to the decisions they make.

4.4 Members should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings, including the participation in training as detailed below.

4.5 It is expected that good practice will be followed by Committee members, in so far that appointees will abide by the requirements specified in the Pension Regulator's code of practice and the Pension Act 2004 sections 247 to 249.

Training

4.6 Members (including substitutes) are required to undertake induction training before taking up their role, and to adhere to the policy Pension Fund and Finance - Leicestershire Member Self-Service (pensiondetails.co.uk), and to undertake such other training as the Administering Authority considers appropriate.

Conflicts of interest

4.7 All members of the Committee must declare to the Administering Authority on appointment, and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Committee in accordance with the Funds Conflict of Interest Policy.

[Note: A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Committee. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.]

5. Membership of the Committee

5.1 The Committee shall comprise of ten voting members and three non-voting members as follows:

Voting members

- Five County Council members.
- Two District Council members (appointments to be made by the District Councils).
- Two members of Leicester City Council.

- One University representative (appointment to be made by De Montfort and Loughborough Universities).

Non-Voting members

- Up to three Employee Representatives who must be members of the Fund in either an active, deferred or retired member capacity.

5.2 Any substitution for voting Members appointed to the Pension Committee shall follow their respective Council's procedures, subject to 4.6 above.

6. Appointment

6.1 County Council, district council and university representatives will be appointed by the bodies they represent on the Committee.

6.2 Employee representatives will be appointed by Fund Members by way of nominations and a vote taken at the Leicestershire County Council Pension Fund Annual General Meeting, following a transparent recruitment process which is open to all Fund Members. The recruitment process will be approved and managed by the Administering Authority. The positions will be appointed to on a rolling basis so that at least one employee representative position will become available at each of the Fund's Annual General Meeting.

6.3 A reserve employee representative shall be appointed at the Fund's AGM. The reserve representative will act as a substitute at meetings of the Committee where an elected employee representative is unable to attend.

6.4 In the event of a vacancy occurring during the course of the year the reserve employee representative shall serve on the Committee as a full member until the Fund's AGM.

7. Terms of Office

7.1 The term of office for County, City, District and University representatives will be one year. They may be reappointed following their relevant appointment processes.

7.2 The term of office for employee representatives will be three years, or for such period as is remaining if a position is vacated during a three-year term, to ensure appointments are made on a rolling basis each year, as outlined in 6.2 above. An employee representative may be appointed for further terms of office, following the process set out in paragraph 6.2.

7.3 Committee membership may be terminated prior to the end of the term of office due if:

7.3.1 An employee representative is no longer a member of the Fund.
7.3.2 A Committee member who no longer has the capacity to attend and prepare for meetings or to participate in required training.
7.3.3 The representative is withdrawn by the nominating body.
7.3.4 There is a conflict of interest which cannot be managed in accordance with the Fund's Conflict of Interest Policy.
7.3.5 A Committee member becomes a member of the Local Pension Board.
7.3.6 An elected member representative ceases to be an elected member of the local authority they represent.
7.3.7 The university representative ceases to be employed by their appointing university.

8. Appointment of Chairman and Vice Chairman

8.1 The Administering Authority will administer the appointment process for the Chairman and Vice Chairman and Substitute Members.

8.2 The Chairman and Vice Chairman will be nominated by the Administering Authority at its annual Council meeting.

8.3 It will be the first business of the Committee to appoint a Chairman and Vice Chairman to sit for the term of one year following the Administering Authority's annual meeting.

8.4 The Chairman of the Local Pension Committee will act as the Fund's shareholder for the Administering Authority's interest in LGPS Central and will be its representative at both the Shareholders Forum and the Joint Committee of LGPS Central Ltd, eligible to vote on the Administering Authority's behalf on LGPS Central company matters. They will report back to the Local Pension Committee as appropriate.

[Note: The Shareholders' Forum acts as a supervisory body which focuses on shareholder issues. The Forum meets at least twice a year to agree certain reserved matters as set out in the Shareholders Agreement.

The Joint Committee deals with the 'investor' functions and provides assistance, guidance and recommendations to individual councils, taking into consideration the conflicting demands and interests of the participants within the pool.]

9. Meetings

Number of meetings

9.1 Meetings of the Committee will be held at least four times a year.

Meeting Procedures

9.2 The Pension Committee is a Committee of the Administering Authority. It will therefore, subject to paragraph 9.7 below, adhere to the Meeting Procedure Rules, as set out in Part 4 of Leicestershire County Council's Constitution, and all matters of due process, so far as they do not conflict with the Committee's delegations, duties and responsibilities provided for in law and the requirements of these Terms of Reference.

Public Access

9.3 The Access to Information Procedure Rules, as set out in Part 4 of Leicestershire County Council's Constitution, will apply except where any particular issue is governed by other specific legislation relevant to pensions. The Committee's meetings will therefore be open to the general public unless an exemption under relevant legislation applies. These rules also apply to any sub-committee of the Pension Committee.

Quorum

9.4 A meeting is only quorate when at least one quarter of the voting members are present, subject to a minimum of 3.

9.5 A meeting that is or becomes inquorate may continue, but no decisions may be taken.

Moving Recommendations and Amendments at meetings

9.6 Any recommendation, or amendment to a recommendation, put forward and seconded at a meeting which proposes any action which the Chairman, and/or the Section 151 Officer and/or the Monitoring Officer (or their representatives) of the Administering Authority, considers should not be voted upon without proper professional advice being provided, either by Fund officers or other appropriate external, independent advisors, will stand adjourned to the following meeting to allow for such advice to be provided. This is to ensure the Committee is fully informed on a proposed course of action before taking a decision as is required in law, and ensuring it is able to act in the best interest of Fund members.

Voting

9.7 Subject to paragraph 9.8 below, if there is an equal number of votes for and against a proposition, the Chair will have a second or casting vote. There will be no restriction on how the Chair chooses to exercise a casting vote.

9.8 In the case of an equality of votes on an amendment to a motion, the amendment will be regarded as not carried and the meeting will proceed to consider the main proposition or further amendments.

9.9 When casting votes Members must be explicit about the reasons for their decisions, the supporting information and expected impact.

Officer Support and Advice

9.10 Officers representing the Administering Authority will be expected to produce reports for the Committee and provide advice and clarification during the Committee's meetings to enable the Committee to take informed decisions in line with the law and best practice.

9.11 All members of the Committee (including Employee Representatives) and Officers are expected to abide by the Member/Officer Protocol set out in Leicestershire County Council's Constitution.

10. Independent Advisers to the Committee

10.1 The Committee will be supported in its role and responsibilities by officers from the Administering Authority's Finance, HR, Legal and other teams as needed.

10.2 The Section 151 Officer of the Administering Authority acts as the Section 151 Officer for the Fund and has responsibility for appointing a Fund Actuary and a Fund Investment Consultant, as well as other external advisers as they consider necessary from time to time. The Monitoring Officer for the Administering Authority acts as the Monitoring Officer for the Fund. The Fund may, subject to any applicable regulation and legislation from time to time in force, consult with such advisers.

11. Expenses

The Pension Fund may meet reasonable expenses of the Committee. Such expenses will be met by the Fund and have regard to Leicestershire County Council's Members' Allowance Scheme.

12. Investment Subcommittee

12.1 The County Council has appointed the Investment Subcommittee to assist the Committee to carry out its functions. It meets occasionally on months when there are no Committee meetings. It has significant delegated powers to make decisions on behalf of the Committee.

12.2 Under the guidance of the Local Pension Committee, the Subcommittee has responsibility for appointing and monitoring the performance of Fund Managers, considering action that is in-line with the strategic benchmark agreed by the Committee, taking a pro-active approach to the Fund's investments, making timely decisions in response to, or in anticipation of, market activity, and dealing with 'tactical' issues associated with implementing the investment strategy (which is updated annually, usually at the first Local Pension Committee meeting for the calendar year), such as the timing of asset allocation changes. (These responsibilities are also exercised by the Committee.) The full list of the Subcommittee's functions is set out in Part 3 of Leicestershire County Council's Constitution.

12.3 The Investment Subcommittee will consist of six voting members, all of whom will be members of the Local Pension Committee. This will include 3 County Councillors (the Chairman and Vice-Chairman of the Committee plus one other Committee member); 1 member representing Leicester City Council; 1 member representing the district councils; the member representing De Montfort/Loughborough Universities and 1 employee representative (non-voting).

13. Annual Meeting of Members of the Pension Fund

An Annual Meeting of all beneficiaries of the Pension Fund is held each year. For administrative purposes only, the Chairman of the Local Pension Committee will chair this meeting. Members of the Committee will be notified of the meeting and may attend as an observer (unless they are entitled to attend as a Fund member).

[Note: The purpose of this meeting is to enable Fund members to consider the contents of the Pension Fund Annual Report, to receive a report by the Employee Representatives of both the Committee and Local Pension Board and to elect Employee Representatives for the Committee and Board for the following 12 months. Details of the meeting will be published on the Pension Fund website.]

14. Local Pension Board

14.1 In fulfilling its functions, the Committee shall have regard to the advice of the Local Pension Board established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 in its role in assisting the Administering Authority in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme including, securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator.

14.2 The Chair of the Local Pension Board may attend a Local Pension Committee meeting as an observer.

Leicestershire County Council

LOCAL PENSION COMMITTEE - 8 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – BUSINESS PLAN AND BUDGET 2024/25

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's approval of the Pension Fund's Administration and Investment Business Plans, attached to this report marked Appendix A and B respectively, and the Pension Fund budget for 2024/25.

2. Following completion of training needs assessments by Members of the Local Pension Committee and Local Pension Board, a Training Plan has been developed, attached to this report at Appendix C.

Background

3. To demonstrate good governance, the Pension Fund's Budget and Business Plan were presented to the Local Pension Board for consideration on 7 February 2024. The Business Plan is formed of two documents; one covers administration, the other covers investments.

4. The 2024/25 Budget is designed to provide sufficient funding to maintain the level of service required by scheme members and Fund employers over the next financial year.

5. The Local Pensions Board supported both the Business Plan and the Pension Fund budget for 2024/25.

Business Plans

6. The Pension Section's Administration Business Plan details the main changes that will impact on the Pension Fund in 2024/25. The most significant are implementing a solution for the national Pensions Dashboards, ongoing implementation of McCloud, review and implementation of The Pension Regulators (TPR) new Code of Practice, review of the Fund's Additional Voluntary Contribution (AVC provider) and review of the Fund's member tracing service.

7. The key points are detailed in paragraphs 1, 3, 4, 6 and 7 of the Business Plan attached as Appendix A.

8. On 10 January 2024, TPR new Code of Practice was laid before Parliament and comes into force on 27 March 2024. This brings together ten existing codes into a single Code.

9. Officers will work with Hymans Robertson to identify any changes or new areas and set out a plan to ensure that the Fund is compliant.

10. A further report will be presented to the Committee detailing the new Code and the requirements during 2024. The Hymans on-line training Module 2 – Pension Governance has a sub section, LGPS oversight bodies (TPR). It is recommended Committee Members view the on-line training in advance of the change.

11. The Investment Business Plan covers five main areas: training, policies, assets, fund valuation and reporting. One area of focus during the year will be the implementation of the Fund's first Net Zero Climate Strategy and ensuring it aligns with the Strategic Asset Allocation (SAA). Full details of individual work and deliverables are included within Appendix B.

Training Plan

12. Having noted discussions at the Local Pension Committee meeting in January, the Local Pension Board on 7 February, and further completion of training needs assessments by members, officers have developed a Training Plan, which is set out in Appendix C attached to this report. This Plan sets out the timetable for four in-person training sessions for both Board and Committee Members to be held at County Hall during 2024. This is to take account of the varied learning styles of Members and provides, as requested by some members, for a joint training method to complete the online course from Hymans Aspire, in accordance with the Fund's Training Policy. Officers will be available to facilitate interactive Q&A sessions and provide more detailed explanations as needed.

13. If Members are unable to attend the joint training sessions, they are expected to finish the modules within the same timeframe to demonstrate their capacity to attend and prepare for meetings. This training plan will be updated to reflect key issues that arise across the LGPS and other areas of priority which will be picked up during and following Committee meetings as part of the usual arrangements.

Pension Fund Budget

14. Is it important to note the Pension Fund budget is independent of the Council's budget and its finances are managed separately. The Director of Corporate Resources, as the Fund's designated senior officer, has reviewed the Pension Fund budget independently considering the full needs of the service. Whilst the Good Governance project has not been finalised, Phase 3 of the report includes the following proposal:

    - Each administering authority must ensure their committee is included in the business planning process. Both the Committee and LGPS senior officer must be satisfied with the resource and budget allocated to the deliver the LGPS service over the next financial year.

15. The current budget covers the financial year 2023/24 with projected estimates up to 2026/27. A summary of the budget is shown below including current forecasts for

2024/25 to 2026/27. The 2024/25 forecast budget is expected to be sufficient to meet the Fund's statutory requirements.

Budget Heading	2023/24 Budget £'000s	2023/24 Forecast £'000s	2024/25 Forecast £'000s	2025/26 Forecast £'000s	2026/27 Forecast £'000s
Investment Management Expenses (split into three areas)					
○ Management	25,792	25,792	27,518	29,339	31,216
○ Transaction	6,642	6,642	7,087	7,556	8,039
○ Performance	10,500	6,000	10,000	10,000	10,000
Sub Total	**42,934**	**38,434**	**44,605**	**46,894**	**49,255**
LGPS Central costs (Governance, operator running costs, product development)	1216	1199	1298	1350	1417
Staffing	1,551	1,743	1,848	1,913	1,980
IT costs	520	500	530	540	550
Actuarial costs	150	90	150	400	150
Support Services / other	630	700	650	670	700
Total	**47,001**	**42,666**	**49,081**	**51,767**	**54,052**
% of assets under management	**0.85%**	**0.73%**	**0.78%**	**0.77%**	**0.76%**
Average assets under management in year	**5,500,000**	**5,872,500**	**6,265,488**	**6,680,089**	**7,107,494**

16. The LGPS Central budget is agreed by shareholders before the start of the new financial year. An update will be provided later in the year once more accurate costs are agreed. At present the best estimates are included for 2024/25.

Investments

17. The Fund holds no reserves and has no capital expenditure planned.

18. The total budget being forecasted for approval is £49.1 million for 24/25. A breakdown of the expenses is set out below.

Investment Management Expenses

19. Investment Management Expenses have been split into three sections, management fees, transaction costs and performance fees. There could be deviations from these numbers given the changes within fee structures and changes of investment manager. For example, reduced investment manager fees, as a direct or indirect result of asset pooling or increased performance fees if mandates which are subject to performance fees when product investment returns are ahead of the hurdles required.

20. The 2023/24 investment management expenses are a forecast and will be subject to investment market returns that will be finalised after the financial year ends. The Fund has assumed a prudent long-term investment return for the purpose of this budget estimate with estimates provided to 2026/27.

21. The performance fee estimate can be highly variable given the Fund would not expect meaningful performance fees when general market returns are depressed. At the time of setting the budget for 23/24 markets were far more stable and as such a prudent estimate was included within the 23/24 budget based on the prior year forecast. Investment performance during 23/24 has been lower than in the previous year and as such the Fund would expect a lower performance fee for the full year. Once again the Fund has forecasted a higher, more prudent forecast for performance fees in future years to reflect a more normalised rate of investment return.

22. Assets under management (AUM) has been estimated to grow over time plus an estimate for net contributions which is the sum of employer and employee contributions less pensions and lump sums paid. As the AUM increases, the pounds value of investment managers fees will increase given investment management fees are paid based percentages of asset values. The investment management expenses as a percentage of the Fund reduces all other things being equal as fixed costs are spread over a larger AUM.

<u>LGPS Central costs oversight, governance and product development</u>

23. The budget for LGPS Central and costs borne to the Fund, concerning oversight, governance and product development have not yet been approved for the financial year 2024/25. The Shareholder meeting was scheduled for 27 February 2024 but will now be scheduled in March 2024 at LGPS Central's request when resolutions will be presented for vote. At present the best estimate is included for 2024/25 costs. Where a budget cannot be agreed within timescales the shareholder agreement allows for a RPI (Retail Price Index) based change on the previous year's budget to be ratified.

24. The Fund's expected share of costs has been estimated at £1.3 million. The governance costs for LGPS Central are split equally between the eight member local authorities. Operator running costs are split based on assets under management and product development costs are allocated based on products that our Fund has expressed an interest in. As time has passed the level of product development fees has reduced as fewer Central products have been bought forward. There is likely to be continual product development as Partner Funds have their own investment advisors with differing allocations and strategies being approved each year.

<u>Staffing</u>

25. The 2024/25 Pensions Administration staffing budget covers staffing related costs for 38 full time equivalent staff. This includes two temporary full time Pension Assistants employed to work on the McCloud project until 31 March 2025 and two full time Apprentices who are due to start in early 2024/25.

26. The McCloud legislation went live on the 1 October 2023, backdated to April 2014. There remains uncertainty on certain elements, with statutory guidance pending, and no final

implementation date has been set by DLUHC. McCloud preparation and implementation was the most challenging area in 2023/24. The Pension Manager expects this to continue throughout 2024/25.

27. For 2024/25 Officers have assumed an increase of 6% and 3.5% in staffing related costs in the following two years in line with the County Council's assumptions.

28. The expected salary spends in 2023/24 is anticipated to be £192,000 more than budget. This has primarily been due to higher than anticipated inflation and pay award and the increased work associated with McCloud.

<u>IT Costs</u>

29. Following a full tender process, the Pension Section invested in a new pensions administration system in 2018/19 including pensioner payroll, IConnect for employers to submit data monthly, the main core system, workflow and image, and member self-service.

30. In 2023/24 the Pension Section purchased and implemented an enhancement to the administration system, to further automate the retirement to pensioner payroll process. The cost of the system was detailed in the tender and annual costs remains at £520,000 each year, plus an element for annual inflation.

31. In 2024/25 officers will need to purchase a new system called an Integrated Service Provider (ISP) to enable the Fund to comply with new national Pensions Dashboard programme, which will enable people to view all their pensions in "one single Dashboard". For the Fund to link its data from the Heywood pensions administration system to the Dashboard, an ISP is required. Officers will investigate the ISP and adjust the ongoing budget as necessary.

32. The expected spend for 2023/24 is anticipated to be £20,000 less than budget.

<u>Actuarial Charges</u>

33. Actuarial charges are budgeted at £150,000 each year, and at £400,000 during Fund valuation years. The next valuation is the 31 March 2025 so the 2025/26 budget for actuarial costs is £400,000 although elements of the valuation work will be brought forward into 2024/25 to assist administration.

34. The expected spend for 2023/24 is anticipated to be £60,000 less than budget.

<u>Support Services/Other</u>

35. Support Services were made up of Strategic Financial and Operational Finance charges, East Midlands Shared Services, Internal Audit, Central Print, Democratic Services and Legal Services.

36. The expected spend for 2023/24 is anticipated to be £700,000 which is £70,000 more than budget. This is primarily due to high inflation and greater amounts of work provided

by Central Print. Other costs include annual subscriptions, tracing service charges, Officer qualifications, training for Officers, Committee and Board Members.

37. The 2024/25 budget for Support Service is £650,000 which is £50,000 less than the anticipated spend for 2023/24 primarily due to a reduction in East Midlands Shared Services payroll charge.

Benchmarking

38. Officers undertook a review of the Leicestershire administration charges and compared this with a sample of other Funds. The costs covered administration areas and excluded investment costs. The charges were based on the 2021/22 values taken from each Fund's annual report.

39. The 2021/22 exercise identified Leicestershire's administration charge was £25.96 per member. This compared favourably to other Funds of a similar size scheme membership, and the national average of £30.25

40. Leicestershire administration charge for 2022/23 is £28.29 per member. An exercise to compare other Fund's 2022/23 administration charges will take place and be brought to a future Committee meeting.

Budget Summary

41. Over 85% of the budget is spent on investment manager related expenses. Given that most investment manager expenses are based on a percentage of assets under management any increase in asset values, for example an increase in stock market/equity returns, will result in higher management fees paid in total.

42. Investment management costs are volatile and are likely to be higher than expected if investment performance exceeds assumptions. Therefore, the costs detailed in the report could significantly change if returns exceed expectations.

Recommendation

43. It is recommended that the Local Pension Committee approves the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2024/25

44. Completes the Hymans on-line training Module 2 – Pension Governance sub section, LGPS oversight bodies (The Pensions Regulator) and notes the training plan for the year set out in Appendix C.

Equality Implications

45. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further

supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

46. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendices

Appendix A: The Pension Section’s Administration Business Plan 2024/25
Appendix B: Pension Fund Investment Business Plan 2024/25
Appendix C: Training Plan

Officers to Contact

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Pensions Administration

Business Plan

2024-2025

Level One – Changes that impact on the Pension Fund or Leicestershire County Council - (resourced from Pension Fund)

	Priority (<u>Not</u> business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	Customer	Timescale/ Due Date
1	Implement a solution for the national “pensions dashboard” Project for LGPS and Additional Voluntary Contributions (AVCs)	• Write new reports via Insights to identify data improvements • Data cleanse member data • Reduce backlogs of preserved benefits and aggregations • Use the Heywood ISP technical solution that meets the national dashboards requirements • Link the solution to the Fund’s current member self-service solution • Communicate dashboards to employers and fund members	• Monitor the internal KPI measuring improved take up of the Fund’s member self-service. • Monitor future increases in member self-service take up once linked to the national dashboard	• Increased administration cost for the solution • Resource required for report writing and data cleansing • Increased member enquiries about LGPS benefits • Review and amend communications and letters to include the national pensions dashboard	• Heywood (system provider) • Fund employers • LGA	• Pension Sections 103,000 scheme members	• Project work – phased development and improvement • Summer 2024 finalise ISP • Autumn 2024 conclude AVC data checks and process • September 2025 (ongoing data checks) • September 2025 (on boarded) • April 2026 (live)

2	SAB – Good Governance Project	• Implement the final areas of recommendation from the Good Governance Project	• Continue to watch the national position • Guided by Hymans	• Improve the governance of the Fund • Reduce risk	• Hymans • Legal (potentially) • Other Funds (potentially) • Pensions Board, Committee and Democratic Services • CIPFA • SAB	• Scheme members	• No deadline set by SAB but complete within 3 months of the final project report
3	Implement "phase two" of the McCloud remedy – the calculation or recalculation of member benefits with the McCloud period (1 April 2014 to 31 March 2022) included	• Load the final hours and service breaks into the pension system • Calculate new leavers and retirements with the McCloud period included • Recalculate pension benefits for members since April 2014 • Certain Teachers service will be included as LGPS benefits	• Revise benefits and adjust payments where necessary • Develop a KPI for amending the benefits for scheme members • Regular reports detailing progress and risk to the Pension Board	• Additional time to process leavers and retirements from active (to check hours and run the McCloud calc) • Additional time and resource recalculating cases since April 2014, and paying arrears where necessary	• Pension colleagues (internal) • Heywood (system changes) • LGA • Legal Services (potential for legal appeals) • Teachers (multiple employment cases) • Other public sector schemes for non-aggregations	• All scheme members and their dependants	• Deadline for completion for active cases August 2025 (for inclusion 31 March 2025 annual benefit statements) • Other cases – still to be confirmed (but likely to be in 2025/26)
4	Review and implement The Pension Regulators new Code of Practice	• Review the new code	• Report progress to the Pension Board	• Failure to comply could cause	• Legal Services • Hymans • LGA	• All scheme members	• New code provided in January 2024

		• Check the Fund’s compliance against all areas of the new code • Make any necessary changes		breaches of pension law			and due to come into force on 27 March 2024. • Implement changes within 3 months
5	Agree with the Chair of the Pension Board training based on the “training need self-assessments” and Hymans on-line training solution	• Training (internal and/or external)	• Report/s to the Board • Inclusion in the Fund annual report	• Reduce risk • Increase awareness • Further support the Administering Authority	• All Board Members • Pensions Manager • Hymans • Legal Services • External Trainer	• Board Members • Admin Authority • Scheme members	• Ongoing – targeting completion of certain modules as detailed in Board reports throughout 2024/25.
6	Formally review the Fund’s AVC provider	• Review the market using the new national Framework Set up a tender • Score the tender • Write to the scheme members and Fund employers • Officers to consider new investment fund choices	• Results of a formal tender review process • Investment options • Member charges • Reports to the Board and Committee	• Potentially a new or additional AVC provider • Liaise with scheme members about potentially swapping provider (if a new or additional provider is appointed) • Initially increased administration (during the tender build and	• National AVC Framework • Actuary • Officers • Fund employers	• Scheme members • Scheme employers • Heywood system provider	• August 2024

				during implementation)			
7	Review the Fund's member tracing service and overseas pensioner process	• Informally review the marketplace • Review possible Frameworks • Tender exercise	• Report/s to the Board	• Reduce risk • Improve customer experience • Improved efficiency	• Heywood for possible system changes • Possibly a third-party provider • Possibly procurement or a National Framework	• Admin Authority • Scheme members and their dependants • Internal audit	• March 2025
Level Two – Changes that impact on or from Corporate Resources – nil							

Level Three – Pension Section (continuous improvement) – (Resourced from the Pension Fund) – All Business as Usual and continually monitored

	Priority (Business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	EHRIA required Y/N	Officer	Timescale/ Due Date
8	Maintain the Local Government KPIs at or above target, for all areas of Local Government pension administration.	• Key focus on making payments to scheme members within the current KPI and customer satisfaction • Work closely with Pension Team Managers • Monitor changes in legislation	• Report the 3-business process and 7 customer perspective KPIs to the Local Pension Board each quarter	• Maintain and improve customer service • Highlights any falls in service so these can be addressed quickly • Increased officer morale – positive feedback is very welcome	• All fund employers • Heywood for possible system changes	N	Ian Howe	On-going Quarterly reports to the Local Pension Board

		• Monitor workloads • Monitor CIPFA benchmarking KPIs • Demonstrate value for money • Review in line with the outcome of the SAB Good Governance project						
9	Implement ongoing customer service improvements	• Team Managers to explore ongoing customer service improvement opportunities	• Implement new KPI's and review measuring techniques	• Ensure the highest level of service available • Continually look to enhance and improve the customer experience including ongoing improvements to the helpdesk, capturing member feedback, communications, processes, online submission of data, member self-service •	N	N	Ian Howe	On-going
10	Continue to develop a suit of Insight reports	• Identify data improvement requirements	• Short term to long term pension changes	• Improves efficiency • Reduces risk (e.g. over or under payments)	N	N	Ian Howe	On-going

		• Look at various options on how Insights will improve efficiency covering all Teams	reported monthly to Team Manager to monitor	• Eases workloads at year-end (spreading this throughout the year)				
11	Manage and reduce employer risk Keep the employer tracking system (EPIC) updated for monitoring employer changes and risks	• Continue to review bonds and guarantors • Continue to guide new TUPE outsourcings to pass-through pooling • Work with the remaining CABs on reducing their Fund risk • Monitor FE and HE bodies under a possible new DfE guarantee	• Negating the need for full bonds where possible • Assess bond values and take necessary action • Inform the Board each quarter	• Reduce fund related employer risk • Reduce full bond values by moving to pass-through when appropriate • Reduce outsourcing pension costs and risk • Reduce the risk of default by new employers at TUPE • Possible remodelling of FE and HE employer rates	• Hymans • Pensions Liaison Officer • Legal services • Employers	N	Ian Howe	On-going
12	Achieve all the statutory deadlines – ABS by 31 August and pension taxation statements by 6 October	• Work closely with Fund employers, especially those changing payroll providers	• Regulatory statutory deadlines	• Failure is a reportable “material breach” of pension rules • Reportable to The Pensions Regulator • Inform the Local Pension Board • Reputational damage	• All fund employers and their payroll providers • EMSS	N	Ian Howe	31 August 6 October

13	Manage staff sickness levels within the Pension Section	• Team Managers to continue to manage sickness to keep as low as possible	• Pension Section target of 5.0	• Increased sickness – negative impact on morale, KPIs and targets, increased risk of failure with customer service standards and increases time for work completion	N	N	Ian Howe	On-going
14	Continue to develop the right balance between office and home working solutions	• Continue to reduce post moving more to MSS • Maintain close contact with all colleagues working from home	• Increase MSS take up targeting specific areas (e.g. members reaching age 55) • Target specific employers on MSS take up • Team Managers to liaise regularly with each member of their team	• Maintain staff morale • Improved efficiency • Reduced risk • Maintain regular dialog with colleagues and adapt where possible to accommodate colleagues needs	N	N	Ian Howe	On-going

Pensions Administration

Overview

- Provides a statutory service administering the Local Government Pension Scheme to over 180 employers in the Leicestershire Fund with over 103,000 scheme members.
- Rated highly by customers for providing a positive customer experience
- Reports to the Leicestershire Local Pension Board and Pensions Committee, made up of both employee and employer representatives

Key drivers

- Achieve or better, key performance indicators in business processes and customer satisfaction
- Develop bulk processes internally to improve efficiency and make resource available in other key work areas
- Implement phase two of the McCloud remedy
- Improve reporting and efficiency via Insights
- Implement a solution to the national dash boards exercise
- Maintain the right balance between home and office working, for both the service and colleagues

Ian Howe – 16th February 2024

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Appendix B

Leicestershire County Council Pension Fund

Pensions Investment Business Plan

2024-2025

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
Training	Continuous training of the Local Pension Committee	• Officers to review training policy and training needs self-assessment for members and create individual training plans. • Publicise LGPS Central's Annual Responsible Investment/Stakeholder Day meeting date to LPC Members • New Members to have induction with relevant officer(s) and induction pack. Hymans training module 1 – intro to the LGPS • Completion of all Hymans training modules for all officers and members in 22/23: • Training plan for 23/24 based on self-assessments and key issues across the LGPS. • Quarterly Manager presentations.	• Training needs to understand individual requirements, officers to advise Member accordingly • To build minimum standard of knowledge by improving RI understanding, knowledge of investment asset classes and Fund mandates • Highlight LAPPF engagement success and progress as well as informing of new areas of RI. • Hymans online training to generally improve knowledge in the most important areas for Committee members and officers	Training from external sources can include Hymans, LGPS Central, LAPFF, Funds investment managers	• March 2024 • As available • Throughout year • As needed throughout year • Progress to be highlighted to officers and members quarterly

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
Policies	Net Zero Climate Strategy	• Continued implementation of Net Zero Climate Strategy and action plan. • Communication of Strategy and progress against climate metrics. • Further development of measurements through future iterations of Climate Risk Management Report in line with government guidance best practice and data availability • Manager monitoring and engagement on climate metrics and targets.	• To manage the climate risk and opportunities to the Fund arising from Climate Change. • To communicate to scheme members and interested parties of the current progress versus the NZCS interim targets. • To communicate and engage with the Fund's investment managers on the Fund's expectations with relation to climate risk management.	• External support / resource as required to be defined for selected workstreams, Hymans, LGPS Central, other external bodies	• Ongoing, multiyear timescales with 2030 interim targets agreed at March 2023 LPC.
	Update Investment Strategy Statement (ISS)	• Annual update of ISS to include changes from 2024 Strategic Asset Allocation (SAA) review • Update the latest position from the 2023 climate risk report (CRR) and implications to delivery of the Net Zero Climate Strategy interim targets (March 2023)	• Annual refresh which sets the parameters within which the Fund's assets can be invested highlighting factors taken into account when deciding the investment strategy such as responsible investing and climate risk and opportunities.	• None	• April 2024

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
	Annual Review of Fund’s various policies and strategies	• To undertake a review of the Fund’s various policies and strategies including the cash management strategy.	• Annual refresh of relevant Strategies to reflect any developments / maintain best practice within the Fund and its management (such as the NZCS). Or government guidance.	External Support/resource as required Hymans, LGPS Central or other external bodies.	Ongoing, as required
Asset Allocation	Complete the 2023 SAA approved decisions. Enact the 2024 decisions from the Strategic Asset Allocation (SAA) review	• Create and propose implementation plan for outcomes from the 2024 SAA proposals and ISC recommendations • Enact other decisions as approved by the Committee in Jan 2024 throughout the year as appropriate	• To complete investment decisions proposed by Hymans and approved by Committee in Jan 2023 and January 2024 noting that some decisions require careful planning and take a significant amount of time	• The Fund’s investment advisor Hymans Robertson and LGPS Central.	• Existing 2023 SAA approvals currently planned to be completed in H1 2024 • 2024 SAA reviews are scheduled at Investment sub committee meetings as follows: 1. Protection assets 2. Review of two income asset class investments (timberland and bank capital relief)
	Investment manager presentations	• Four manager presentations covering 4 differing various asset classes at scheduled Pension Committees. Asset classes to chosen by officers throughout the year.	• To improve the Committee understanding of the sector and mandates the Fund has investments within including LGPS Central’s governance of external managers.	Investment Manager attendance	• Investment managers for quarterly committee meetings scheduled for March, June, September and November 2024

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
		• Each manager to cover the following: o ESG – e.g. how they identify, assess, and manage climate risks o Describe the mandate and aims o Mandate performance o Market outlook for their sector	• Question manager on ESG polices and performance versus mandate goals • Increase knowledge of the investment class		• Currently scheduled meetings and managers: **March – Adams Street Partners** **June – TBC** **September – TBC** **November – TBC**
	2025 Strategic Asset Allocation preparatory work	• Produce 2025 strategic asset allocation strategy refresh, including: • Agreeing scope with the Fund's advisor and present for approval to the LPC in November • Net Zero Climate Strategy considerations • Balancing required return versus risk and updated medium/long assumptions for asset class returns. • Any potential asset class reviews	• To provide the Fund the right level of return taking into account all risks, assets and liabilities	• The Fund's investment advisor Hymans and any third party with respect to the NZCS	• The SAA is normally delivered for approval at the January Local Pension Committee meeting

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
Valuation	Triennial valuation	• Prepare for the upcoming 3 year valuation due on the 31st March 2025. • Update LPC on the timeline for the valuation principles and key assumptions to be agreed where required.	• Early indication of the potential effects on the Fund valuation and employers when the next triennial valuation takes place. • Improves financial planning and forecasting for employers within the Fund.	• Hymans Robertson	• Updates planned to be bought to the and November 2024 LPC, currently planned to propose the broad principles. • Future 2025 LPC meetings will agree results for stabilised employers, agree final assumptions (eg discount rate, inflation etc) and produce the whole fund valuation report.
Reporting	Annual Report and Accounts	• Approval and publication of the Fund's Annual Report and Accounts by 1 December in line with the LGPS Regulations.			September 2024
	Monitor the annual Budget	• To monitor the Annual Budget reflecting anticipated income and expenditure during 2024	• Provide indications of variances from the budget		• During 2024
	RI Plan	• Progress the Fund's RI Plan as agreed at January 2024 Local Pension Committee meeting. • More information included within the appendix taken to the January 26 2024 Local Pension Committee Appendix A: Draft RI plan 2024	• Continue reporting against best practice and guidance available. • Improved understanding of RI risks including climate change. • Improved communication with scheme members	• LGPS Central. LAPFF, Investment Managers reporting	• Ongoing multiyear implementation alongside NZCS.

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
			and other interested parties.		
	LGPS Central	• Update Committee with Shareholder and customer activity with respect to actions or decisions taken at the Joint Committee and Company (central) meetings	• In line with good governance of the Fund		• As appropriate through 2024/25
	Respond to Government consultations and initiatives	• Participation with LGPS Central and individually where appropriate	• To allow government to hear the Funds views on various topics being consulted on.	LGPS Central, Hymans Robertson	• As appropriate through 2024/25

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Appendix C: Training Plan 2024

Dates for in-person participation in Hymans Modules, where Members are unable to attend, they are expected to complete the modules at times to suit them, and complete by the end of the month of the in person modules.

These will be supported by officers and will include presentations from officers where necessary.

Date	Modules	Time
8 April 2024	Module 3: AVC (11m), Policies and Procedure (20m) Module 5: Procurement (11m) Current Issues, climate change, McCloud and dashboards.	2hr
31 May 2024	Module 1: Introduction to the LGPS Module 2: Governance A presentation from the Head of Law on governance and fiduciary duty and other areas. Module 8: Actuarial Training Module 4: Accounting and Audit	3hr
17 September	TBC	3hr
1 November 2024	Module 6: Investments Module 7: Financial Markets and Products	3hr

This training does not replace the normal training that is completed as part of, and following, Committee and Board meetings. External training opportunities will also be presented to members where applicable.

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Agenda Item 8

Leicestershire County Council

LOCAL PENSION COMMITTEE – 8 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

SUMMARY VALUATION OF PENSION FUND INVESTMENTS

Purpose of Report

1. The purpose of this report is to provide the Local Pension Committee with an update on the investment markets and how individual asset classes are performing.

2. The report also provides an update on progress with respect to the listed equity changes, as approved by the Investment Sub-Committee on 19 April 2023. An update on progress was provided to the meeting of the Investment Sub Committee in October 2023.

Markets Performance and Outlook

3. A summary of global asset class performance over various time frames as at quarter end 31 December 2023 is shown below. Gold has crept back over 10% pa over the last 20 years having dipped below (9.8% pa) last quarter. Performance of gold going forward on the 20-year timeframe will become more difficult given its increase in price during the period from 2004 and 2008 when it doubled in price from around $400 / ounce to over $900 by March 2008.

	3 months*	One year	Three years	Five years	Ten years	Twenty years
GLOBAL EQUITIES	11.0%	22.7%	6.4%	12.3%	8.6%	8.0%
PRIVATE EQUITY	12.7%	31.6%	14.5%	16.4%	12.4%	NA
PROPERTY	17.9%	11.3%	6.0%	7.6%	7.9%	8.3%
INFRASTRUCTURE	10.9%	6.8%	6.0%	7.3%	5.7%	7.4%
HIGH YIELD	6.8%	15.8%	2.3%	4.9%	5.2%	9.7%
PRIVATE DEBT	0.7%	4.1%	0.0%	0.5%	-0.2%	0.0%
UK GILTS	8.6%	3.7%	-9.6%	-3.0%	1.2%	3.2%
UK INDEX-LINKED	9.5%	0.7%	-11.6%	-4.1%	2.0%	4.4%
GOLD	6.9%	7.5%	5.2%	10.0%	8.4%	10.2%

Note: Private Market asset classes will typically display lower volatility compared to their listed index proxies.

Source: Bloomberg Note: listed proxies have been used for Infrastructure, Property, Private Debt and Private Equity

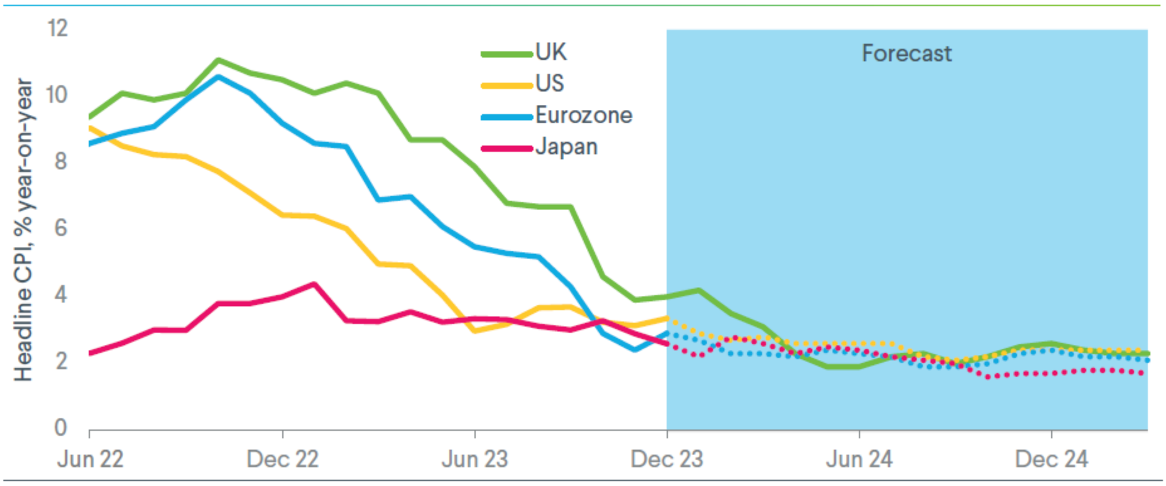
Market backdrop

4. Equity markets have endured a difficult 18 months, including the slowing down of global trade, the war in Ukraine, energy shortages, inflation increases in developed nations and a rapid increase of interest rates in many countries. However global growth defied all but the most optimistic forecasts in 2023, despite the rate hiking cycles seen over the past two years. A fuller capital markets update, provided by Hymans Robertson is appended to this report.

5. Global growth confounded expectations in 2023. Full-year real global GDP growth was around 2.6% in 2023, despite forecasts of a slowdown to 1.5% as higher interest rates, energy prices and a cost-of-living squeeze weighed on consumers and business. The Fund is a diversified global investor and will have benefited during 2023. The valuation of the Fund is now over £6bn for the first time.

6. Hymans summarise that forecasters underestimated the resilience of consumer spending and the extent to which consumers would use savings built up during the pandemic, particularly in the US. The US economy was expected to stagnate in 2023; instead, real GDP looks to have risen 2.5%, making the US economy the engine of growth among the major advanced economies.

7. Forecasts for inflation into 2024 are illustrated below and should enable the major central banks to start reducing interest rates in the second half of 2024. But tight labour markets and strong wage and services inflation mean the pace of decline is likely to slow. Easy wins from falling energy and moderating food and goods prices are largely in the rear-view mirror.



Source: Datastream

8. The Hymans report also includes data on past equity returns based on price earnings ratios similar to today. The table below shows that when equities have had a similar ratio to now (around 24) then the future 10-year return per annum has been between 5% and 12% per annum. The Fund and its advisor take into account information such as this when developing the strategy, whilst noting the Fund is a very long-term investor which is cashflow positive and is able to ‘ride out’ long drawdowns in equity markets without having to divest assets to pay pensions and lump sum benefits.

Source: Datastream

9. The Fund, which is open to new members and with liabilities extending far into the future, taking an always invested (not timing the market) position is important. The Fund is, from a listed equity perspective, highly diversified. It is exposed to many geographies and every major sector via the three Legal General passive funds and the three funds invested via Central, which in total are now valued at nearly £2.5bn.

10. It is well known that a major source of investment returns is asset allocation. The rebalancing of the Fund to the target strategic asset allocation (SAA) is therefore of importance, and where appropriate and in line with the rebalancing policy, efforts are made to rebalance. The current Legal and General Investment Management (LGIM) regional investments rebalance automatically via instructions in place with the investment manager. The investments managed by LGPS Central require dealing instructions to be placed in order to realign with the SAA.

Portfolio changes in the quarter ended

11. The main changes during the October to December 2023 quarter related to the Fund’s growth asset group. The changes are described in the table below.

Aspect (targeted return)	October and November 2023	£40m & £40m redeemed over the two months in line with gradually divesting from this mandate.
Pictet (targeted return)	October and November 2023	£20m & £40m redeemed over the two months in line with gradually divesting from this mandate
Ruffer (targeted return)	November 2023	£25m investment made to bring the mandate towards 3% of total Fund assets
Fulcrum (targeted return)	October and November 2023	The first two of four planned subscriptions at £30m each in order to reach a target of 2% of total fund assets

Reorganisation of the Legal and General (LGIM) passive equity portfolio	November 2023	Moved from 7 regional passive investment funds and 7 UK single stock funds into 3 passive funds, more information below.

12. The final redemptions for both the Pictet and Aspect mandates occurred during January 2024 after the quarter end. This closes out the position from these two mandates in line with the decision taken by the Investment Sub-Committee (ISC) at its meeting in July 2023.

13. At the time of writing the final investments to the Fulcrum and Ruffer mandates have been planned based on the 31 December 2023 valuation point. Once these investments are completed, the targeted return changes will have been completed. The final investments will bring both to their target weights of 3% Ruffer and 2% Fulcrum of total Fund assets.

14. The reorganisation of the LGIM passive portfolio resulted in lowering the listed equity weight towards the target 37.5% of total fund assets.

15. Two changes remain to be completed from the 2023 listed equity recommendations which where were approved at the April 2023 meeting of the ISC, a redemption from the LGPS Central Emerging Active equity fund and an investment into the LGPS Central Global Active equity fund. The net effect of this final change will be a small return of cash to the Fund. Officers are in contact with another partner fund who is looking to make a divestment as part of their SAA realignment which would allow for a swap of units which would save on transaction costs.

16. The Central global equity fund is currently in the process of appointing a fourth manager to the three-manager setup and once this is completed the Fund's transition advisor will update the plan to finalise the last 2 changes.

Cash holdings and outstanding commitments

17. The level of cash held by the Fund is higher than the SAA limit of 0.75% of total Fund assets. This, alongside a cash flow is presented to the ISC each quarter. At the quarter end the Fund held £421m in cash and an additional £48m with Aegon as collateral in order to support the currency hedge. Taken together this represents 7.7% of total Fund assets.

18. The excess has resulted from the SAA recommendations in 2022 and 2023 which prompted a switch from liquid assets, mainly listed equity and targeted return into illiquid assets within the income asset group. These illiquid assets take time for money to be invested (called) by the underlying managers. The managed reduction in liquid assets has continue, however the Fund is still overweight to these asset classes. The final alignment to the 2024 SAA target weight of 42.5% to listed equity and targeted return assets won't be complete by year end. Completing this alignment would add further cash whilst commitments are awaiting to be called and at present the Fund has ample cash to meet commitments.

19. The Fund has made relevant commitments to the underlying mangers which are in the process of being called and at the time writing there are commitments totalling c£650m awaiting to be called. In addition, the Fund has approval to commit a further c£360m in 2024 across private equity and private debt asset classes. Officers are in regular

contact with LGPS Central to ascertain a likely launch date for the private credit vintage and a contingency plan will be developed in the event of delays so that the Fund can make the relevant commitments so as to maintain a steady allocation to this asset class.

20. Over the financial year 2023/24 the cash has been held in a mixture of money market funds (MMFs) and fixed deposits. Given the higher cash holdings a cash management strategy was presented to the October 2023 meeting of the ISC which formalised the limits and types of institutions the Fund can use. The majority of the cash is currently held in three of the available types, money market funds (MMFs), term deposits and certificates of deposit. The final two having maximum terms of one year. At present the Fund has not utilised terms greater than six months owing to the smaller pool of available institutions offering one-year terms and the pricing of one-to-six-month terms.

21. At the time of the Committee meeting the Fund is expected to have cash holdings of around £400m, which is marginally lower than the value as at the 31 December 2023. The Fund currently has £250m invested in fixed term deposits with a weighted average interest rate of 5.35%. As such holding excess cash is providing a substantial return

22. A cashflow forecast for the Fund estimates that cash should reduce gradually over the calendar year towards £200m. Much of the reduction in cash will result from a planned c£300m investment to take place over the calendar year to the LGPS Central multi asset credit fund. The first investment of £50m investment has taken place during February 2024.

23. Other changes to align to the 2024 SAA are shown in the table below. The commitments / investments approved will be called over a number of years whilst the 2024/25 cashflow column shows expected movements over 2024/25. In summary the Fund is overweight cash and growth assets and underweight income assets. Although commitments of a substantial amount have been made to income asset classes, they will take time to be fully called.

Growth	31/12/23 £m	2024 SAA	31/12/23 Actual weight %	Difference, actual to 2024 SAA	£m to target weight	Commitments / investments approved	2024/25: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Listed Equity - Active and Passive	2,480	37.50%	40.7%	3.2%	197		-197	0	0.0%
Targeted Return Funds	313	5.00%	5.1%	0.1%	9			9	0.1%
Private Equity	422	7.50%	6.9%	-0.6%	-35	80	-80	-35	-0.6%

Income	31/12/23 £m	2024 SAA	31/12/23 Actual weight %	Difference, actual to 2024 SAA	£m to target weight	Commitments / investments approved	2024/25: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Infrastructure	654	12.50%	10.7%	-1.8%	-107	160	-20	33	0.5%
Global credit - private debt / CRC	513	10.50%	8.4%	-2.1%	-126	504	-85	293	4.8%
Property	431	10.00%	7.1%	-2.9%	-177	133	-13	-57	-0.9%
Global Credit - liquid MAC	226	9.00%	3.7%	-5.3%	-322	300		-22	-0.4%
Emerging market debt	121	0.00%	2.0%	2.0%	121		-121	0	0.0%

Protection	31/12/23 £m	2024 SAA	31/12/23 Actual weight %	Difference, actual to 2024 SAA	£m to target weight	Commitments / investments approved	2024/25: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Inflation linked bonds	240	3.50%	3.9%	0.4%	27		-27	0	0.0%
Investment grade (IG) credit	158	3.50%	2.6%	-0.9%	-55		55	0	0.0%
Short dated IG credit	60	0.25%	1.0%	0.7%	45		-45	0	0.0%
Active currency hedge collateral	48	0.75%	0.8%	0.0%	3			3	0.0%
Cash	421	0.00%	6.9%	6.9%	421				

	31/12/23 £m	2024 SAA	31/12/23 Actual weight %	Difference, actual to 2024 SAA	£m to SAA weight	Commitments / investments approved	2024/25: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Growth	3,214	50.0%	52.8%	2.8%	171	80	-277	-26	0.4%
Income	1,946	42.0%	32.0%	-10.0%	-611	1098	-239	248	-4.1%
Protection	506	8.0%	8.3%	0.3%	19	0	-17	2	0.0%
Cash	421	0.0%	6.9%	6.9%	421				
	6,087	**100.0%**	**100.0%**						

Overall Investment Performance

24. A comprehensive performance analysis over the quarter, year, and three-year period to 31 December 2023 is conducted by Hymans Robertson who collate information directly from managers and calculate performance, which provides an independent check of valuations. The valuation summary is included with the managers reports within the exempt part of today's agenda.

25. It is important to note that the valuations produced can be different to those provided by managers or included in the Statement of Accounts. For example, timing differences or use of different accounting methodologies. The differences are not expected to be material in the context of the messages being conveyed by this report.

26. Summarised returns for the whole Fund versus benchmark are shown below excluding the effect of the hedging facility. This metric is being worked on by Hymans Robertson and will be available by the next quarter.

	Quarter	1 yr	3 yr pa	5yr pa
Total Fund	+3.8%	+6.3%	+6.3%	+7.2%
vs benchmark	-0.1%	-2.5%	+1.0%	+0.3%

27. The Fund experienced a positive return over the quarter of +3.8%, broadly in line with the overall benchmark. The Fund tends not to focus on short timeframe returns which can be more volatile and instead looks towards the longer three and five-year returns as a measure of performance versus the benchmark.

28. It is important to note that investment returns can be negative and for a protracted period, and chances of negative returns over shorter periods of time are considerably higher than over longer periods of time. As such the Fund takes a longer-term view of

returns which is supported by the objectives of the annual SAA exercise. The exercise seeks to understand the risks and opportunities to the Fund over a longer period and as such the portfolio has a diverse mix of assets grouped into one of three buckets named, growth, income and protection.

29. The one-year underperformance versus the benchmark of -2.5% is mainly driven by the growth and income asset groups. The year to the end of December 2023 was marked by a sharp derating of risk assets as developed global central bank interest rates were raised. As a result, some risk assets which are included within both growth and income asset groups underperformed their benchmarks. As interest rate rise expectations reduce, market commentators expect downward pressure on risk assets to subside.

30. Over a one-year period, the largest underperformance versus the benchmark has arisen from the private equity (PE) holdings, -11.5%. Given the benchmark PE is measured against is a listed broad world index, the lag which PE valuations suffer from is now being fully experienced whereas the listed markets will have suffered these repricing's during early 2023. Over a longer timeframe of three and five years, private equity's annualised return is 18.5% pa and 16.1% pa respectively, both of which are ahead of the benchmark.

31. Valuations for the underlying private equity investments lag those of public listed markets given they are not priced daily like the listed markets. Some underlying holdings will be valued twice a year and are based on a variety of factors such other comparable company sales and performance metrics rather than the price the market attributes to a company.

32. The targeted return holdings have also lagged the benchmark return over 1 year by 8.1%. This is largely due to returns at Aspect and Ruffer not matching the benchmark return which is cash plus 4%. The positive interest environment during 2023 has meant the benchmark for 2023 was a return of 8.8%. Over a longer timeframe targeted return has performed well, outperforming over both the three and five year periods.

Listed equity update

33. On 11 October 2023 the ISC received an update on the listed equity transition which it approved in April 2023.This summarised:

    a. the decision taken to re organise the listed equity holdings and reduce the total Fund weight to 37.5%;
    b. the appointment of a transition advisor; and
    c. described a four-phase plan to reorganise and reduce the listed equity weight to 37.5% of total Fund assets.

34. Phase one of this plan was completed in September 2023 and £220million was received by the Fund when the LGPS Central climate multi-factor fund holding was reduced to the target weight of 12% of total Fund assets.

35. Phase two, which was the reorganisation of the Legal and General investment Manager (LGIM) passive holdings, was completed in mid-November 2023 which collapsed the LGIM geographic holdings and single stock holdings into three funds.

36. Phases three and four which are the divestment of the Central Emerging Market Fund and investment into the LGPS Central Global Equity fund are being planned to coincide with the suitable appointment of a fourth manager to the Central Global Equity fund.

37. The Fund currently aims to divest from the Central emerging equity fund at around the same time as investing into the LGPS Central global equity fund in order to minimise the cash being held by the Fund, followed by regular rebalancing of the equity positions in line with the targets for each of the holdings. The table below shows the progression of the listed equity transition to date and the adjustments left to complete.

	Passive or active	AUM 30.09.23 £m	% of total portfolio %	AUM 31.12.23 £m	% of total portfolio %	Target % SAA 2024	Target weight £m	Adjustments left to plan £m
LGIM UK equity index Fund and UK core equity index fund	Passive	169	2.9%	0	0.0%	0%		
LGIM 7 FTSE 100 single stocks	Passive	25	0.4%	0	0.0%	0%		
LGIM North America Equity index fund	Passive	350	6.1%	0	0.0%	0%		
LGIM Europe (ex UK) equity index fund	Passive	150	2.6%	0	0.0%	0%		
LGIM Japan Equity index Fund	Passive	75	1.3%	0	0.0%	0%		
developed equity index fund	Passive	65	1.1%	0	0.0%	0%		
LGIM World Emerging markets equity index fund	Passive	96	1.7%	0	0.0%	0%		
LGIM UK Equity Fund	Passive	0	0.0%	124	2.0%	2.0%		
LGIM All World Equity Fund	Passive	0	0.0%	643	10.6%	8.0%	487	-181
LGIM Low Carbon Transition Fund	Semi active	0	0.0%	213	3.5%	3.5%		
LGPS Central Active Global Equity Multi Manager Fund	Active	542	9.4%	575	9.4%	12.0%	730	117
Emerging Markets Multi Manager Fund	Active	177	3.1%	181	3.0%	0.0%	0	-181
LGPS Central Climate Balanced Multi Factor Fund	Semi active	698	12.1%	742	12.2%	12.0%		

Total	**2348**	**40.7%**	**2478**	**40.7%**
Total LGIM products	**931**	**16.1%**	**980**	**16.1%**
Total Central products	**1417**	**24.6%**	**1498**	**24.6%**

38. The listed equity changes have progressed in a controlled manner with the final listed equity changes yet to be planned with Central. The transition advisor is in talks with officers and LGPS Central regarding the final changes. It was previously forecast to complete the two LGPS Central changes by the end of financial year, however this is now likely to take place in 2024/25.

Outcomes from the 2024 SAA

39. The Fund's 2024 Strategic Asset Allocation (SAA) was approved by the Committee at the meeting held on 26 January 2024. Hymans Robertson presented at the meeting and summarised that since the last SAA (2023) there had been a material shift in the markets. Many asset classes having posted losses, nominal yields have risen across

all maturities and there has been a material shift in the inflation curve, with expected inflation falling in shorter durations, but staying higher for longer.

40. As part of the annual SAA review, Hymans reviewed the funds current holdings and against the economic backdrop concluded that the current (2023) investment strategy remains appropriate taking into account the Fund's objectives and funding position. A reminder of the of the 2024 SAA target weights is included on table at point 23 of this report.

41. The recommendations approved included a number of reviews to be carried out through the year which are planned to be presented to meetings of the Investment Sub Committee (ISC) during May and July 2024. The two reviews being planned are:

    a. A protection assets review, which will consider amongst other things an increase to the protection assets weighting if the change may result in better risk adjusted returns. Hymans will also investigate if alternative asset classes could be included within the protection assets group. The scope is being worked up by officers and Hymans at the time of writing.

    b. A review to maintain exposure to two asset classes which will be returning capital over the coming years, bank risk share investments and Timberland. The final scope of the review to be agreed between officers and Hymans Robertson in the coming weeks and will be presented to the ISC scheduled for May 2024.

42. In addition, the Committee approved that the Director of Corporate Resources be authorised to make benchmark changes, with such changes to be delivered quarterly through the year, commencing at the June (2024) Local Pension Committee meeting. These changes are designed to better compare the Fund's underlying investments actual performance versus an appropriate target (the benchmark) so that a better appreciation of relative performance can be ascertained.

Leicestershire Pension Fund Conflict of Interest Policy

43. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with four managers with whom the Leicestershire County Council Pension Fund invests, namely Partners Group, JP Morgan, DTZ investors and Christofferson Robb and Company (CRC). Decisions on the County Council's investments were made after the Fund had made its own commitments.

Recommendation

44. The Local Pension Committee is asked to note the report.

Environmental Implications

45. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

46. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

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Background Papers

Local Pension Committee 26 January 2024, Overview of the Current Asset Strategy and Proposed 2024 Asset Strategy (Agenda item 6)
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7538&Ver=4

Investment Sub Committee 11 October 2023, Listed Equity Transition Update (Agenda item 7)
https://politics.leics.gov.uk/documents/s179001/Equity%20transition%20update.pdf

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Appendix

Hymans Robertson, Capital Markets update January 2024

HYMANS ROBERTSON

Capital Markets Update

January 2024

Welcome to our quarterly Capital Markets Update, in which I explore key themes driving the global economy and examine the prospects for individual asset classes.

By Chris Arcari, Head of Capital Markets

Q4 summary

- Global growth defied all but the most optimistic forecasts in 2023, despite the steep rate-hiking cycle of the past two years
- Business and consumer confidence is rising, as inflation fears recede and the prospect of interest-rate cuts comes in to view
- Bond yields fell sharply in quarter four due to expectations of earlier and larger rate cuts in 2024 than previously thought
- Falling yields alleviated concerns over debt affordability, and lent valuation support to stocks
- Credit spreads fell and equities rallied strongly

Key themes

At 2.6%, global growth exceeds expectations

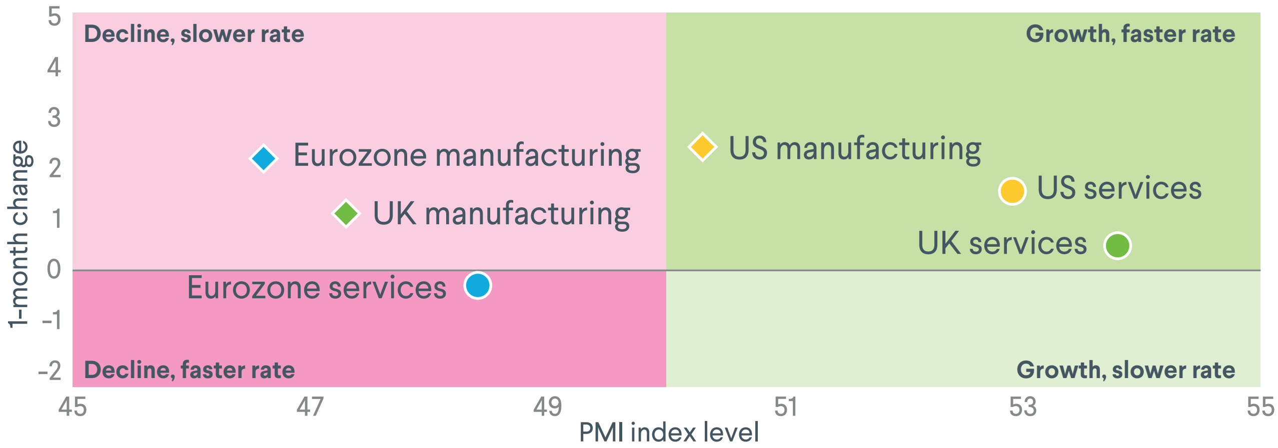
Global growth confounded expectations in 2023. Full-year real global GDP growth was around 2.6% in 2023, despite forecasts of a slowdown to 1.5% as higher interest rates, energy prices and a cost-of-living squeeze weighed on consumers and business. This is a large margin of error, even by the standards of economic forecasts.

Consumers spend pandemic savings

Forecasters underestimated the resilience of consumer spending and the extent to which consumers would use savings built up during the pandemic, particularly in the US. The US economy was expected to stagnate in 2023; instead, real GDP looks to have risen 2.5%, making the US economy the engine of growth among the major advanced economies.

Economists also underestimated the lag with which monetary policy would affect activity – more fixed-rate mortgages, fewer mortgage holders and larger debts concentrated among wealthier, savings-rich households, have been cited. To the extent that the full impact of interest-rate rises is yet to be felt, a degree of caution is still warranted. However, falling inflation and the prospect of interest-rate cuts in 2024 eases debt affordability concerns for consumers and corporates, and improves the balance of risks to the outlook.

Chart 1: Recent business surveys suggest activity is continuing to defy downbeat expectations

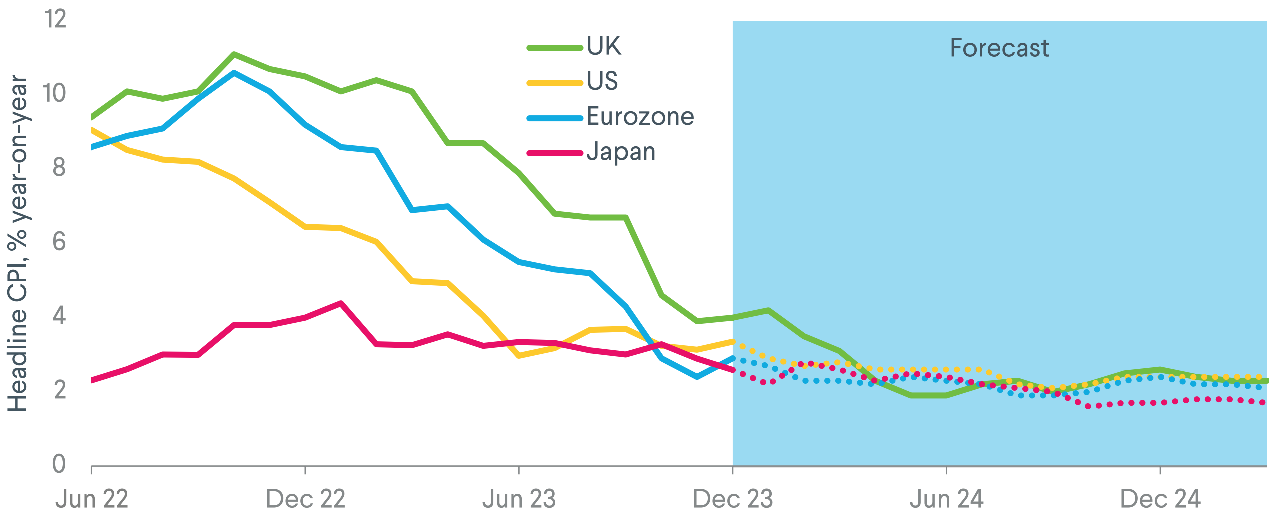


Source: Bloomberg

As you can see in **Chart 1**, recent PMI data point to a healthy US economy, positive momentum in the UK, and an easing (at least) of the downturn in the eurozone. Though, in aggregate, activity in the energy price and interest-rate sensitive manufacturing sector remains much weaker than in the more labour-intensive service sector.

And therein lies another key risk to the outlook. Further declines in headline inflation (**Chart 2**) should enable the major central banks to start reducing interest rates in the second half of 2024. But tight labour markets and strong wage and services inflation mean the pace of decline is likely to slow. Easy wins from falling energy and moderating food and goods prices are largely in the rear-view mirror. And here, too, there are risks, with developments in the Red Sea posing a threat to global supply chains and oil prices. However, for now, pandemic-era inflation feels unlikely, given weak manufacturing activity and a more manageable rise in freight costs.

Chart 2: Further declines in inflation, if realised, should allow central banks some breathing room in 2024



Source: Datastream

As effective interest rates continue to rise, real global GDP growth is expected to slow to a relatively subdued pace of 2.2% in 2024, before re-accelerating to 2.5% in 2025. However, better-than-expected economic data and falling inflation, bringing the prospect of interest rate cuts into view, mean the risks around the outlook are more evenly balanced. Negative inflation developments, which could rule out lower interest rates, leading to tightening of financial conditions via the financial markets, are a key downside risk.

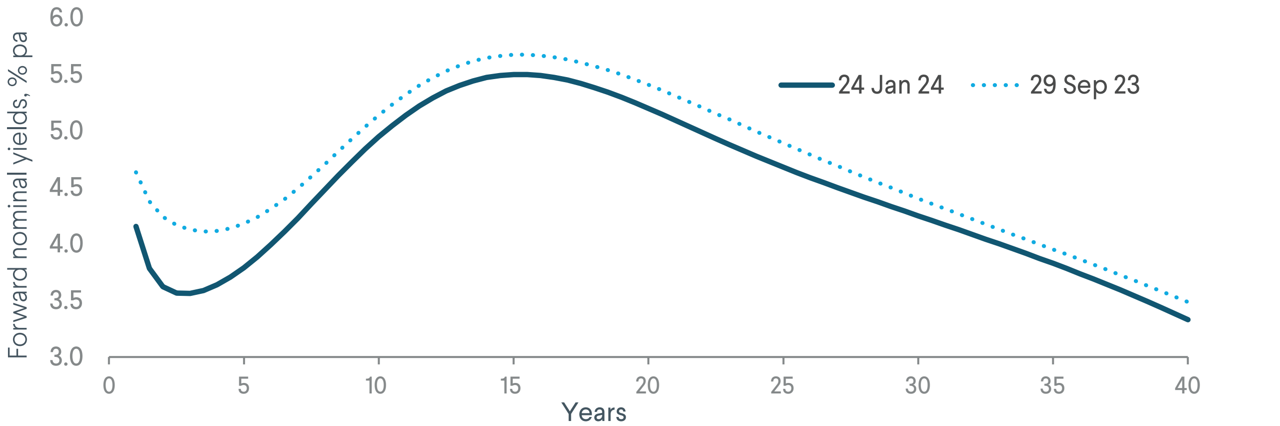
Asset-class views

Government bonds

Declining inflation, alongside lacklustre real growth forecasts for the UK economy, improves the fundamental outlook for gilts. Despite the recent rally, forward nominal yields still look elevated (**Chart 3**) versus our assessment of fair value, based on long-term real growth and inflation forecasts. It's true that there may be some indigestion if the extent of interest-rate cuts priced in to the front end of the curve fail to materialise in the near term, particularly at a time of heavy government issuance and Bank of England asset sales. However, falling inflation and the potential interest-rate cuts that follow may place further downwards pressure on yields.

While subsiding fears about long-term inflation to a certain extent reduce the fundamental support for index-linked gilts, real yields remain at reasonable levels at a time when real growth is expected to be barely positive in the near term. Gilt-implied inflation still looks slightly high relative to central bank targets, particularly after we allow retail price index and consumer price index (RPI/CPI) reform. However, investors with lingering concerns about longer-term risks to inflation may be willing to pay a higher-than-usual inflation risk premium.

Chart 3: Forward nominal yields imply cash rates well in excess of what we would consider neutral



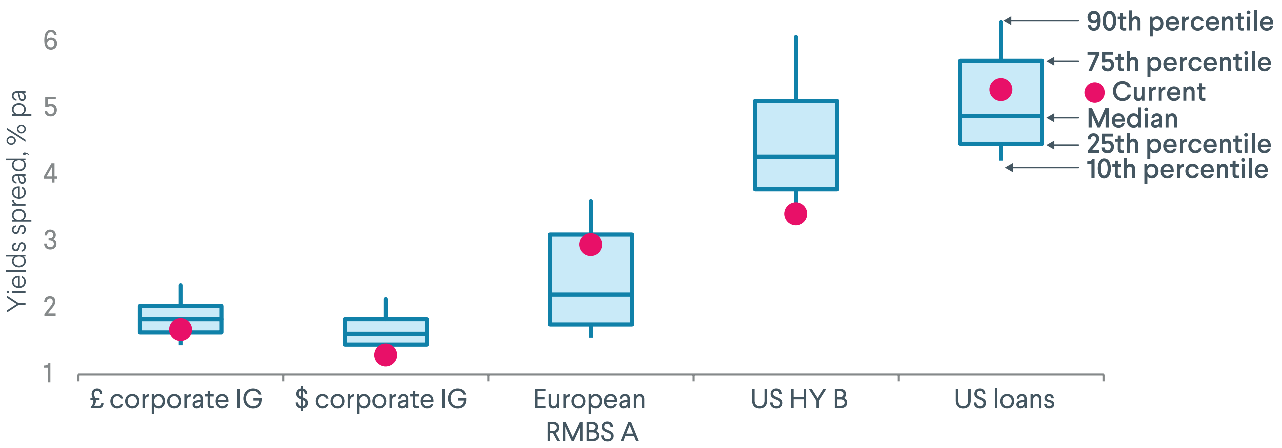
Source: Bank of England

Credit

The prospect of interest-rate cuts and the recent easing in financial conditions, via lower sovereign bond yields, is a welcome development for credit fundamentals. Debt affordability metrics could deteriorate as effective interest rates continue to rise for some time. On average, current yields are above existing coupon rates, meaning maturing debt will be refinanced at higher rates. But the increase in debt costs will be gradual and looks manageable, given limited near-term refinancing pressure and the prospect of interest-rate cuts and improved corporate earnings in 2024 and 2025. Indeed, Moody's expects the default rate to peak at 4.9% in Q1 2024, slightly above current levels and not far above long-term averages.

However, markets have already priced in this benign outlook, and credit spreads have fallen sharply. Some of this may be justified, as default rates are close to peaking and attractive yields provide a cushion against potential spread widening and/or a back-up in underlying rates. But positive sentiment has driven corporate credit spreads well below long-term averages, particularly in fixed-interest markets, where investors have sought to lock in higher yields for longer. Credit spreads at these levels leave little scope for disappointment, and there may be better entry points ahead. We see better value in floating-rate asset-backed securities and loans in investment- and speculative-grade markets, respectively.

Chart 4: Credit spreads leave little scope for disappointment, particularly in fixed-interest markets



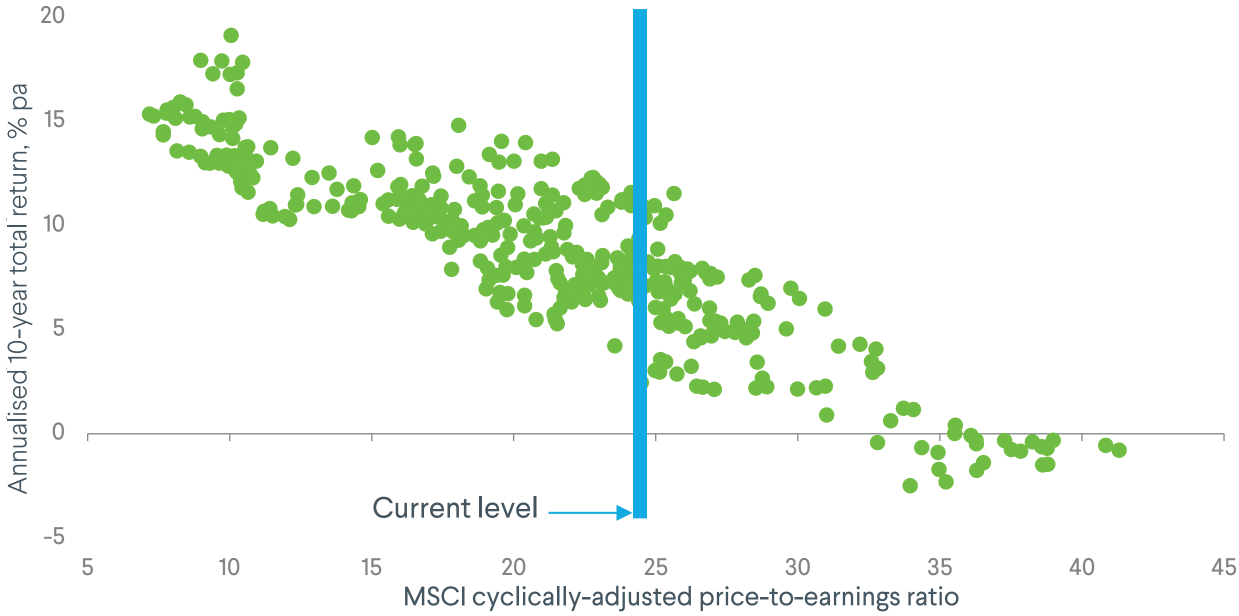
Source: ICE Index Platform, Barings

Equities

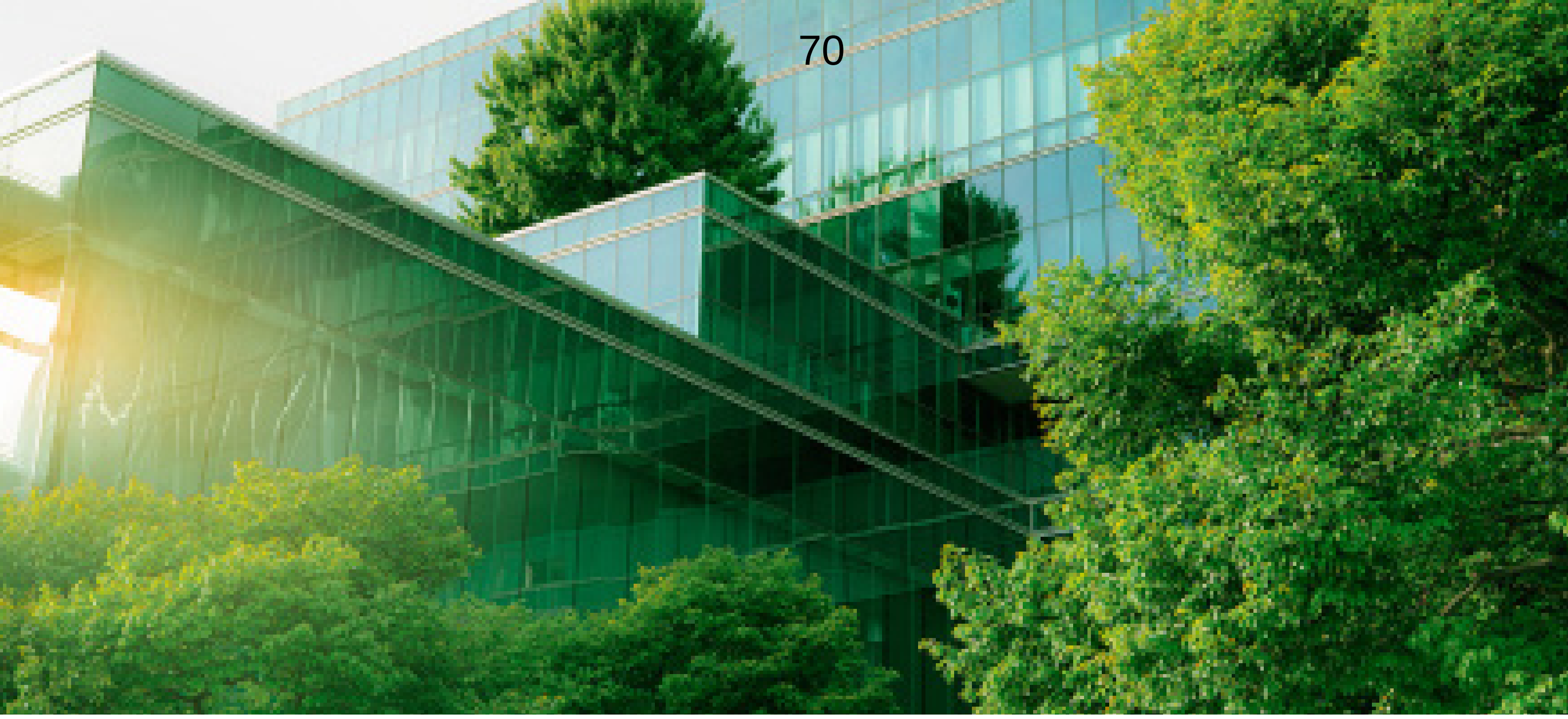
Following flat, full-year earnings growth in 2023, analysts' earnings forecasts for global equities for 2024 and 2025 are healthier, at 10% and 12%, respectively. However, there are risks to the earnings outlook as growth and demand slows. The expectation that global profit margins rebound towards their post-pandemic high may be challenged by higher effective interest rates and employment costs, and waning corporate pricing power. Market performance in the final couple of months of 2023 drove cyclically adjusted valuations above long-term averages – something that has historically augured periods of more subdued subsequent returns (**Chart 5**).

The underperformance of emerging markets over the past few years leaves valuations looking cheap relative to developed markets, even allowing for the usual level of discount observed historically. Emerging markets are forecast to experience the strongest earnings growth among the major equity regions in 2024 and 2025. Despite outperformance in 2023, Japanese equities still look relatively cheap, while relative earnings growth forecasts, and ongoing upgrades to those forecasts, remain supportive. US valuations are high, but look slightly less stretched in the context of usual premium commanded by the tech-heavy market and derive support from relatively strong potential earnings. We're most cautious on European and UK equities, where a relatively poor earnings outlook may more than offset the ostensible cheapness of these markets.

Chart 5: There is strong correlation between equity valuations and subsequent medium-term returns



Source: Datastream

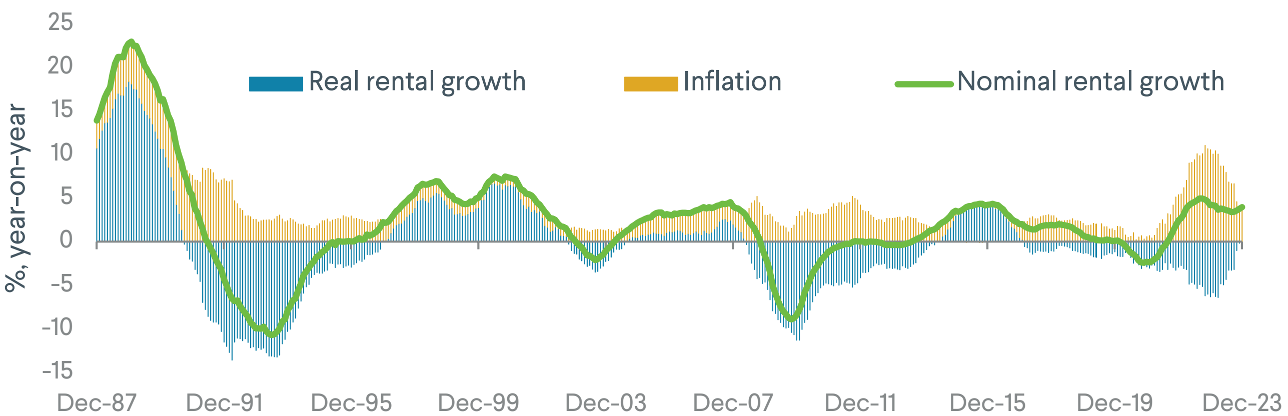


Property

As inflation has fallen sharply, real rental growth has risen (Chart 6), slightly improving the fundamental outlook for UK commercial property. However, a further 2.6% decline in the MSCI UK Monthly Property Capital Value Index in the three months to end-December highlights the structural challenges facing the office and retail sectors. The Royal Institute of Chartered Surveyors' latest survey points to ongoing falls in occupier demand and rent expectations, and rising availability and inducements offered to tenants in both of these sectors. On a longer-term view, we expect tenant demand for quality, and more energy and environmentally efficient buildings, to attract tenants and command higher rents. We feel that tenants and owners will increasingly focus on achieving higher EPC and green standards which may cause a divergence in the market in the future.

Given the 24.4% fall in MSCI UK Monthly Property Capital Value Index since its June 2022 peak, and decent nominal rental growth over the same period, net initial yields, based on current rental income, have risen to 5.5% pa. Gross reversionary yields, based on estimated rental value, have risen much more, to 7.2% pa, perhaps highlighting the increasing asset-management opportunities available in the market. Meanwhile, the technical picture remains challenging, and many UK pooled property funds continue to defer redemptions, with 'gating' in place since the second half of 2022.

Chart 6: Real rental growth is rising, given decent nominal rental growth and declining inflation



Source: MSCI UK IPD Monthly

Conclusion

While global growth is forecast to slow to a relatively subdued pace in 2024, recent resilient economic activity, declining inflation, and easing financial conditions point to a more benign outlook. Moreover, corporate fundamentals look well placed to absorb the ongoing rise in effective interest rates, while consumers will welcome easing inflationary pressures and falls in short-term market interest rates.

However, risk assets have more than moved to price in an easing of downside risks. Credit spreads leave little scope for disappointment, and global equity valuations are now substantially above long-term averages. The fundamental outlook for property markets might have slightly improved and valuations no longer look demanding, but structural issues remain, and the technical picture is still challenging.

There may be better entry points to risk markets ahead, and, in addition to employing usual rebalancing discipline, we would be more comfortable with slightly higher allocations to government bonds and cash than strategic considerations might require. The former still offer decent forward nominal yields and should provide substantial ballast in a more severe downside growth and inflation outcome. The latter now provides a real return to sit on the sidelines and would be the funding asset of choice should inflation disappointment and re-evaluation of interest-rate expectations cause correlated repricing of bond, credit, and equity markets.

Contacting us

To find out more about our views on capital markets, speak to your usual contact at Hymans Robertson.

Additional notes

This communication has been compiled by Hymans Robertson LLP® (HR) as a general information summary and is based on its understanding of events as at the date of publication, which may be subject to change. It is not to be relied upon for investment or financial decisions and is not a substitute for professional advice (including for legal, investment or tax advice) on specific circumstances.

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LOCAL PENSION COMMITTEE – 8 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Committee of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice; and to provide an update on appointment of Chief Executive Officer for LGPS Central.

Policy Framework and Previous Decisions

2. The Local Pension Committee's Terms of Reference sets out that its principal aim is to consider pension matters with a view to safeguarding the interests of all Pension Fund members. This includes the specific responsibility to monitor overall performance of the pension funds in the delivery of services and financial performance, and to consider all matters in respect of the pension funds including:

    - ensuring an appropriate risk management strategy and risk management procedures are in place;
    - ensuring appraisal of the control environment and framework of internal controls in respect of the Fund to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.

Background

3. The Pension Regulator's (TPR) Code of Practice on governance and administration of public service pension schemes requires administrators to record, and members be kept aware of, risk management and internal controls. The Code states this should be a standing item on each Local Pension Board and Local Pension Committee agenda.

4. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for this Committee.

Risk Register

5. There are 18 risks listed in the Register and these are split into six different risk areas. The risk areas are:

    - Investment
    - Liability
    - Employer
    - Governance
    - Operational
    - Regulatory

6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.

7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).

8. There have been no changes to the risk scores since the 1 December 2023 Committee meeting. However, wording has been updated on risk 11 and risk 16. A new risk has also been added. These are highlighted below.

9. To meet Fund Governance best practise, the risk register has been shared with the County Council's Internal Audit Service. Internal Audit have considered the register and are satisfied with the current position. The Local Pension Board also considered this report at its meeting on 7th February and were satisfied with the proposed changes.

10. The risk register is attached to this report marked Appendix A and the Risk Scoring Matrix and Criteria is attached marked Appendix B.

Revisions to the Risk Register

NEW: Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

11. A new risk has been added following the Government's Autumn Statement regarding the consultation on 'Next Steps on Investment'. This followed discussion with the Local Pension Committee previously on the Fund's submitted response to the consultation in October 2023 and concerns related to centrally proposed changes that may require the Fund to make changes to its investment, pooling and governance processes.

12. Furthermore, the potential for the Government's proposals to reduce pools within the LGPS may have significant impacts in the medium term which lead to increased costs and pressure on the Fund if not managed appropriately.

13. The Fund will continue to engage productively with LGPS Central at officer and member level and invest in pooled products where possible and in line with the Fund's investment approach.

14. Officers will review expected guidance and regulation changes when produced by Government or relevant bodies such as the Scheme Advisory Board and continue to update the Committee as needed.

Risk 11: Investment decisions are being made without sufficient expertise to properly assess the risks and potential returns.

15. Additional wording was set out in the further actions and additional controls column highlighting that Local Pension Committee members undertake a training needs assessment and are issued individual training plans.

16. The wording has also been updated to reflect that all members and officers are urged to complete all modules of the Hymans Aspire Online courses, which will be supported by a review of the Fund's Training Policy and Terms of References in 2024.

Risk 16: Failure to identify the death of a pensioner causing an overpayment; or potential fraud or other financial irregularity.

17. An internal audit will take place on this item in quarter four of 2023/24 as part of the regular risk management control in this area. However, an additional control relating to an informal review of the Fund's tracing service arrangements has also been added. This follows improvements to processes by some tracing service providers, designed to improve the customer experience and efficiency, that Fund officers will investigate.

Change to the Risk Management Policy Statement and Strategy

18. At Full Council on 21 February 2024 a revised Leicestershire County Council Corporate Risk Management Policy Statement and Strategy was agreed. This contains the framework for risk management which the Pension Fund follows. This included a change to the Risk Impact Measurement Criteria, which has been updated (impact on the environment). No changes to any risks have arisen from this change given consideration on climate related impacts have already been considered through the Fund's approach to risk.

LGPS Central Company Update

19. Following the departure of LGPS Central's Chief Executive Officer (CEO) in May 2023 John Burns, Deputy CEO has been acting as Interim CEO while the LGPS Central Board recruited to the position. Following recruitment processes Central have now announced Mr. Richard Law-Deeks as new CEO. The appointment will start in early summer, subject to regulatory approval.

20. Mr. Law-Deeks is currently chief executive of the Royal Mail Pension Plan and spent the early part of his career working in local government on pensions and wider finance roles.

Recommendation

21. The Local Pension Committee is asked to approve the revised risk register.

Equality Implications

22. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

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Background Papers

None

Appendix

Appendix A – Risk Register
Appendix B – Risk Scoring Matrix and Criteria

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Appendix A

All risks owned by the Director of Corporate Resources

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since November 2023	Action owner
1	Investments	**Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates**	Poor market returns most probably caused by poor economic conditions and/ or shocks e.g. CV19, global recessions	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise but is still based on a reasonable medium-term assessment of future returns. Last reviewed January 2024.	4	2	8	–	Investments - SFA
2	Investments	**Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations**	Poor performance of individual managers including LGPS Central, poor asset allocation policy or costs of transition of assets to LGPS Central is higher than expected	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation. Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Ensuring that the causes of underperformance are understood and acted on where appropriate. Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each LGPS Central investment product before a commitment to transition is made.	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager divestment to consider multiple factors including performance versus mandate and reason for original inclusion and realignment of risk based on revised investment strategy. The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor how the company and products delivered evolve. Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds. Each transition's approach is independently assessed with views from 8 partners sought.	3	2	6	–	Investments - SFA
3	Investments	**Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers**	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment. These risks may include, but are not limited to the risk of global economic slowdown and geopolitical uncertainty and failure to consider Environmental, Social and Governance factors effectively.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Ensuring that all factors that may impact onto investment returns are taken into account when setting the annual strategic asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes.Utilisation of dedicated RI team at LGPS Central and preparation of an annual RI plan. The Fund is also member of the Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement which is focused on promoting the highest standards of corporate governance and corporate responsibility. The Committee has approved a Net Zero Climate Strategy to take into account the risk and opportunities related to climate change. Climate Risk Report and Climate Stewardship Report. The Fund also produces an annual report as part of the Taskforce on Climate-related Financial Disclosures.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant short term changes to the allocation. This can take into account geopolitical uncertainty, the impact of climate change on the portfolio including risk from stranded assets. Asset allocation policy allows for variances from target asset allocation to take advantage of opportunities and negates the need to trade regularly where investments under and over perform in a short period of time. LGPS Central are in the process of developing an ESG report for the Fund which can be used to monitor the Fund's portfolio exposure, and support engagement with underlying companies	3	3	9	–	Investments - SFA

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since November 2023	Action owner
4	Investments	**Risk to Fund assets and liabilities arising from climate change**	The impact on global markets and investment assets from the transition to a low carbon economy, and/or the failure to achieve an orderly transition in line with the Paris agreement.	Failure of meeting return expectations due to risks, or missed investment opportunities, related to the transition to a low carbon economy, and/or the failure to achieve an orderly transition. Resulting in increased employer contributions costs. Some asset classes, and carbon intensive sectors may be overexposed to transition risks, and/or the risk of stranded assets	Net Zero Climate Strategy, targeting by 2050 with an ambition for sooner. Climate metrics, including decarbonisation targets monitored annually through the Climate Risk Report, and reporting under TCFD recommendations. Supporting real world emissions reduction with partners (LAPFF, and LGPS Central) as part of the Fund's Climate Stwarship Plan. Consideration of clmiate change in investment decisions including investment in climate solutions and funds titled towards clmiate factors. Climate scenario analysis is undertaken biennially on impact to Fund assets. The Funding Strategy Statement's resilience to climate risk was also tested through the 2022 triennial valuation	3	4	12	**Treat**	Annual refresh of the Fund's asset allocation allows for an up to date view of climate risks and opportunities to be incorporated and avoids significant short term changes to the allocation. This will take into account the Fund's latest Climate Risk report. Increased asset coverage for climate metric reporting. Increased engagement with investment managers and underlying companies through Net Zero Climate Strategy and further collaboration. Expected regulatory change on climate monitoring	3	3	9	–	Investments - SFA
5	Liability	**Assets held by the Fund are ultimately insufficient to pay benefits due to individual members**	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not bring imprudent future financial risk Early engagement with the Fund's higher risk employers to assess their overall financial position. Ongoing review of Community Admission Bodies (CABs)	5	2	10	Treat	Actuarial assumptions need to include an element of prudence, and Officers need to understand the long-term impact and risks involved with taking short-term views to artificially manage employer contribution rates. The 2022 valuation assessed the contribution rates with a view to calculating monetary contributions alongside employer percentages of salaries where appropriate. Regular review of market conditions and dialogue with the schemes biggest employers with respect to the direction of future rates. GAD Section 13 comparisons. Funding Strategy Statement approach is to target funding level of 120%.	4	2	8	–	Pensions Manager
6	Employer	**If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This inlcudes data at year end.**	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge and employers that change payroll systems so require new reporting processes	Late or inaccurate pension benefits to scheme members Reputation Increased appeals Greater administrative time being spent on individual calculations failure to meet statutory year-end requirements.	Training provided for new employers alongside guidance notes for all employers. Communication and administration policy Year-end specifications provided Employers are monthly posting Inform the Local Pension Board quarterly regarding admin KPIs and customer feedback.	3	2	6	Treat	Continued development of wider bulk calculations. Implemented automation of certain member benefits using monthly data posted from employers. Pensions to develop a monthly tracker for employer postings	3	1	3	–	Pension Manager
7	Employer	**If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected**	Errors by Fund employers payroll systems when setting the changes	Lower contributions than expected. Incorrect actuarial calculations made by the Fund. Possibly higher employer contributions set than necessary	Pension Section provides employers with the annual bandings each year. Pension Section provides employers with contributions rates (full and 50/50) Internal audit check both areas annually and report their findings to the Pensions Manager Finance reconcile monthly contributions to payroll schedule	3	2	6	**Treat**	Pension Officers check sample cases Pension Officers to report major failings to internal audit before the annual audit process Major failings to be reported to the Pensions Board	3	1	3	–	Pensions Manager
8	Employer	**Employer and employee contributions are not paid accurately and on time**	Error on the part of the scheme employer	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	Receipt of contributions is monitored, and late payments are chased quickly. Communication with large commercial employers with a view to early view of funding issues. Internal Audit review on an annual basis and report findings to the Pensions Manager	2	3	6	**Tolerate**	Late payers will be reminded of their legal responsibilities.	2	3	6	–	Pensions Manager

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since November 2023	Action owner
9	Governance	**If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members**	Prudential implemented a new administration system in November 2020	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	Reported it to the Chair of the Pension Boards and Senior Officers Reported to the LGA and other Funds Discussed with the Prudential Prudential attended a meeting with the Local Pension Board with improvement plan agreed	3	3	9	Treat	Prudential continue to engage with Fund Officers positively to quickly resolve issues National meetings with LGPS Funds and the Prudential continue to develop improvements. A national Framework is being scoped to enable Funds to review and select AVC providers. Leicestershire LGPS will be a founder member of the framework.	3	1	3	—	Pensions Manager
10	Governance	**Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer**	Changing financial position of both sub-fund and the employer	Significant financial impact on employing bodies due to need for large increases in employer contribution rates. Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	5	2	10	Treat	Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates. Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks Investigate arrangements to de-risk funding arrangements for individual employers. Ensure that the implications of the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations is fully accounted for in the Funding Strategy	4	2	8	—	Pensions Manager
11	Governance	**Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns**	The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high	Poor decisions likely to lead to low returns, which will require higher employer contribution rates	Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions. Improved training at Committee. Additional experience at LGPS Central added who make investment decisions on behalf of the Fund.	3	3	9	Treat	On-going process of updating and improving the knowledge of everybody involved in the decision-making process. Members undertake Training Needs Assesment and get issued individual training Plans. Members and Officers are urged to complete all modules of the Hymans Aspire Online Training. TheTraining Policy to be reviewed in 2024 together with Terms of Reference.	2	2	4	—	Investments - SFA
12	Operational	**If the Pension Fund fails to hold all pensioner data correctly, including Guaranteed Minimum Pension (GMP) data, individual member's annual Pensions Increase results could be wrong.**	From 2018 the pensions section has had responsibility for GMPs creating the need to ensure that this is accounted for in the pensions increases	Overpaying pensions (i.e. for GMP cases pension increases are lower) Reputation	Checking of HMRC GMP data to identify any discrepancies. Internal Audit run an annual Pensions Increase result test and provide an annual report of findings Officers run the HMRC GMP check on a case by case basis and input the results into member records at retirement	3	2	6	Treat	Ongoing monitoring on a case by case basis	2	1	2	—	Pensions Manager
13	Operational	**If the Pensions Section fails to meet the information/cyber security and governance requirements, then there may be a breach of the statutory obligations.**	Pensions database now hosted outside of LCC. Employer data submitted through online portal. Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	Diminished public trust in ability of Council to provide services. Loss of confidential information compromising service user safety. Damage to LCC reputation. Financial penalties.	Regular LCC Penetration testing and enhanced IT health checks in place. LCC have achieved Public Sector Network (PSN) compliance. New firewall in place providing two layers of security protection in line with PSN best practice. Contractual arrangements in place with system provider regarding insurance. Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Developed a new Cyber risk policy	5	2	10	Treat	Liaise with Audit to establish if any further processes can be put in place in line with best practice. Good governance project and the expected TPR new code of practice to include internal audit reviews of both areas. Report the findings to the Board.	5	1	5	—	Pensions Manager

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since November 2023	Action owner
14	**Operational**	**If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one off payments could be wrong**	Human error when setting up immediate payments or calculating a pension System failures Over or under payments Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk New immediate payments bank account checks system Use of insights report to identify discrepancies between administration and payroll sides of the system Funds over and under payment policy	Task management used within pensions administration Segragation of duties, benefits checked and authorised by different Officers Training provided to new staff Figures are provided to the member so they can see the value and check these are correct	4	1	4	Tolerate	Monitor the structure of the Pension Section to resource the area sufficiently Ongoing officer training notes Continued develop the workflow tasks	4	1	4	–	Pensions Manager
15	**Operational**	**If transfer out checks are not completed fully there may be bad advice challenges against the Fund** **There are some challenges being lodged from Claims Management Companies on historic transfers out**	Increasing demand for transfers out from members Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits Increased complexity on how the receiving schemes are set up Increased challenges on historic transfers	Reputation Financial consequence from 'bad advice' claims brought against the Fund IDRP appeals (possible compensation payments) Increased administration time and cost	The Pensions Regualtor (TPR) checks Follow LGA guidance Queries escalated to Team Manager then Pensions Manager Legislative checks enable the Fund to withold a transfer in certain circumstances. Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"	2	3	6	Tolerate	Escalation process to officers to check IFA, Company set up, alleged scam activity Further escalation process to external Legal Colleagues National change requires checks on the receiving scheme's arrangements Internal audit review of both transfers in and out of the Fund.	**3**	**2**	6	–	Pension Manager
16	**Operational**	**Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity**	Late or no notification of a deceased pensioner. Fraudulent attempts to continue to claim a pension	Overpayments or financial loss Legal cases claiming money back Reputational damage	Tracing service provides monthly UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes Moved to 6 monthly checks, (from one check every 2 years) National Fraud mortality screening for overseas pensioners	3	**1**	**3**	Tolerate	Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors. Informal review of tracing service arrangements.	3	1	3	–	Pensions Manager
17	**Regulatory**	**The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service**	The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme. The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful	Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Guidance from LGA, Hymans, Treasury Employer bulletin to employers making them aware of the current situation on McCloud Team set up in the Pension Section to deal with McCloud casework. Quarterly updates to the Board.	3	3	9	Treat	Final system changes have been loaded into the system. Internal Audit will commence an audit on the first phase of McCloud implementation in the final quarter of 2023/24. Fund Officers are adopting a phased approach starting with new in scope retirements and leavers. Phase two will require a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.	2	2	4	–	Pensions Manager

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since November 2023	Action owner
18	Regulatory	**The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service**	National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard	Increased administration Data cleaning exercise on member records Increased system costs Additional communications	Initial data cleaning started Contract made with the system provider on building the data link	3	3	9	Treat	Work with LCC's internal IT Team Security checked on the required link to allow the access to secure member pension data GDPR requirements Quarterly updates to the Board Work with the Prudential regarding the transfer of AVC information	3	2	6	▬	Pensions Manager
NEW	Regulatory	**Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.**	National pressure to reform the LGPS, and/or direct investment decisions towards specific asset classes that may not completely correlate with the Fund's fiduciary duty.	Conflicting pressure on the Fund to make specific investments or investment transitions contrary to the Fund's investment approach. Some proposed changes may present additional management fees. Changes to the Fund's pooling approach and subsequent reduction in pools in the medium-term which may lead to administrative, legal and transition burdens and pressure on the Fund if not managed appropriately.	Response provided to the DLUHC consultation on 'Next Steps in Investing' alongside LGPS Central partners on challenges that may arise from proposed changes. Productive participation with LGPS Central at officer and Joint Committee level. Investment in pool products where possible and in line with the Fund's strategy as approved by it's investment advisor.	3	4	12	Tolerate	Officers to review all relevant guidance and/or regulation changes. Continue to work with the Fund's Investment Advisor and LGPS Central on progressing pooling.	3	4	12	NEW	Investments - SFA

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Appendix B: Risk Scoring Matrix

Impact					
5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1	**2**	3	4	5
	Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/Likely	Almost certain

Likelihood of risk occurring over lifetime of objective (i.e. 12 mths)

Residual Risk Score Change since last meeting indicator

↑	Risk Increase
—	No Change
↓	Risk Decrease

Impact Risk Scoring Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Impact on the Environment
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major Local Impact
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Major regional or national impact

Likelihood of risk occurring over lifetime of objective (i.e. 12 mths) Risk Scoring Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

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Leicestershire County Council

LOCAL PENSION COMMITTEE – 8 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND POLICY REPORT

Purpose of the Report

1. The purpose of this report is to provide an annual update of the Pension Fund's current strategies and policies, and to seek approval of the revised policies stated.

Background

2. The Local Pension Committee is responsible for the governance of the Leicestershire Fund, which includes setting policies to be included in statutory documents.

3. This is an annual report to provide the Committee with a summary of current policies or strategies for approval. The content of this report was presented to the Local Pension Board on 7 February 2024.

Summary of Current Policies

4. All current policies covering both administration and investments are listed in the table below. Six policy documents have been updated and are attached to this report with the key changes made highlighted in yellow for ease of reference. Other policies can be found on the Pension Fund website here.

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Updated	Date Next Review Scheduled
Investment Strategy Statement	Yes	Yes	Changes detailed elsewhere in this report	March 2023	March 2024
Investment Advisor Objectives	Yes	No	-	November 2022	November 2024
Responsible Investment Plan	Yes	No	-	January 2024	January 2025
Net Zero Climate Strategy (target	Yes	No	-	March 2023	March 2026

Policy	**Existing Policy (Yes/No)**	**Changes Made (Yes/No)**	**Changes**	**Date Last Updated**	**Date Next Review Scheduled**
set of Net Zero by 2050)					
Cash Management Strategy	Yes	No	-	October 2023	March 2025
Funding Strategy Statement	Yes	No	-	February 2023	November 2025
Administration and Communication Strategy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026
Fund Training Policy	Yes	_	-	March 2022	June 2024
Pension Fund Budget and Business Plan	Yes	Updated to reflect the draft 24/25 Business Plan	-	January 2024	March 2024
Conflict of Interest Policy	Yes	No	-	June 2021	June 2024
Fund Employer Risk Policy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026
Administering Authority (Fund) Discretions Policy	Yes	Yes	Changes detailed elsewhere in this report	January 2024	December 2025
Administering Authority Distribution of Death Grant Policy	Yes	No	-	November 2023	November 2025
Administering Authority Overpayment of Pensions Policy	Yes	Yes	Changes detailed elsewhere in this report	August 2023	July 2025
Cyber Policy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026

Investment Strategy Statement

5. Amendments include:

   a. Inclusion of the Fund's Cash Management Strategy (CMS) which is based on the administering authority's policy on approved organisations for lending. This policy is supported by Link group, the administrating authority's external treasury management advisor.

   b. An update with the most recent Strategic Asset Allocation (SAA) for the Leicestershire County Council Pension Fund which was approved by the Local Pension Committee at the January 2024 meeting.

Fund Employer Risk Policy

6. The Fund Employer Risk Policy has been updated to reflect the Fund's position regarding requests from employers for tailored investment strategies. This is a relatively new area and officers are aware of interest nationally from some employers to influence their Fund's investment policy. Tailored strategies would require a significant amount of time and cost developing a bespoke strategy that differs from the approach for the other employers.

7. There are also employers who have requested a 'partial termination' in respect of their deferred and pensioner members, as they seek to lock in a favourably low value of those liabilities. However, if the value of those liabilities increased in the future there is an increased risk that those extra costs could fall to the other employers.

8. Officers are yet to receive any formal requests of this nature from any employers in the Leicestershire Fund.

9. The Fund is not in favour of these strategies and the Fund Employer Risk Policy has been amended accordingly. It is also proposed that the Funding Strategy Statement will be similarly amended in November 2025 when it is next reviewed.

Administration and Communication Strategy

10. The Administration and Communication Strategy has been updated to state:

    - Where an employer requests significant amounts of additional information for the purposes of an audit then additional costs may need to be recovered from that employing authority.
    - The Fund will consult and/or engage with stakeholders on changes to policies or strategies as appropriate. For example, an engagement exercise was conducted in respect of the Net Zero Climate strategy in 2022/23.

11. Other minor changes have also been made in respect of terminology, to keep the document updated, or to simply tidy up wording.

12. Employers were consulted on the proposed changes between 14th December 2023 and 16th January 2024, but no comments were received.

Administering Authority (Fund) Discretions Policy

13. Item 22 of this Policy has been amended to link the Fund's Distribution of Death Grant Policy.

Overpayment of Pensions Policy

14. Additional details regarding the process officers will follow when managing overpayments and the steps taken to prevent overpayments have been added.

Cyber Policy

15. The Cyber Policy has been amended to remove the expiry dates of the Heywood accreditations although these will still be reviewed annually to ensure that Heywood continue to update these.

16. Details of the 'roles' assigned to Pension Officers when using Altair have been updated to reflect two new roles that have been created in the last twelve months.

17. A paragraph covering two minor products purchased that Pension Officers use has been added for completeness. These are DART, a report writing product and EPIC, a database for storing employer information. Both products are managed by the Administering Authority's ICT.

18. Following the removal of the expiry dates it is now proposed that the Policy is reviewed every two years instead of annually, though the regular reviews described in the Policy will continue. In the event that a significant change in the Cyber Policy emerges, the document will be updated at that time.

Recommendation

19. It recommended that the Local Pension Committee approve the revised policies appended to this report.

Equality Implications

20. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

21. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendices

Appendix A – Overpayment of Pensions Policy

Appendix B – Draft Administration and Communication Policy

Appendix C – Draft Administering Authority (Fund) Discretions Policy

Appendix D – Draft Cyber Policy

Appendix E – Fund Employer Risk Policy

Appendix F – Investment Strategy Statement

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Leicestershire Local Government Pension Scheme

Overpayment of Pensions Policy

Contents

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available Leicestershire Pension Fund member website

This policy was approved by the Pension Committee on 21st January 2022.

1 Introduction

This is the Overpayment of Pensions Policy for Leicestershire Pension Fund ("The Fund"), which is managed by Leicestershire County Council.

Overpayments of pensions can occur for a variety of reasons. It is important that the Fund has a clear policy on how incorrect payments of pension are managed once they are identified.

The Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and incorrect payments.

2 Policy Objectives

The policy objectives aim to ensure the Fund:

- Has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount
- Identifies errors as soon as possible
- Rectifies incorrect payments with the cooperation of the individual
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively

3 Purpose of the policy

The policy is designed to provide assurance to the Fund's stakeholders that:

- All incorrect payments are treated in a fair and equitable manner;
- The Fund seeks to recover overpayments that have occurred, but acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice be able to be recovered (in whole or in part);
- There are steps in place to prevent and investigate potentially fraudulent activity;

4 Effective date and reviews

This policy was first presented to the Local Pensions Board on 8 November 2021 and approved by the Pensions Committee on 21 January 2022. The policy will be reviewed by officers every two years and will be presented to the Board and Committee if changes are required.

The policy was reviewed in June 2023 and changes to the wording in Sections 6 and 7 were made.

5 Scope

The policy applies to;

- All members and former members, which in this policy includes survivor and pension credit members of the Fund who have received one or more payments from that Fund

- Executors of the Estates of deceased Leicestershire Pension Fund members

- Beneficiaries of Leicestershire Pension Fund members where those beneficiaries have received one or more payments from that Fund; and

- Administrators of the scheme

6 Managing overpayments of pension

Overpayments due to administrative issues

If there is an ongoing pension, the Fund will issue a letter to the member notifying of the overpayment and the proposed period over which recovery must be made. This would not normally exceed twelve months, though discretion may be applied dependent on individual circumstances.

If the overpayment is a significant amount, Officers will initially seek to speak to the member first and agree a repayment plan before the letter is issued.

Overpayments following the late notification of the death of a pensioner

If there is a survivor's pension due, the Fund will seek to recover any overpayment by delaying the start of that pension.

If there is no survivor's pension to be paid:

If a solicitor has been employed to deal with the estate of the deceased, an invoice will be issued for any overpayment that has been made. Reminders will be issued in the event of non-payment.

If there is no solicitor dealing with the estate:

An invoice will be raised for any overpayment over £200 and reminders will be issued in the event of non-payment. Overpayments up to £200 have been deemed uneconomical to pursue and will be written off.

Non-payment

In the event of non-payment, the individual circumstances of the case will dictate the appropriate method of resolving the issue.

If the third party is experiencing difficulty re-paying the outstanding amount, they are encouraged to contact the officer dealing with the case to discuss possible options such as a repayment plan or an extension of the deadline may be appropriate, for example if the family are in the process of applying for probate. Where agreed repayment terms are breached, interest may be charged at 1% above base rate, depending on the circumstances of the case.

In some circumstances it may be deemed uneconomic to pursue and consideration may be given to writing off the overpayment.

The Fund will generally seek to only recover overpayments that have been discovered within the last six years, in accordance with the Limitation Act 1980.

7 Prevention

The Fund has processes in place to minimise overpayments occurring.

A report identifies mismatches between the level of pension in payment through the payroll system and the pension as calculated by the administration system, outside of a £12 tolerance. Cases are investigated monthly and rectified where necessary.

The Fund issues annual life certificates to ‘children’ over the age of 18 who are still in receipt of a dependent’s pension because they are continuing in full time education and they are required to produce documentary evidence to confirm this.

The Fund also has several processes to identify where pensioners have passed away and to minimise the risk of overpayments occurring.

Tell Us Once

The Fund participates in the government ‘Tell Us Once’ service, which allows participants to report a death and when the deceased is a scheme member, information is then forwarded to the Leicestershire Fund.

Faraday Tracing Agency

The Fund contracts Faraday tracing agency to conduct a monthly exercise to match reports of our pensioners to their database and identify where they may have died. Cases are split between ‘Excellent’ and ‘Good’ based on the probability of a match. Officers then make their own investigations based on this information and either suspend or stop pensions based on their findings.

National Fraud Initiative (NFI) Exercise

The Fund participates in the government’s biennial National Fraud Initiative. The Fund’s report of pensioners is compared with the Department for Work and Pensions database of the deceased and highlights matches for investigation. The Fund reports it’s findings to NFI to allow them to measure numbers of cases that have been highlighted and savings made from the exercise.

NFI Interim Reports

The Fund also participates in an additional service from NFI, whereby twice-yearly reports are provided in addition to the standard report and is intended as a 'fall back' measure, to pick up any cases that may have been missed by other methods.

Overseas Life Certificates

The Fund issues annual life certificates to pensioners living overseas. These cases are less likely to be picked up through the other processes and pensions are initially suspended if a certificate is not returned. Where a certificate is returned, the signature is compared to previous exercises to ensure they match. Where there is doubt, the pensioner is contacted for further checks.

8 Underpayments of Pension

The Fund will make good any underpayments and pay arrears of pension benefits plus interest where applicable.

9 Officers to Contact

Ian Howe Pensions Manager ian.howe@leics.gov.uk

Stuart Wells Pensions Projects Manager stuart.wells@leics.gov.uk

Leicestershire County Council
PENSION FUND

Leicestershire Local Government Pension Scheme

Joint Administration and Communication Strategy

Sections

1. Administration Strategy
2. Communication Strategy
3. General Data Protection Regulations (GDPR)
4. Performance Targets
5. Service Level Agreements

This document details two strategies, the administration and communication strategies for Leicestershire Local Government Pension Scheme. It also details the Pension Section performance targets and service level agreement for the Scheme's employers.

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available online on the Leicestershire Pension Fund Self-Service website.

This Administration and Communication Strategy was approved by the Local Pension Committee on [DATE].

SECTION 1

ADMINISTRATION STRATEGY

INTRODUCTION

An administration strategy, as allowed for by the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high-quality administration service to the scheme member and other interested parties. Delivery of a high-quality administration service is not the responsibility of one person or organisation but is rather the joint working of a number of different parties.

This is the pension administration strategy statement of the Leicestershire County Council Pension Fund (LCCPF), administered by Leicestershire County Council (the administering authority). Employers in the Leicestershire Pension Fund have been consulted on regarding this document.

The strategy statement sets out the quality and performance standards expected of Leicestershire County Council in its role of administering authority and scheme employer, as well as all other scheme employers within the Leicestershire Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

BACKGROUND

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high-quality service delivery depends upon the relationship between the administering authority and scheme employers in the day-to-day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

The Fund comprises over 180 scheme employers with active members, and approximately 98,000 scheme members in relation to the Local Government Pension Scheme (LGPS). The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between several interested parties, including the administering authority and scheme employers.

IMPLEMENTATION

The strategy statement was first put in place 1 April 2016. This draft version was reviewed in December 2023 and is planned to become effective from 8th March 2024. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the Leicestershire Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Any enquiries in relation to this pension administration strategy statement should be sent to:

Ian Howe – Pension Manager

Leicestershire County Council Pension Fund

County Hall

Glenfield

Leicester LE3 8RB

Ian.howe@leics.gov.uk

Telephone: 0116 305 6945

REGULATORY FRAMEWORK

The implementation of an Administration Strategy has regulatory backing in the form of the Local Government Pension Scheme Regulations 2013. These provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

Regulation 59(1) enables an LGPS administering authority to prepare a document ("the pension administration strategy") which contains such of the matters mentioned below as they consider appropriate: -

- Procedures for liaison and communication with their relevant employing authorities.
- The establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under the LGPS by-
  - (i) the setting of performance targets;
  - (ii) the making of agreements about levels of performance and associated matters; or
  - (iii) such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the relevant employing authorities comply with the statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and the relevant employing authorities to each other of information relating to those functions.

- The circumstances in which the administering authority may consider giving written notice to a relevant employing authority on account of that employer's unsatisfactory performance in carrying out its functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the Administration Regulations also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. The Fund will meet this requirement by having the latest version available on its website. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all its relevant employing authorities and the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate. A consultation took place with the Fund's employers prior to the publications of previous version and following feedback changes were incorporated. Regard must be had by both the administering authority and employing authorities to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day-to-day relationship between Leicestershire County Council as the administering authority and the employing authorities of the Leicestershire Pension Fund. It also sets out the circumstances under regulation 70 where additional costs are incurred as a result of the poor performance of a scheme employer, together with the steps that would be taken before any such action were taken.

Local Pension Board and Local Pension Committee

Governance of the Fund

Leicestershire County Council has delegated the responsibility for decisions relating to the Leicestershire Pension Fund to the Local Pension Committee in accordance with Section 101 of the 1972 Superannuation Act. The Members who sit on the Local Pension 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’s principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.

The Local Pension Board was established in accordance with Local Government Pension Scheme Regulations 2015. The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS. Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator and, such other matters as the LGPS Regulations may specify. The Board maintains oversight of Administration of the Fund through quarterly reports on performance against its key performance indicators and can report any areas of concern for consideration by the Local Pension Committee.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement and this is replicated within the Fund’s Annual Report which sets out in more detail governance of the Fund.

RESPONSIBILITIES AND PROCEDURES

Procedures for liaison and communication with employers

The delivery of a high-quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

Where new employers join the Fund or existing employers require assistance understanding their role and responsibilities, guidance will be provided.

This strategy statement has been developed following consultation with scheme employers and other interested parties. It takes account of scheme employers’ current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Establishing levels of performance

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Leicestershire Pension Fund should agree levels of performance between itself and the scheme employers which are set out in the service level agreement included in this strategy statement.

Quality

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including:

- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Age Discrimination Act 2006;
- Data Protection Act 1998 and General Data Protection Regulations from May 2018;
- Disability Discrimination Act 1995;
- Finance Act 2004; and
- Health and Safety legislation.

Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Internal standards

The administering authority and scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- monthly data will be submitted by employers to the Pension Fund using I-Connect;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately trained member of staff;
- information provided to be authorised by an agreed signatory; and

- actions carried out, or information provided, detailed within the sections and timescales set out in this document.

Timeliness and accuracy

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out several requirements for the administering authority or scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been proposed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the Leicestershire Pension Fund are attached to this strategy.

For the avoidance of doubt “accuracy” in this Strategy is defined as when we have received a completed form with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query.

The timeliness relates to a date of event being either the date the member started or left the LCCPF or any other material change that affects a scheme member’s pension record.

Procedures for ensuring compliance with statutory requirements and levels of performance

Ensuring compliance is the responsibility of the administering authority and scheme employers. We will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness is continually improved. Various means will be employed, in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Audit

The Leicestershire Pension Fund will be subject to annual audit of its processes and internal controls. The Leicestershire Pension Fund and scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by Leicestershire County Council and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The Employing Authority may monitor performance against specific tasks set out in the service level agreement and return the information to the Leicestershire County Council Pension Section on an agreed basis.

Leicestershire County Council will monitor its own performance of the administering authority in carrying out its responsibilities in relation to the scheme.

Improving employer performance (where necessary)

The Pension Section will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the opportunity for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

Where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and /or unwillingness is shown by the employer to resolve the identified issue, the following sets out the steps we will take in dealing with the situation in the first instance;

- LCC Pensions will contact and/or meet with the employer to discuss the area(s) of poor performance and how they can be addressed.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, LCC Pensions will issue a formal written notice to the employer setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- LCC Pensions will clearly set out the calculations of any loss or additional costs resulting to the LCCPF/Administering authority, taking account of time and resources in resolving the specific area of poor performance; and
- LCCPF make a claim against the scheme employer, setting out the reasons for doing so, in accordance with the Regulations.

CIRCUMSTANCES WHERE THE ADMINISTERING AUTHORITY MAY LEVY COSTS ASSOCIATED WITH THE EMPLOYING AUTHORITIES

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs, they must give written notice stating: -

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

CIRCUMSTANCES WHERE COSTS MIGHT BE RECOVERED

Any additional costs to the Leicestershire Pension Fund in the administration of the LGPS that are incurred as a direct result of poor performance, or where an employer requests a specific area of work outside the standard provided by the administering authority, will be recovered from the scheme employer or third-party service provider, depending on the party which is responsible. The circumstances where such additional costs will be recovered from the employing authority are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Leicestershire Fund within the stated timescales;
- failure of a new Fund employer meeting its statutory duty when joining the Fund – for example unnecessary delays in completing an admission agreement, bond or other security as required by the Fund;

- instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body.
- where a specific area of work is requested by an employer, outside of the standard provided, causing a significant increase in pensions administration, e.g., where an employer decides to move all its scheme members into another Fund, creating a full bulk transfer of staff.
- all actuarial costs incurred by the Fund, for any work initiated by an employer, e.g., a bulk transfer of staff, a cessation valuation etc.
- where the employer, or their external auditors request significant amounts of additional information for the auditors of the employers' accounts.

CALCULATION OF COSTS INCURRED

For a persistent failure to resolve an isolated case satisfactorily or where an employer continues to fail to meet its statutory duty, the Fund will recharge costs from the point in time at which we write a formal letter to the scheme employer until the case is resolved, at a rate of £100 for each hour an officer spends trying to resolve the matter.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £100 per hour spent, from the point in time that the formal letter was sent, until performance improves.

Where the performance of the scheme employer results in fines or additional costs being levied against the Fund will recharge the full costs it has incurred to the relevant employer.

Costs for a specific area of work requested by an employer, outside of the standard provided, causing a significant increase in pensions administration will be charged at £50 per hour. Officers will aim to inform the employer in advance of the work commencing and try to minimise the cost wherever possible. Any external system costs associated, will be recharged to the employer in full.

All actuarial costs incurred by the Fund for work initiated by an employer will be recharged to the employer in full.

REVIEW PROCESS

We will review our administration strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every two years.

CONSULTATION

In preparing the administration strategy the Pension Section consulted with the relevant employing authorities and other persons considered appropriate.

The relevant employing authorities must be notified in writing of the final changes and where a copy of the revised strategy may be obtained.

SECTION 2

COMMUNICATION STRATEGY

INTRODUCTION

This is the Communications Policy Statement of the Leicestershire County Council Pension Fund.

The Fund liaises with over 180 employers and approximately 98,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with several other interested parties. This statement provides an overview of how we communicate and how we measure whether our communications are successful.

The communication strategy has been in place since 1 April 2016. Any enquiries in relation to this Communication Policy Statement should be sent to:

Pensions Manager
Leicestershire County Council
County Hall
Glenfield
Leicester, LE3 8RB

REGULATORY FRAMEWORK

This policy statement is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provision requires us to:

"prepare, maintain and publish a written statement setting out their policy concerning communications with:

(a) members;

(b) representatives of Members;

(c) prospective Members;

(d) employing Authorities."

In addition, it specifies that the statement must include information relating to:

"(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;

(b) the format, frequency and method of distributing such information or publicity;

(c) the promotion of the Scheme to prospective members and their employing authorities."

Responsibilities and Resources

Within the County Council's Pensions Section the responsibility for communication material is performed by the Pension Manager with the assistance of one or more senior pension officers.

The team write and design all communications including any web based or electronic material. They are also responsible for arranging all forums, workshops and meetings covered within this statement. Though we write all communication within the section, all design work is carried out by the Council's publications team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

Printing is carried out internally by the Council's printing department or externally where this is more cost effective.

COMMUNICATION WITH KEY AUDIENCE GROUPS

Our audience

We communicate with several stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members and their employing authorities;
- Local Pension Board and Committee Representatives; and
- other stakeholders.

In addition, there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenues and Customs, DLUHC, The Pensions Regulator, and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

The Fund also consults and/or engages with relevant stakeholders on changes to policies and strategies that affect the Fund, employers or other stakeholders. Whilst for some policies consultation is a statutory requirement, there are others where the Fund chooses to do so.

General communication

General day to day communication will continue to be paper based. However, we will complement this by use of electronic means such as e-mail, online communications and our scheme member website: https://leicsmss.pensiondetails.co.uk/

Employers can access information to assist them via our dedicated employer website; www.leicestershire.gov.uk/pensions.

In accordance with County Council policy, large scale communications, such as annual statements, P60s and pension payslips will be provided electronically whenever possible. Members and pensioners can request exemption from this upon written/telephone request, and give instruction that communications continue to be paper based. It is therefore the default that annual benefit statements can be found on-line with a modeller for scheme members to run their own estimates. The Pensions Online system can be found at: https://leicsmss.pensiondetails.co.uk/

Branding

As the Pension Fund is administered by Leicestershire County Council, literature and communications will conform with the branding of the Council.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically.

POLICY ON COMMUNICATION WITH ACTIVE, DEFERRED AND PENSIONER MEMBERS

Our objectives regarding communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- to better educate and explain to members the benefits of the LGPS.
- as a result of improved communication, for queries and complaints to be reduced.

- for our employers to be employers of choice.
- to improve the take up of the LGPS by employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

Type	**Media**	**Frequency**	**Method of Distributio n**	**Audience Group (Active, Deferred, Pensione r or All)**
New Joiner information	Pensions website (registratio n for Member Self-Service account required)	On commencing employment	On-line (paper copies available on request)	New employee s
Pension Fund Report and Accounts	Pensions website	Annually	On-line (paper copies available on request)	All
Annual Benefit Illustrations	Generally on-line but paper still available	Annually	On-line or posted to home address.	Active and Deferred
Information about the Scheme	Pensions website	n/a	n/a	All
Information about fund investments	Pensions website	n/a	On-line (paper copies available on request)	All
Climate Reports	Pensions website	Annually	On-line (paper	All

Type	Media	Frequency	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
			copies available on request	
Net Zero Climate Strategy	Pensions website	Every three years	On-line (paper copies available on request)	All
Online education sessions and presentations	Online	On request by employers/member group (subject to available resource)	On request	Actives and employers
Helpdesk	Phone and email	Daily	Phone calls and email replies to Members queries	All

Explanation of communications

Membership form – Introductory guidance providing an overview of the LGPS, including how much it costs, the retirement and death benefits and how to access further information from the website. Letter F provides details that are compliant with auto-enrolment disclosure and how a member can obtain an opt-out form. This is also being introduced on-line.

New Joiner Information - A ‘Welcome’ letter is initially sent to members with instructions to register for an online ‘Member Self-Service (MSS)’ account. Forms requiring completion and an overview of the LGPS are provided in a dedicated area of MSS, but paper copies are available upon request.

Climate Reports and Net Zero Climate Strategy – Detail of the Fund’s exposure to climate risk and opportunities and how the Fund is managing this risk, as well as progress towards Net Zero Climate Strategy targets. The Fund will look to consult and/or engage as part of significant reviews on the Net Zero Climate Strategy.

Information about Fund Investments – Recognising scheme members have increasing interest in its investments the Fund maintains updates on how it invests, including its role as a responsible investor.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Annual Benefit Illustrations – For active members these include the current value of benefits. The associated death benefits are also shown and whether the member has nominated person(s) to receive the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the benefit.

Website – The LCC has a designated Leicestershire County Council Pensions information website: https://leicsmss.pensiondetails.co.uk/ . Members and pensioners have access to online pension accounts to view and print annual statements, P60s, payslips. Members can also run their own estimates on-line.

This is complemented by a national Local Government Pension Scheme website freely available https://www.lgpsmember.org , which will provide scheme specific information, frequently asked questions and answers, links to related sites etc.

On-line education sessions and presentations – These are sessions that are available on request for groups of members. For example, where an employer is going through a restructuring or review, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights or a general overview of the scheme is requested.

Helpdesk – this was introduced by the Pension Section in 2021 to assist scheme members with their calls and email enquiries. It is being designed to try and enable the first person receiving the call or email to be able to resolve it without the need to refer the scheme member to other Pension colleagues, thereby improving the customer experience and generate efficiency.

Administration Charges - The Pension Section can charge scheme members for certain divorce work, reinstatement work and multiple member estimates. The charge is to cover administration time spent on these cases. The Pension Regulator Code of Practise 14 Governance and Administration of Public Service proposed that it is permissible under Disclosure Regulation that additional information can be made available at a charge.

Work Item	**Charge**
Divorce – Initial CETV	No charge
Divorce – Additional CETV within 12 months	As required, charged at £150 plus VAT
Divorce – Provision of other information	As required, charged between £150 and £725 plus VAT
Divorce – Receipt of pension sharing order or consent order and to establish a new or prospective pensioner record	As required, charged at £475 plus VAT

Divorce – Assuming all documents are in place, settle a transfer out	As required, charged at £250 plus VAT
Estimate - Additional Member Initiated Estimate (within 12 months)	Annual Benefit Statement – no charge One additional written estimate within 12 months – no charge On-line estimates – no charge Additional estimates charged at £100 each plus VAT
Reinstatement of Benefits (and/or associated work) – Where a member has transferred out to an alternative Pension arrangement and work is required to determine any potential loss of benefits	£475 plus VAT – per case

The charges may be amended each year in line with inflationary changes.

POLICY ON PROMOTION OF THE SCHEME TO PROSPECTIVE MEMBERS AND THEIR EMPLOYING AUTHORITIES

Our objectives regarding communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.

As we, in the County Council's Pension Section, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
New Joiner Information	Pensions website (registration for Member Self-Service account required)	On commencing employment	On-line (Paper copies available on request)	New employees

POLICY ON COMMUNICATION WITH EMPLOYING AUTHORITIES

Our objectives regarding communication with employers are:

- to strengthen relationships.
- to assist employers, understand their role and responsibilities.
- to assist employers in understanding costs/funding issues.
- to work together to maintain timely and accurate data.
- to provide a secure way to transfer data to the Fund on a monthly basis.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

Method	**Media**	**Frequency**	**Method of Distribution**	**Audience Group**
Employers Information	Pensions website	At joining and updated as necessary	www.leicestershire.gov.uk/pensions	Main contact for all employers
Bulletins	Electronic (e-mail)	When required	E-mail	All contacts for all employers
Valuation meeting	Virtual	Tri-Annually	Invitations by e-mail/post	All contacts for all employers
Pension Fund Report and Accounts	Pensions website	Annually	E-mail	Main contact for all employers
Meeting with Managers	Virtual	On request	E-mail	Senior management involved in funding and HR issues.
I-Connect	On-line secure website	Monthly data submissions	On-line secure transfer of data – I-Connect	Main data submission route for all current and new employers

Explanation of communications

Employers Information – Employer information is available on the employer's area of the Fund website.

Bulletins – A technical briefing that will include recent changes to the scheme, the way the Pension Section is run and other relevant information to keep employers fully up to date.

Valuation meeting – A formal seminar style event with several speakers covering topical LGPS issues.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Manager meeting – Gives employers the opportunity to discuss their involvement in the scheme with Pension staff.

I-Connect – Provides a secure route for employers to submit their monthly pension data to the Pension Section. There are two solutions available depending on the size of scheme membership at the employer.

POLICY ON COMMUNICATION WITH LOCAL PENSION BOARD AND LOCAL PENSION COMMITTEE REPRESENTATIVES

Employee and Employer representatives sit on both the Local Pension Board and Local Pension Committee.

Our objectives regarding communication with Board and Committee representatives;

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Virtual education sessions	Virtual	When Local Pension Board and Local Pension Committee	Virtual or via the Local Government Employers organisation	All members of the Pension Board and Committee

		meet and as and when required		
Local Pension Board and Local Pension Committee Meetings	Meeting	Quarterly or as required	Attendees of the Board and Committee	All

Explanation of communications

Training Sessions – that provide a broad overview of the main provisions of the LGPS, and elected member's responsibilities within it.

Local Pension Committee – The meeting consists of 10 Employer Representatives and 3 Employee Representatives and has responsibility for the management of the Pension Fund.

Local Pension Board The meeting consists of equal number of Employer and Employee Representatives and is broadly focused on helping the Scheme Manager (the Administering Authority) manage pension scheme administration.

POLICY ON COMMUNICATION WITH OTHER STAKEHOLDERS/INTERESTED PARTIES

Our objectives regarding communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's AVC scheme

Our objectives will be met by providing the following communications:

Method	**Media**	**Frequency**	**Method of Distribution**	**Audience Group**
Pension Fund valuation reports	On-line or email	Every three years	On-line or email	DLUHC/Her Majesty's Revenues and Customs (HMRC)/all scheme employers

Method	Media	Frequency	Method of Distribution	Audience Group
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	DLUHC/HMRC/the Pensions Regulator

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

Completion of questionnaires – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make-up of the Fund.

SECTION 3

GENERAL DATA PROTECTION REGULATIONS (GDPR)

In May 2018 the General Data Protection Regulations (GDPR) came into force.

The Pension Section followed Leicestershire County Council's corporate plan in dealing with this. The regulations are designed to protect scheme member's data.

The Pension Section and employers are both deemed data controllers so there is no requirement for a data sharing agreement to be in place; i.e., there is no legal requirement for employers to have a data sharing agreement.

There is a requirement for two statements to be available and these are;

- Memorandum of understanding for employers
- Fair processing notice

These are available on our website

https://www.leicestershire.gov.uk/jobs-and-volunteering/working-for-the-council/local-government-pensions/pensions-data-sharing

The Pension Section has incorporated GDPR into information provided to new scheme members on the pension scheme membership form and welcome letter. Employers should inform all new employees that their personal data is shared with Leicestershire County Council Pension Section, for the County Council to meet its statutory responsibility of administering the Leicestershire Local Government Pension Scheme.

SECTION 4

PERFORMANCE TARGETS

To measure the success of our communications with active, deferred and pensioner members, we will use the following key performance indicators:

Timeliness

We will aim to meet the following target delivery timescales:

Communication	Audience	Target delivery period
Benefit Statements as at 31 March	Active members	31 August each year
Pension Saving Statements as at 31 March	Active members who breach the Annual Allowance pension growth tax threshold	6 October each year
Issue of retirement benefits	Active members retiring	92% of retirement benefits to be issued within 10 working days of receiving all the necessary information.
Payment of pension benefits	Active members retiring	95% paid within 10 working days of receiving election.
Notification of death related benefits	Dependants of scheme members	90% within 10 days of death notification paperwork.

Customer experience

Feedback media	Perspective	Target
Questionnaire issued (paper or on-line version option available)	Establish members understanding of information provided –	95%

	rated at least mainly ok or clear	
Questionnaire issued (paper or on-line version option available)	Experience of dealing with Section – rated at least good or excellent	95%
Questionnaire issued (paper or on-line version option available)	Establish members thoughts on the amount of info provided – rated as about right	92%
Questionnaire issued (paper or on-line version option available)	Establish the way members are treated – rated as polite or extremely polite	97%
Email survey	Rated as understandable (good or above)	95%
Email survey	Detail of content (good or above)	92%
Email survey	Timeliness of response (good or above)	92%

REVIEW PROCESS

We review the performance targets annually.

SECTION 5

SERVICE LEVEL AGREEMENTS

BY THE ADMINISTERING AUTHORITY

Function / Task	Performance target
LIAISON AND COMMUNICATION	
Publish and keep under review the Leicestershire Pension Fund administration strategy	Within one month of any changes being agreed with scheme employers
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment

Function / Task	Performance target
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the related Board
Deliver training sessions for scheme employers	Upon request from scheme employers, or as required
Notify scheme employers and scheme members of changes to the scheme rules	Within 30 working days of the change(s) coming into effect
Notify scheme employer of issues relating to scheme employer's poor performance (including arranging meeting if required)	Within 10 working days of performance issue becoming apparent
Notify scheme employer of decision to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August
Issue pension saving statements to active members who breach the Annual Allowance pension growth tax threshold as at 31 March each year	By the following 6 October
Issue annual benefit statements to deferred benefit members as at 31 March each year	By the following 31 August

FUND ADMINISTRATION	
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary (but in any event no later than 31 March following the valuation date)
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the Leicestershire Pension Fund	Upon each cessation or occasion where a scheme employer ceases participation on the Leicestershire Pension Fund
Arrange for the setting up of separate admission agreement funds, where required (including the allocation of assets and notification to the Secretary of State)	Within 3 months of agreement to set up such funds

All new prospective admitted bodies to undertake, to the satisfaction of the Leicestershire Pension Fund, a risk assessment of the level or bond required in order to protect other scheme employers participating in the pension fund	To be completed before the body can be admitted to the Leicestershire Pension Fund
All admitted bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund	Annually, or such other period as may be agreed with the administering authority
Publish, and keep under review, the fund's governance policy statement	Within 30 working days of policy being agreed by the relevant Board
Publish and keep under review the Pension Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish and keep under review the Pension Fund's investment strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish the Pension Fund annual report and any report from the auditor	By 31 December following the year end

SCHEME ADMINISTRATION	
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	1 month from receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 days from receipt of all necessary information
Provide transfer-in quote to scheme member	1 month from receipt of all necessary information
Confirm transfer-in payment and membership change to scheme member	10 days from receipt of all necessary information
Arrange for the transfer of scheme member additional voluntary contributions into in-house arrangement	10 days from receipt of all necessary information
Calculate cost of additional pension contributions, and notify scheme member	1 month from receipt of all necessary information
Notify scheme employer of scheme member's election to pay/cease/amend additional pension contributions and/or additional voluntary contributions	10 days from receipt of all necessary information
Provide requested estimates of benefits to employees as requested, where this cannot be provided through Member Self-Service or the employee is planning to retire in the next 12 months	8-10 weeks from receiving the request.
Provide estimates of any additional fund costs to employers in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency as requested.	4 weeks from receipt of all necessary information
Notify leavers of deferred benefit entitlements	Within 2 months of receipt of all necessary information
Provide details of estimated Transfers Out	Within 1 month of receipt of all necessary information
Payment of Transfers Out	10 working days of receipt of all necessary information
Notify retiring employees of options, enclosing appropriate forms	10 working days of receipt of all necessary information **KPI**

Payment of retirement Lump Sum and pension	Lump sum -10 working days of receipt of all necessary information after retirement Pension – Paid in the next available pay run, thereafter the last banking day of each month **KPI**
Death notifications – issue initial letter requesting certificates	5 working days following notification of death
Notification of survivor benefits	10 working days of receipt of all necessary information **KPI**
Appoint stage 2 “appointed person” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “appointed person”
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
Publish and keep under review the Leicestershire Pension Fund policy on the abatement of pension on re-employment	Notify scheme employers and publish policy within one month of any changes or revisions to the policy
Load employer’s monthly data received via I-Connect	Within 1 month of receiving all the necessary information.
Promote the use of Member Self-Service	Increase Member Self-Service by 650 scheme members per month

BY THE SCHEME EMPLOYER

Function / Task	Performance Target
LIAISON AND COMMUNICATION	
Formulate and publish policies in relation to all areas where the employing authority may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the Leicestershire Pension Fund	Within 30 working days of policy being formally agreed by the employer.
Remit and provide details of total employer/employee contributions	By 19th of the month after deduction is taken.
Respond to enquiries from administering authority	10 working days from receipt of enquiry
Provide year end information required by the Leicestershire Pension Fund for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund	By 30th April following the year end, due to the earlier closure of the accounts.
Ensure payment of additional costs to the Leicestershire Pension Fund associated with the poor performance of the scheme employer	Within 30 working days of receipt of invoice from the Leicestershire fund
Distribute any information provided by Leicestershire Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt
Notification to the Leicestershire Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g., restructurings/pay reviews/employer going to cease/ contracting out of services).	No later than 10 working days after material change / formal employer agreement on assumption related areas
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment or change in contractual conditions

Function / Task	Performance Target
Inform LCCPF of all cases where a prospective new employer or admitted body may join the fund	Notify LCCPF at least 3 months before the date of transfer
FUND ADMINISTRATION	
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the Leicestershire Pension fund / within timescales specified in each case

EMPLOYER ADMINISTRATION	
New Starter Make all necessary decisions in relation to new scheme members in the LGPS (whether full or part time, pensionable pay, appropriate contribution rate band, etc)	10 working days of scheme member joining
New Starter Provide administering authority with scheme member details on appropriate form/via electronic interface. Issue starter form to new employee.	10 working days of scheme member joining/from month end of joining
Pension Contributions Arrange for the correct deduction of employee contributions from a scheme members pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in or change in circumstances
Pension Contributions Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with employer's policy	Immediately upon commencing scheme membership, reviewed as per policy
Pension Contributions Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate

Pension Contributions Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions
Pension Contributions Commence/amend/cease deductions of additional regular contributions	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member
Pension Contributions Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19th of the month after deduction is taken.
Pension Contributions Refund any employee contributions when employees opts out of the pension scheme before 3 months	Month following month of opt out
Pension Contributions Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
End of year Send a completed end of year detailed contribution spreadsheet used for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund	By 30th April following the year end, due to the earlier closure of the accounts.
Leavers Determine reason for leaving and provide notification to administering authority of scheme leavers	Within 30 days of leaving
Retirement Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of notification of intention to retire
Estimates Initiate any estimates, (other than ill health), that generate a capital cost.	Within their own internal agreed working timescale

Final Pay Provide CARE and final pay information for each scheme member who requires an estimate, leaves/retires/dies and forward to Leicestershire Pension Fund on appropriate form/via electronic interface	Within 10 working days following date of estimate request/leaving/ retirement/death
Employer appointments Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with Leicestershire Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
Employer appointments Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority	Within 30 working days following the resignation of the current "appointed person"
I-Connect – Monthly Posting* Submit pension data via the secure I-Connect employer self-service module	By the end of the following month

Leicestershire Local Government Pension Scheme

Fund Discretions

Sections

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available here.

This policy was approved by the Pension Committee on DATE and will be reviewed every two years. This draft version was reviewed in December 2023 and is planned to become effective from 8 March 2024.

1. Introduction

Leicestershire County Council, as the administering authority for the Leicestershire Pension Fund, has determined it's discretionary policies in accordance with the Local Government Pension Scheme Regulations 2013, as amended, and related legislation.

The full Leicestershire Pension Fund's administering authority discretions policies are set out in this statement.

2. Governance and Policies

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
1	2013 Reg 55	Publish a Governance Policy stating how functions are delegated and whether the Administering Authority complies with guidance given by the Secretary of State	The current Governance Policy and Compliance Statement is included in the latest Pension Fund Annual Report and can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance
2	2013 Reg 58	Decide on the Funding Strategy for inclusion in funding strategy statement.	The Funding Strategy is reviewed and approved by the Fund's Local Pension Committee. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance
3	2013 Reg 61	Develop a Communication Policy setting out how the Administering Authority communicates with members, representatives of members, prospective members and employing authorities and the format,	The Fund incorporates the Communication Policy within the Funds Administration Strategy. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

		frequency and method of communications.	
4	2013 Reg 59 (1) Reg 59 (2)	Decide whether to have a written Pensions Administration Strategy and, if so, the matters it should include.	The Fund incorporates the Administration Strategy with the Communication Policy. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

3. Appeals and the Adjudication of Disagreements

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
5	2013 Reg 74(1) 2008 (Admin) Reg 58 1997 Reg 100	Appoint a person for dealing with applications under Stage One of the dispute resolution procedures (AADP) in relation to any disputes relating to the role as Administering Authority (includes in relation to councillor members).	Head of Law and Deputy Monitoring Officer will usually act as the adjudicator for the Fund in respect of Stage One appeals against Administering Authority disputes. This duty can be delegated as necessary.
6	2013 Reg 76(4) 2008 (Admin) Reg 60(8) 1997 Reg 99	Decide the procedure to be followed by the Administering Authority when exercising its Stage Two AADP functions (includes in relation to councillor members).	Director of Law and Governance will usually act as the adjudicator for the Fund in respect of Stage Two appeals against Administering Authority disputes. This duty can be delegated as necessary.
7	2013 Reg 79(2) 2008 (Admin) Reg 63(2) 1997 Reg 105(1)	Whether the Administering Authority should appeal to the Secretary of State against an employer decision (or lack of a decision) – includes in relation to councillor members.	Fund Officers will consider on a case by case basis, appealing to the Secretary of State when there is sufficient evidence that an employer has made a decision or committed an act (or failed to act) that is both wrong in law and material, where Fund Officers have been unable to persuade the employer to alter its actions (or inactions).

4. Admission Agreements

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
8	2013 Sch 2 Part 3 Para 1	Whether to agree to an admission agreement with an external employer.	Agreement to admission, as a scheme employer, as an admission body is decided by Fund Officers. A legally signed Admission Agreement is required in all cases.
9	2013 Reg 4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	NHS staff who are subject to transfer retain right to participate in the NHS Pension Scheme via a Direction Order with the new employing authority, so it is extremely unlikely the Administering Authority will need to exercise this discretion. However, in the rare event this is needed, agreement to admission, as a scheme employer, as an admission body is decided by Fund Officers. A legally signed Admission Agreement is required in all cases.
10	2013 Sch 2 Part 3 Para 9(d)	Whether to terminate a transferee admission agreement in the event of: • the insolvency, winding up or liquidation of the body • a material breach by that body of its obligations under the admission agreement • the failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so.	The Fund would not normally terminate a transferee admission agreement earlier than the contract end. However, this would be considered in exceptional circumstances. Officers will refer to the Fund's Employer Risk Policy and transferee admission agreement if an employer failed to make payment of sums due to the Fund.
11	2013 Sch 2 Part 3 Para 12(a)	Employees of a contractor are only entitled to remain in the LGPS whilst they continue to be employed in connection with the original services that were transferred. This expression should be defined by the Administering Authority.	The Fund defines 'Employed in connection with' as meaning "employed mainly (i.e. at least 51% of their time) in the management or delivery of such services as are set out in the Contract. This is included in the Admission Agreement

12	2013 Reg 54(1)	Whether to set up a separate admission agreement fund.	The Administering Authority does not currently operate any separate admission agreement funds. Any proposal to create an admission agreement fund would be subject to discussion between Officers and the Fund Actuary.

5. Employer Management

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
13	2013 Reg 64(4)	Whether to obtain a revision of the rates and adjustments certificate (R&A) if there are circumstances that make it likely that a Scheme Employer will be ceasing.	The Fund would not normally obtain a revised rates and adjustment certificate. However, Section 3.3. note (g) of the Fund's FSS gives the Fund the right to obtain a revised R&A in the following circumstances: - in the opinion of the Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation; - an employer is approaching exit from the scheme within the next two years and before completion of the next valuation
14	2013 Reg 68(2) 2014 (Transitional Provisions) Sch 2 Para 2(3) 1997 Reg 80(5)	Whether to require any strain on Fund costs to be paid "up front" by an employer following: • Flexible retirement • Redundancy, business efficiency • The waiving (in whole or in part) of any actuarial	Section 3.6 of Fund's Funding Strategy Statement currently sets out the Fund's policy: The Fund's policy is to recharge the full strain costs as a single lump sum, in all cases.

		reductions that would have otherwise been applied on voluntary or flexible retirement • Where the rule of 85 is switched on before age 60 • Where actuarial reductions are waived on compassionate grounds • Payment of a pre-1 April 2008 deferred benefit on ill-health grounds	
15	2013 Reg 80(1)(b) 2014 (Transitional Provisions) Reg 22(1) 2008 (Admin) Reg 64(1)(b)	Specify information to be supplied by employers to enable the Administering Authority to discharge its functions.	Employers are required to provide information in accordance with the Fund Administration and Communication Strategy.
16	2013 Reg 69(1)	Decide frequency of payment of contributions to the Fund by employers and whether to make an administration charge.	The due date for employer contributions is the 19th of the month following the month to which they relate. Employer contribution rates include an element to cover fund administration expense. Additional payments (e.g. strain costs for all early payments) are charged in full in the year the member leaves the scheme. The Administration and Communication Strategy provides details when an administration charge may be applied. These are charged in the year the work occurs.
17	2013 Reg 69(4)	Decide the format and frequency of information from employers to accompany payments of contributions to the Fund.	From the 31 March 2022 the Fund requires all employers to submit their monthly return electronically via IConnect. New employers are required to use IConnect. All employers reconcile their full years contributions at year end and submit an annual return.

18	2013 Reg 70 2014 (Transitional Provisions) Reg 22(2)	Whether to issue an employer with a notice to recover additional costs incurred as a result of the employer's level of performance.	The Fund's administration and communication strategy sets out measures when charges can be raised for additional costs incurred.
19	2013 Reg 71(1)	Whether to charge interest on payments by employers which are overdue.	The Fund does not normally charge interest on late payment but proactively pursues employers to remedy any arrears. The Fund reserves the right to included interest in exceptional circumstances as agreed by Fund Officers. Employers only benefit from investment returns from the date payment is received, hence other employers are not adversely impacted by late payment.
20	2013 Reg 36(3) 2008 (Admin) Reg 56(2) 1997 Reg 97(10)	The Administering Authority is required to approve medical advisors used by employers (for the determination of ill health benefits) – including in relation to councillor members.	Fund Officers will determine whether an employer's appointed Occupational Health Provider is appropriate for the provision of medical certificates regarding members incapacity in relation to the Local Government Pension Scheme Regulations.

6. Payments relating to deceased members

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
21	2013 Reg 82(2) 2008 (Admin) Reg 52(2) 1997 Reg 95	A death grant due to a scheme member's estate, can be paid to the personal representative(s), or anyone appearing to be, without the need for grant of probate / letters of administration if the death grant is less than the amount specified in any order under Section 6 of the Administration of the Estates (Small Payments) Act 1965. This also relates to councillor members.	The Fund will normally pay the death grant without production of Grant of Probate or Letters of Administration where the sum due is less than £15,000
22	2013 Regs 17(12), 40(2), 43(2), 46(2) 2014 (Transitional Provisions) Reg 17(5) to (8) 2008 (Transitional Provisions) Sch 1 1997 Regs 38(1), 155(4) 1995 Reg E8 2007 (Benefits) Regs 23(2), 32(2), 35(2)	The Administering Authority may, at its absolute discretion, pay any death grant due (including AVCs, SCAVCs and life assurance relating to AVCs) to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of	Any death grant due will be distributed in accordance with the Fund's Distribution of Death Grant policy. The latest version can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

		the member. This also relates to councillor members.	
23	2013 Sch 1 2014 (Transitional Provisions) Reg 17(9)(b) 2007 (Benefits) Reg 25	The Administering Authority must decide the evidence required to determine financial dependence of a co-habitee on a scheme member or financial interdependence between the co-habitee and the scheme member	The appropriate parties will be provided with details of the evidence required to determine financial dependence or interdependence. Where required, the final decision will be made by Fund Officers.
24	2014 (Transitional Provisions) Regs 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) 2007 (Benefits) Reg 10(2)	Where member dies before making an election in respect of the use of average of 3 years pay for final pay purposes, the Administering Authority can decide whether to make that election on behalf of the deceased member.	The most advantageous figure will be automatically applied by the Fund.
25	2014 (Transitional Provisions) Regs 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) 2008 (Transitional Provisions) Sch 1 1997 Reg 23(9)	Whether to make an election on behalf of a deceased member who had a certificate of protection of pension benefits so their benefits may be calculated using the best pay figure.	The most advantageous figure will be automatically applied by the Fund.
26	1997 Reg 22(7)	Whether to select an alternative final pay period for	The most advantageous figure will be automatically applied by the Fund.

		deceased non-councillor member (applies to leavers between 31st March 1998 and 1st April 2008).	
27	2013 Sch 1 “Eligible Child” 2014 (Transitional Provisions) Reg 17(9)	Whether to treat a child as being in continuous education or vocational training, despite a break (including a child of a councillor member) so that the child's pension resumes after the break.	The Fund will normally accept short breaks including term holidays and also gap years, as being interruptions in education or training and will restart a suspended child’s pension at the end of such a break or gap, providing sufficient evidence is received to support it.
28	1997 Reg 47(1) 1995 Reg G11(1)	How to apportion children’s pension amongst eligible children (children of councillor members and children of leavers between 31st March 1998 and 1st April 2008).	Where there is more than one eligible child, the Fund will normally divide a children’s pension equally between the eligible children.
29	2007 (Benefits) Reg 27(5) 1997 Reg 47(2) 1995 Reg G11(2)	Whether to pay the whole or part of a child’s pension to another person for the benefit of the child (includes children of councillor members). This applies to pre 1st April 2014 leavers only.	Where a child is under 16, Fund Officers will normally pay his/her pension to the person who has the care of the child, to be applied for the benefit of that child. Where a child is 16 or over, Fund Officers will normally pay his/her pension to the child.
30	1995 Reg F7	Whether or not to suspend a spouses’ pensions during remarriage or cohabitation	The Fund will not suspend spouse’s pension due to remarriage or cohabitation and, therefore, they will be paid for life.

7. Transferring or Linking of Pension Benefits

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
31	2013 Reg 98(1)(b)	Whether to agree to the payment of a bulk transfer.	Bulk transfer terms will be negotiated and agreed on a case by case basis in consultation with the Fund actuary, the scheme employer, the new scheme and the administering authority. Currently section 3.10 of the Funding Strategy Statement states that the Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities.
32	2013 Reg 100(6)	The Administering Authority (with the agreement of the employer) may extend the 12-month time limit for a scheme member to elect to transfer in benefits from a non-LGPS or personal pension plan.	The Fund will only allow transfers from Public Sector Transfer Schemes*, provided that the application is made within 12 months of joining the scheme. The 12-month time limit may be extended by agreement with the Pension Manager and the employer. *The Public Sector Transfer Club is a network of public sector pension scheme generally providing membership credits of similar lengths when a member transfer between them.
33	2013 Reg 100(7)	Whether to allow transfers of pension rights into the Fund.	
34	2014 (Transitional Provisions) Reg 15(1)(d) 2008 (Admin) Reg 28(2)	Whether to charge a scheme member for the provision of an estimate of the additional pension that would be provided in the Fund in return for a transfer in of in house AVC/SCAVC funds (only applies where the arrangement was entered into before 1st April 2014).	Scheme members may request one estimate in any 12-month period that is provided free of charge. If a further quote is requested by the scheme member in the same 12-month period, the Fund reserves the right to impose an administration charge on the member.
35	2014 (Transitional Provisions) Reg 10(9)	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has	The most advantageous figure will be automatically applied by the Fund.

		ceased should be aggregated (where there is more than one ongoing employment).	
36	1997 Reg 118	Whether the Fund will retain the Contributions Equivalent Premium (CEP) where a scheme member transfers out to a Contracted-in pension scheme (for councillor members and pre 1.4.08. leavers).	The CEP amount will be retained by the Fund.

8. Miscellaneous Provisions

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
37	2013 Reg 89(5) 1997 Reg 106A(5)	The date to which benefits shown on member's Annual Benefit Statements are calculated.	All annual benefit statements will be calculated as at 31 March preceding their distribution.
38	2014 (Transitional Provisions) Reg 3(13) 2008 (Admin) Reg 70(1), 71(4)(c) 2008 (Transitional Provisions) Reg 12 1997 Reg 109, 110(4)(b)	Abatement of pensions on re-employment (applies to pre 1 April 2014 retirees only including councillor members).	Leicestershire Pension Fund does not abate pre 1 April 2014 pensions in payment based on earnings, following re-employment.
39	2013 Reg 22(3)(c)	The member's pension account may be kept in such form as is considered appropriate.	Member's pension accounts are maintained on the Fund's pension administration system.
40	2013 Reg 83 2008 (Admin) Reg 52A	An Administering Authority may determine how and to whom benefits may be paid if the recipient (other than an eligible child) is incapable of managing their affairs by reason of mental disorder or otherwise.	The Fund will usually request Power of Attorney to pay benefits to the person having care of the pensioner, or such other person as they may determine where the pensioner is incapable of managing his or her affairs. In exceptional circumstances The Pensions Manager may allow payment without Power of Attorney.
41	2013 Reg 16(1)	Whether to turn down a request to pay an APC/SCAPC by regular contributions over a period of time where it would be impractical to allow such a request, for example, due to the pension being bought resulting in very small payments	To be determined by the Pensions Manager on a case by case basis.
42	2013 Reg 16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC or SCAPC	The Fund will require a satisfactory medical for an APC if the scheme member is buying extra on a monthly basis. The member pays any cost for obtaining a medical. If it's being bought by lump sum a medical is not required.

			A SCAPC does not require a medical as the member is buying lost pension, rather than choosing to but extra pension.
43	2013 Reg 32(7)	A scheme member wishing to receive benefits other than at normal pension age, or on flexible retirement, must elect to do so within certain time limits. The Administering Authority may extend these time limits.	To be determined by the Pensions Manager on a case by case basis.
44	2014 (Transitional Provisions) Reg 15(1)(c) 2008 (Transitional Provisions) Sch 1 1997 Reg 83(5)	Whether to extend the time period for a scheme member electing to capitalise remaining contributions to an added years contract in cases of redundancy.	A member may make an election to make a lump sum payment, if they stop paying added years contributions before their Normal Retirement Date on leaving their employment by reason of redundancy. An election must be made within 3 months of the date of redundancy and may only be extended in exceptional circumstances by agreement of the Pensions Manager.
45	2013 Reg 34(1) 2007 (Benefits) Reg 39 2008 (Transitional Provisions) Reg 14(3) 1997 Regs 49, 156	The Administering Authority may commute small pensions, including survivor's pensions, into a lump sum where they are below limits set by HMRC.	The Fund will offer payment of a lump sum in lieu of a pension which is below limits set by HMRC.
46	2013 Reg 49(1)(c) 2007 (Benefits) Reg 42(1)(c)	Decide, in the absence of an election from the scheme member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of Scheme membership.	The most advantageous figure will be automatically applied by the Fund
47	1997 Reg 147	Whether to permit a Pension Credit to remain in the Fund or require a transfer out.	The Fund will permit a Pension Credit to remain in the Fund or a transfer out.
48	1997 Regs 50, 157	Whether to commute benefits due to exceptional ill-health (applies to	The Fund will provide a member with the option to commute to a lump sum payment in lieu of a pension where

		councillor members and pre 1st April 2008 leavers only).	the member has a serious life limiting condition.

9. Discretions relating to employers which no longer exist

Ref	LGPS Regulation	Discretion	Leicestershire Pension Fund Policy
49	2013 Reg 30(8)	Decide whether to waive, in whole or in part, the actuarial reduction on pension benefits paid on flexible retirement.	The Fund, acting as employer for historic employers that no longer exist, will not waive the actuarial reduction in respect of applications for flexible retirement.
50	2013 Regs 30(8), 31(5) 2014 (Transitional Provisions) Reg 3(1), Sch 2 Para 2(1) 2007 (Benefits) Reg 30(5), 30A(5) 1997 Reg 31(5)	Decide whether to waive, in whole or in part, the actuarial reduction on benefits which a member voluntarily draws before normal pension age, including on compassionate grounds.	The Fund, acting as employer for historic employers that no longer exist, will not normally exercise this discretion but may consider it under exceptional circumstances on a case by case basis, taking into account the individual or business case and foreseeable costs to the Fund.
51	2013 Reg 60 2014 (Transitional Provisions) Sch 2 Paras 1(2), 1(1)(c), 1(1)(f)	Decide whether, to “switch on” the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of Flexible Retirement).	The Fund, acting as employer for historic employers that no longer exist, will not normally exercise this discretion but may consider it under exceptional circumstances on a case by case basis, taking into account the individual or business case and foreseeable costs to the Fund.
52	2014 (Transitional Provisions) Reg 12(6)	Whether to use a certificate produced by an Independent Registered Medical Practitioner (IRMP) under the 2008 scheme for the purposes of making an ill health determination under the 2014 scheme.	The Fund, acting as employer for historic employers that no longer exist, will ask the IRMP to complete the correct certificate.
53	2013 Reg 38(3)	Decide whether a deferred beneficiary meets the criteria of being permanently incapable of their former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP’s recommendation and any further relevant information.

54	2013 Reg 38(6)	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
55	2007 (Benefits) Reg 31(4)	Decide whether a deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
56	2007 (Benefits) Reg 31(7)	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment.	The Fund, acting as employer for historic employers that no longer exist, will make a determination taking into account the IRMP's recommendation and any further relevant information.
57	2014 (Transitional Provisions) Reg 3(5A)(vi) 1997 (Transitional Provisions) Reg 4 1997 Reg 106(1) 1995 Reg D11(2)(c)	Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. Although the common provisions of the 1997 Transitional Provisions regulations do not specify regulation D11(2)(c) from the 1995 regulations, their intention was that it should apply to this regulation. Note – D11(2)(c) form the LGPS 1995 regulations enables an employing authority to award early payment of deferred benefits on compassionate grounds to a member aged 50+	The Fund, acting as employer for historic employers that no longer exist, will consider each case on case by case basis. The earliest payment may be granted is age 55.

February 2024

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Leicestershire Local Government Pension Scheme

Cyber Policy

Sections

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund’s obligations to its members, employees and stakeholders are met. These are available here.

This policy was approved by the Pension Committee on 18th November 2022.

1 Introduction

The Leicestershire County Council Pension Fund holds personal information for in excess of 100,000 members and has a Fund value of over £5bn. Pension schemes hold large amounts of personal data and assets which can expose them to significant risks if an error occurs. These risks include service disruption, fraudulent activity and data leakage.

The Pensions Regulator (TPR) requires pension schemes to take steps to build 'cyber resilience' – the ability to assess and minimise the risk of a cyber incident occurring, but also to be able to recover when an incident takes place. Schemes are required to work with all relevant parties to define their approach to managing this risk.

TPR summarises it's expectation of pension schemes as follows:

- Trustees and scheme managers are accountable for the security of scheme information and assets.
- Roles and responsibilities should be clearly defined, assigned and understood.
- You should have access to the required skills and expertise to understand and manage the cyber risk in your scheme.
- You should ensure sufficient understanding of the cyber risk: your scheme's key functions, systems and assets, its 'cyber footprint', vulnerabilities and impact.
- The cyber risk should be on your risk register and regularly reviewed.
- You should ensure sufficient controls are in place to minimise the risk of cyber incident, around systems, processes and people.
- You should assure yourselves that all third-party suppliers have put sufficient controls in place. Certain standards and accreditations can help you and your suppliers demonstrate cyber resilience.
- There should be an incident response plan in place to deal with incidents and enable the scheme to swiftly and safely resume operations. You should ensure you understand your third-party suppliers' incident response processes.
- You should be clear on how and when incidents would be reported to you and others, including regulators.
- The cyber risk is complex and evolving, and requires a dynamic response. Your controls, processes and response plan should be regularly tested and reviewed. You should be regularly updated on cyber risks, incidents and controls, and seek appropriate information and guidance on threats.

TPR requires pension schemes to take steps to build 'cyber resilience' – the ability to assess and minimise the risk of a cyber incident occurring, but also to be able to recover when an incident takes place. Schemes are required to work with all relevant parties to define their approach to managing this risk.

Significant cyber incidents must be reported to TPR at: report@tpr.gov.uk . Significant incidents are likely to result in:

- A significant loss of member data
- Major disruption to member services
- A negative impact on a number of other pension schemes or pension service providers

Further information and guidance from TPR can be found here.

The Pensions Manager is responsible for ensuring that sufficient controls are in place to minimise the risk of a cyber incident occurring. This policy details the controls that have been implemented. The policy is split into two sections, Systems and Staff.

2 Policy Objectives

The policy objectives aim to ensure the Fund has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies including those by The Pensions Regulator, whilst ensuring compliance with appropriate legislation and statutory guidance.

3 Purpose of the Policy

The policy is designed to provide assurance to the Fund's stakeholders that all appropriate steps regarding cyber security are in place, that the data held is secure and that any risks are well managed.

4 Effective date and reviews

This policy was first presented to the Local Pensions Board on 26th October 2022 and approved by the Pensions Committee on 18th November 2022. This draft version was reviewed in December 2023 and is planned to become effective from 8th March 2024. In future, the policy will be reviewed by officers every two years and will be presented to the Board and Committee if changes are required.

5 Scope

The policy applies to:

- Administrators of the scheme;
- Third parties who store Fund data on their systems.

6 Cyber issues relating to systems where pensions data is stored

6a. Heywood Pension Technologies

Heywood are our main system supplier and are responsible for the provision of:

Altair: A database containing all information relating to all active scheme members, plus those members who have left employment, which includes a benefit calculator, workflow, document imaging and Altair Pensioner Payroll. This is the key system used by Pensions as it holds live data used to calculate pension benefits and is updated daily.

iConnect: A web portal that enables employers to upload scheme member data directly into Altair;

Member Self Service: A web portal that enables scheme members to view their pension records, receive secure correspondence and also perform their own pension calculations;

Insights: A reporting tool to enable Officers to write and run complex reports.

Following an Information Security Risk Assessment of Heywood conducted by the LCC Technical Security Officer in February 2020, it was established that the measures and controls agreed during the procurement process were still in place and cyber accreditations held at the time of procurement had been kept up to date.

Going forward Officers will continue to review arrangements on an annual basis, ensuring that the accreditations continue to be up to date, and in addition, annual disaster recovery exercises and cyber security reviews continue to be carried out annually. Copies of the accreditations and reviews are held on Pension records.

The accreditations that Heywood have in place are:

- Cyber Essentials
- ISO 14001:2015
- ISO 9001:2015
- ISO 27001:2013

Further Information

Cyber Incidents

In the event of an incident, Officers will notify Heywood via a log on their helpdesk. This would apply regardless of the size and severity of the incident, though it is good practice to follow up the submission of an urgent log with a phone call. The incident will then be investigated by Heywood. Details of the Heywood contact details are also held offline.

Targeted Cyber Attacks

The biggest risk to data are targeted ransomware attacks. Heywood have advised that the following processes are in place:

To protect data from these attacks, the Leicestershire Altair data is backed up separately from the other Altair customers. A daily backup takes place every night, and the data is stored on a backup repository in the Leicestershire's primary datacentre for 7 days. Every night, that night's backup is copied to Leicestershire's secondary datacentre (the datacentre that is also used to run the Disaster Recovery server from) and on a weekly basis a backup is then stored offline on tape. In the case of a ransomware attack, there is a physical perimeter of where the malware can encrypt and corrupt data. Heywood's backup repositories are offline – they cannot be accessed from the internet, and don't have out bound internet access, and so are virtually invulnerable to these kinds of malware attacks.

Heywood also employ an industry standard Antivirus package that is tuned to detect and defend against particular cryptolocker attacks. However, even if someone was able to access the repository and then also manage to get a ransomware malware to run for long enough to corrupt backup data on one of the repositories, there is 7 days of daily, 4 weekly and 2 monthly backups available immediately from the alternate datacentre.

In the unlikely event that both primary and secondary datacentres are targeted and data is lost, there is still the ability to restore to backups stored on physical tapes. However, due to the nature of offline tape storage being much slower, these backups are limited to monthly restore points.

Officers will need to manually re-enter data from system audit reports that record all data changes during a specified period.

6b. Other Service Providers

The Fund has contracted other service providers to whom Fund data is shared. Officers will ensure that these providers can provide assurances that they will continue to mitigate, manage and report any cyber issues.

This will require officers to ensure ISO accreditations and business continuity plans are up to date, and also obtain assurances that annual cyber checks, e.g. disaster recovery exercises and penetration testing have taken place. This can be done by obtaining documentary evidence e.g. certificates, reports or emails confirming that checks have been performed.

6c. LCC Network

Officers access the Fund's systems including access to emails through the LCC network. Loss of access to the network would cause significant difficulties in accessing the Fund's systems. The network is managed by LCC and Officers will ensure on an annual basis that regular cyber checks continue to be carried out.

Officers purchased two products from South Yorkshire Pension Fund: DART, a reporting tool that uses selected data directly extracted from Altair to produce simple results and EPIC, a database that stores documents and information related to scheme employers, e.g. contact details and discretionary policies. Both are hosted on the LCC network. South Yorkshire officers have approved 'third party sign-in' to access these systems, which is the agreed LCC ICT method for external users to access internal databases.

7 Cyber Issues Relating to Staff

7a. Training

In accordance with LCC policy, all staff must undertake mandatory training through LCC's online 'Learning Hub'. This includes cyber related courses including Information Security and Fraud Awareness.

This must be completed within four weeks of joining LCC.

7b. Emails

Emails must be sent safely in accordance with LCC guidance.

7c. **Passwords**

Wherever possible, LPF will comply with the LCC password policy. Where this is not possible, such as PING where the parameters are set by the system administrators, then LPF will adopt the strongest possible parameters within the limits of that system.

Password Policy for Altair

PING

PING is an authentication platform which allows access to altair. Whilst they do not entirely comply with LCC password policy, when combined with the requirement for a secondary login, Officers are satisfied that the security is at an appropriate level.

Altair

Altair is the core administration system used by Pension Officers.

The Fund has adopted the following settings:

A password strength of 7 (very strong);

No expiry date on the password;

Password retry: 9 attempts (LCC [policy allows 10 but Altair limits this to 9)

Minimum password length: 10 characters

Number of stored historic passwords: 8 (these cannot be reused)

These have currently been set to comply with LCC password policy.

Altair allows for the creation of specific roles within it's framework to limit users access to certain functionality within the system.

There are currently seven roles used by pensions staff:

Officers	**Role**
Pensions Assistants and Officers	LCC Role 1
Pensions Assistants dealing with 'bulk calculations'	LCC Role 1 – with Bulk Calcs
Pensions Assistants checking 'APC's	LCC Role 1 – Checking APCs
Officers who deal with I-Connect	LCC Role Systems Admin
Pensions Officers - Continuous Improvements Team only	LCC Role 3
Assistant/Managers who authorise payments	LCC Role 3 & Authorise
Systems Managers	LCC Admin & Payroll Superuser

In addition, there are three roles used by payroll staff:

Officers	Role
Payroll Officers (input data)	LCC Payroll
Payroll Control Staff (run payrolls)	LCC Payroll Control
Payroll Service Desk	LCC Service Desk (Read-Only access)

Roles are amended as jobs change and a check is carried out every six months, to ensure all users are still on the correct role and leavers have been disabled. In addition, a System Audit is also conducted by Internal Audit on an annual basis as part of their key ICT controls work.

7d. Data Breaches

In the event of a data breach, e.g. personal information sent to the wrong scheme member, Pension Officers must follow the LCC procedure, which requires the incident to be reported via the Incident Reporting Form. This is then sent to the Information Governance Team who will advise on appropriate action to be taken.

The Fund has a Retention Schedule and also a Fair Processing Notice, which specifies how long data can be held and who it is shared with. These documents are reviewed every two years.

7e. Roles and Responsibilities

Activity	**Responsibility**
Reporting Cyber Breaches	All
Maintaining a Cyber Security Policy for Pension Fund	Pensions Manager and Pensions Project Manager
Reviewing Cyber Risks	Pensions Project Manager and Third Parties
Maintaining Cyber Risks on Pension Fund Risk Register	Pensions Manager
Maintenance of Security Controls on Fund Administration system	Pensions Project Manager
Maintaining Cyber Risk across Administering Authority	LCC Technical Security Officer
Reporting Data Breaches and Incidents	All

8 Officers to Contact

Ian Howe Pensions Manager ian.howe@leics.gov.uk

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Fund Policy on Employer Risk

Introduction

Employers have a duty to make payments of employee and employer contributions to the Pension Fund.

This income is invested by the Pension Fund and used to pay retired members pension benefits.

One identified Fund risk; are employers being unable to make payment of their employer contributions. By managing employer risk, this increases the likelihood employers will make payment of all monies owed. It also puts the Fund in a better position to request additional security in the event an employer becomes bankrupt.

Valuation

Every three years at the triennial valuation each scheme employer is assessed, and employer contribution rates set for the proceeding three years. The rates are made up of primary and secondary contributions, the primary rate is paying for future accruals. The secondary rate is paying for any deficit and has a time horizon included for paying off the debt.

As part of the triennial valuation the Fund assesses the risk of the employers and this is incorporated into the assessment of the deficit repayment period.

The Fund’s approach to managing employer risk, is detailed within this policy document.

The Fund will always try to avoid the situation where an employer cannot meet its Fund financial requirements. If an employer becomes bankrupt and there is no guarantor or security that the Fund can refer, the employer’s deficit then becomes spread across the other Fund employers. Fund Officers will always try to avoid this scenario occurring.

Employer Groups

The Fund had six employer groups at the 2019 valuation. These are detailed in the Fund’s Funding Strategy Statement (FSS) on page 10.

Local Authorities including Police and Fire. These are known as stabilised employers – these are tax raising bodies and tend to be the larger fund employers.

- Colleges and Universities

- Academies
- Resolution Bodies (sometimes referred to as Designating employers). These are bodies that must pass a “resolution” to allow their staff to join the LGPS – these are Town and Parish Councils.
- Transferee Admission Bodies. These are usually private contractors that are providing a contracted service following an outsourcing of work from one of the Fund’s employers. The transferring employer acts as guarantor.
- Community Admission Bodies. These tend to be employers that have joined the Fund historically without a guarantor.

Risk scoring

For future valuations Officers will consider the employers that pose the highest risk to the Fund. These are likely to be the largest employers that do not have tax raising powers. These tend to be employers in the Education Sector.

The risks will be assessed in two steps:

1. Risks associated with the type of organisation
2. Risks relating to the specific organisation

For employers that fall into a group that Officers deem a greater risk to the Fund, the more specific risk review of the organisation will take place.

This recognises some risk are inherent to the employer type and others on how the employer behaves.

The types of items considered include:

1. Is the employer a tax raising body
2. Does the employer have an external guarantor (e.g. Academies are under written by the DfE guarantee)
3. Does the employer have a guarantor (e.g. Transferee Admission Bodies have the transferring employer as the guarantor)
4. Does the employer have additional security in place in terms of a bond or Company guarantee
5. Review the employer’s previous years and forecast balance sheets
6. Review the employer’s previous years and forecast profit and lost
7. Review the employer’s capital business plan
8. Review other financial information available e.g. independent assessments of financial health, credit rating agency, Education and Skills Funding Agency
9. Review the employer’s external auditor report

10. Consider other information the employer is able to provide to assist Officers understand their risk

The above is not an exhaustive list and may change.

From the replies received, Officers will group employers into either a High, Medium or Lower risk scoring group.

The groups will then be assessed by the Actuary and Officers to establish their individual funding target, deficit recovery period and if greater security maybe needed.

Employers will be aware that it is in their interest for them to provide the information requested as this will assist Officers and allow them to make a more informed judgement of an employer's risk. Without the information provided it its likely Officers will take a more prudent view and assess an employer as a greater risk.

Fund Officers will have the ultimate decision on the group an employer falls.

Tailored Employer Investment Strategies

The Fund is aware of requests nationally from some employers to seek bespoke investment strategies specifically tailored for their needs. There are also employers who have requested partial terminations of their liabilities relating to their deferred and pensioner members, as they seek to lock in a favourably low value for those liabilities.

The Fund is not in favour of these policies. Tailoring strategies for individual employers would require a significant amount of time and cost for administering authorities whilst partial terminations of the nature described above increases the risk that extra costs could fall to other employers in the event that the value of those liabilities were to rise in the future.

Admission Agreements – Transferee Admission Body (TAB)

When a Fund employer outsources staff, the contractor that takes on the work must ensure they retain the pension arrangements for this staff. This is almost always via a legal Admission Agreement between the Fund, the outsourcing employer and the contractor.

Once the admission agreement is signed by all parties, this permits the contractor to become an employer within the Leicestershire Fund, thereby allowing the staff that transferred over to remain in the Leicestershire Fund.

The contractor is then classed as a Transferee Admission Body (TAB) in the Leicestershire Fund.

Once the agreement is signed by all parties the TAB must follow all the requirements of the Fund as detailed in the agreement, including payment of employee and employer contributions. The first payment must be made within 2 months of completion of the admission agreement, and then every month thereafter.

In 2019 the Fund implemented pass-through admissions, and these are the Fund's preferred admissions. In these cases, the risk is mitigated as any surplus or deficit moves back to the outsourcing employer at contract end. It also negates the need for a full bond.

Guarantors, Bonds or Other Security

Wherever possible Officers will require additional security from employers.

If an employer falls into financial difficulty the Fund is then able to call upon the additional security first. This acts as security to the Fund, thereby reducing any deficit being spread across other Fund employers.

Guarantors

If a Fund employer outsources work to an external contractor (a Transferee Admission Body) the outsourcing employer automatically acts as guarantor. Therefore, if the Transferee Admission Body is unable to meet its Fund financial commitments the Fund will request this from the outsourcing employer.

All outsourcing contracts of this nature are legally bound by the Fund’s Admission Agreement.

Bonds

Under pass-through admissions, during the outsourcing of work to an external contractor Officers assess the “capital cost value”. This is the amount of money the Transferee Admission Body would have to pay the Fund if all the staff aged 55 or over were made redundant and thereby entitled to immediate payment of pension benefits.

The contractor sets up a bond with a bond company of their choice for the sum of the capital cost value. Bond Companies usually do not allow a bond period for more than a three-year. If the contractor becomes bankrupt the Fund can call upon the bond for the value secured.

The Fund has a legally binding Bond document that this used in these cases.

Officers review the value of the capital cost at regular intervals. The period of review is usually determined by the contract length (or contract extensions), the ages of the staff employed at the contractor, and when staff reach age 55. However, Officers will review all bonds at least every three years as part of the valuation cycle.

If Officers determine that a change to the Bond value is required, they will liaise with the TAB directly at that time.

For pre-passthrough admissions (pre 2019), the Fund usually requires a full bond which is greater than the capital cost bond. This is because the risk associated with these cases can be higher.

Officers have purchased a system for tracking, recording and monitoring bond values and the dates these expire, cessation termination repayments and various other risk areas. The system will also include the risk score for each employer.

Other Securities

Whilst the Fund prefers bonds as the standard route for security, it will consider other forms of security that an employer can offer. These may include Parent Company Guarantees or security over assets e.g. property or land. In this case a legally binding document will be provided by the Fund.

Community Admission Bodies (CABs)

The Fund has a small number of CABs. These tend to be the older historic admissions without guarantors.

The Pension Manager assesses the risk of these employers on a “case by case” basis and actively works with these employers to manage and reduce their risk wherever possible.

New Employer Flexibilities – September 2020

On the 23 September 2020 new Regulations regarding employer risk came into force. These Regulations are named - Local Government Pension Scheme (Amendment) (Number 2) Regulations.

These Regulations effectively fall into three areas, **review of employer contributions**, **spreading exit payments** and **deferred debt agreements**.

The Fund’s policy on how it deals with these are detailed in the Fund’s Funding Strategy Statement (FSS). The FSS was approved by Committee in March 2023.

Details can be found on pages 38, 44 and 45 of the FSS.

Ill Health Insurance

Many of the smaller Fund employers have the ill health insurance policy in place and the Fund requires all new Transferee Admission Bodies to do so.

Employers with ill health insurance pay 1% less employer contributions, as set out in the Fund’s triennial valuation report. Instead the 1% is paid by the employer to Legal and General as an insurance against ill health retirement costs for the most severe of cases.

If a severe ill health case occurs, the employer can then offset the Fund's ill health cost against the insurance company.

One single ill health retirement can generate costs to an employer than can cause them serious financial hardship. Costs of over £500,000 for a single case have been recorded in the Leicestershire scheme.

Larger employers may choose not to pay the ill health insurance, instead paying the cost themselves or deferring the cost and having this incorporated into the calculation of future employer contribution rates at the next valuation.

Investment Portfolios per employer group

The Fund does not have specific investment portfolios for the different groups of Fund employers.

Pensions Manager – January 2024

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LEICESTERSHIRE COUNTY COUNCIL PENSION FUND INVESTMENT STRATEGY STATEMENT

Effective: 08 March 2024
Next review: Q1 2025

Contents

1. Introduction and background

The Local Government Pension Scheme (“LGPS”), of which Leicestershire County Council Pension Fund (“the Fund”) is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act.

All LGPS funds in England and Wales are required to have an Investment Strategy Statement (“ISS” or “Statement”). This is the Investment Strategy Statement (“ISS”) of the Fund, which is administered by Leicestershire County Council, (“the Administering Authority”). The ISS is composed in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

In preparing the ISS the Fund’s Local Pension Committee (“the Committee”) has consulted with such persons as it considered appropriate. The Committee acts on the delegated authority of the Administering Authority which takes advice from the Fund’s external investment consultant.

The previous ISS, which was approved by the Committee on 3rd March 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

The Committee aims to invest, in accordance with the ISS and any other relevant policies, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s latest available Funding Strategy Statement (FSS), and Net Zero Climate Strategy (NZCS).

The remaining parts of this statement will cover the following; policies for investments, asset allocation, risks, and our approach to pooling which will appear in the following order.

- Governance
- Fund Objectives
- Fund Management
- Asset Allocation
- Risks
- Asset Investment Pooling
- Responsible Investment

2. Governance

Leicestershire County Council, as the administering authority, has delegated responsibility for the management of the Fund to the Local Pension Committee (the Committee). The Committee has responsibility for establishing an investment policy and its ongoing implementation.

Members of the Local Pension Committee have a fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are the members of the Fund who are entitled to benefits (pensioners, previous and current employees) and the employing organisations. Other key stakeholders are the beneficiaries of the employing organisations services, for example local Council tax payers.

Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's FCA (Financial Conduct Authority) regulated external investment advisor. Only persons or organisations with the necessary skills take decisions affecting the Fund. The Members of the Committee receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive. This is documented within the Fund's Training Policy.

The Chief Financial Officer of Leicestershire County Council has responsibilities under Section 151 of the Local Government Act 1972 and provides financial advice to the Committee, including financial management, issues of compliance with internal regulations and controls, budgeting and accounting.

3. Fund Objectives

The primary objective of the Fund is to provide pension and lump sum benefits as and when they fall due for members or their dependents.

The funding position will be reviewed triennially through an actuarial valuation, or more frequently as required. Payments will be met by employer contributions, resulting from the funding strategy, employee contributions or financial returns from the investment strategy.

The Funding Strategy Statement and ISS are therefore inextricably linked. The latest Funding Strategy Statement can be found at: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

The Committee believes in a long-term investment strategy with regular reviews, usually annually in the form of the asset allocation review. This is with the aim to maximise investment returns of the Fund whilst maintaining an acceptable level of risk.

The Committee sets an investment strategy that focuses on the suitability of investments based on factors including, but is not limited to:

- The level of expected risk versus return
- Outlook for asset returns
- Liquidity and cashflow requirements for the Fund

The Fund has a number of investment beliefs that are taken into account when agreeing an asset allocation policy.

- The long term nature of LGPS liabilities allows for a long term approach to investing.
- Risk premiums exist for certain investments, taking advantage of these can improve investment returns.
- Liabilities influence the asset structure; Funds exist to meet their obligations.
- Markets can be inefficient, and mispriced for long periods of time, therefore there is a place for active and passive investment management.
- Diversification across investment classes with low correlation reduces volatility, but over diversification is both costly and adds little value.
- Responsible investment which incorporates environmental, social and governance (ESG) factors can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.
- Climate change presents a material risk to financial markets. The Fund supports a transition to a low carbon economy, in line with its ambition to become Net Zero by 2050, or sooner. The Fund will consider the impact of climate change as one of many risks in both its annual review of the strategic asset allocation (SAA) and individual investment decisions.
- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise from market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Investment management costs should be minimized where possible but net investment returns after costs are the most important factor.

4. Fund management

The Committee aims to structure the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is set for each employer to meet the cost of future benefits accruing. The Fund considers the employers covenant to meet liabilities. The Fund will work in partnership with these employers where their ability to meet liabilities may be in question in order to protect other Fund employers from the consequences of default.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed annually. Information available from several sources, including the triennial actuarial valuation, will be used to guide the setting of the investment strategy, however, the strategy does not look to match assets and liabilities in such a way that their values move in a broadly similar manner. Asset / liability matching in this way would lead to employers' contribution rates that are too high to be affordable, so there will inevitably be volatility around the funding level (i.e. to ratio of the Fund's assets to its liabilities).

It is recognised that the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit have a role to play in the setting of investment strategy. As the Fund matures it is possible that a more defensive investment strategy will be adopted, whereby a lower level of return is considered an attractive 'trade off' as it should be achieved at a lower level of volatility. These issues do not currently have a material influence on the investment strategy adopted.

In general terms the investment strategy approved will be a blend of asset classes that are diverse enough to dampen some volatility (e.g. if equity markets fall, other assets may rise or fall less significantly), without being so diverse that the strategy becomes unmanageable and costly. Expected long-term returns, levels of volatility and correlation in the performance of different asset classes will all have a role to play in setting the strategy.

By their very nature investment markets are unpredictable and it is impossible to have any certainty around future returns and volatility, so the setting of any investment strategy cannot be more than an imprecise way of arriving at an 'appropriate' split of assets. However, as investment strategy is the biggest driver of future investment returns, it is important that sufficient time is spent in designing and implementing a strategy that is sensible for the Fund.

The Fund's actual allocation is monitored by Fund officers and reported to the Committee on a regular basis with any differences to the SAA explained to ensure actions are in place to remedy the under or over allocation to a specific asset class.

5. Asset Allocation

5.1 Investing in a variety of asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest, index linked bonds, cash, property, infrastructure and commodities either directly or through pooled funds. These asset classes are only examples of the types of investments that may be held and are not intended to be an exhaustive list. The Fund may also make use of contracts for difference and other derivatives either directly or in pooled funds investing in these products for efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis. The Committee also seeks and considers written advice from the Fund's investment advisor annually when reviewing the strategic asset allocation (SAA) and when reviewing potential investment decisions.

The Fund's SAA is scheduled to be reviewed annually, usually at the January meeting of the Local Pension Committee. The latest and prior year SAA is set out below. As far as is practical and cost-effective, attempts will be made to maintain an actual asset allocation that is close to the target strategy. This will be supported by the Fund's formal rebalancing arrangements which are also set out below. The assessment of the suitability of particular investments is undertaken annually during the strategic asset allocation review conducted by the Fund's external investment advisor. Differences to the SAA targets are reported regularly to the Local Pension Committee alongside actions being taken.

With respect to the rebalance ranges proposed, there are provisions within the rebalancing policy to not rebalance for a variety of reasons which may include not being able to reinvest into another asset class that is outside of its range. This may occur if for example the fund requires time for money to be deployed, there are many asset classes that need time such as private equity, private credit and direct property.

	2023 SAA	2024 SAA	2024 SAA rebalance range	Liquidity	Long Term expected volatility
Growth					
Listed Equity - active and passive	37.5%	37.5%		Liquid	High
Targeted Return Funds	5.0%	5.0%		Liquid	Medium
Private Equity	7.5%	7.5%		Illiquid	High
Asset group: growth sub total	50.0%	50.0%	+ / - 2.5%; 47.5% - 52.5%		High
Income					
Infrastructure	12.5%	12.5%		Semi liquid	Medium
Property	10.0%	10.0%		Semi liquid	Medium
Global Credit - private debt / CRC	10.5%	10.5%		Illiquid	Low / medium
Global Credit - liquid MAC	9.0%	9.0%		Liquid	Medium
Asset group: income sub total	42.0%	42.0%	+ / - 2%; 40% - 44%		Medium
Protection					
Inflation linked bonds (ILB)	4.5%	3.5%		Liquid	Low / medium
Investment grade credit (IGC)	2.75%	3.75%		Liquid	Low / medium
Active currency hedge collateral	0.75%	0.75%		n/a	
Asset group: protection sub total	8.0%	8.0%			
Protection sub total exc hedge	7.25%	7.25%	+ / - 1%; 6.25% - 8.25%		Low / medium
Cash	0.0%	0.0%	n/a		

Long term expected volatility is based on 20 year volatility metrics as at 30 June 2022 in GBP for listed asset classes. In some cases where exact matches are not available a best available fit has been used.

5.2 Framework for rebalancing

This formalisation and development of a framework will provide greater control over when and how rebalancing decisions are taken. The following ranges have been set as points at which rebalancing should take place.

Asset Group	2024 Strategic Target	Rebalance range
Growth	50.00%	+/- 2.5% (47.5% - 52.5%)
Income	42.00%	+/- 2 (40.0% - 44.0%)
Protection exc hedge	7.25%	+/- 1% (6.25% - 8.25%)

There will be an element of judgement that will be exercised when deciding on rebalancing as not all eventualities can be prepared for. Examples can include extreme market movements in parts of the portfolio that mean rebalancing may not be possible or preferred.

Rebalancing decisions will take place quarterly on receipt of a full fund valuation from the Fund's third party valuation consolidator. However, decisions cannot be made purely on quarter end valuations due to:

a. Not all asset classes are valued regularly, some asset classes, especially private markets will therefore lag the more liquid public market valuations and as such judgement will need to be exercised so as not to rebalance more often than necessary.

b. Rebalancing is not always possible when the underweight or overweight is wholly or partially in illiquid areas of the portfolio. For example, you cannot divest from closed ended private equity funds (illiquid) to reinvest into listed equity quickly. In reality, a fund like the LCCPF with a mature Private Equity portfolio may await distributions from Private Equity investments and reinvest into listed equity if all other areas were also within the rebalancing range.

c. In order to not have to rebalance too regularly officers will consider rebalancing only when the asset classes have a rebalancing variance that is material to their target weight. Re balancing asset classes may be appropriate whilst the asset group is within the SAA rebalance range.

d. Even for liquid assets there is a cost to transitioning positions that has a material impact upon performance.

e. Timing of capital calls and distributions for certain investments is uncertain and therefore requires an element of judgement.

f. Market conditions may delay allocation changes.

Where the variance to the rebalance range (the variance) exists within an asset class that is liquid and can redeployed to an existing manager with little risk, officers may conduct internal due diligence or where economic or market conditions / size of the change dictate request advice from the Fund's investment advisor.

Changes required to rebalance will be agreed by the Director of Corporate Resources following consultation with the Chair of the Local Pension Committee. It is the role of the officers and the Fund's investment advisor to be mindful of liquidity requirements when advising on rebalancing decisions.

Changes will be reported to the next Committee meeting. Where asset groups are outside of rebalance ranges and partial or no action has been taken an explanation will be provided at the next Committee meeting.

5.2 Strategic Asset Allocation returns

The Fund's current 2024 strategic asset allocation has a median target return 8.7% pa, this is consistent with the draft Funding Strategy Statement. Based on the latest actuarial valuation as at the 31st March 2022, the required return with a 75% likelihood was 4.4% pa

5.3 Restrictions on investment

Restrictions are based on the strategic asset allocation policy which is described in section 5 above.

In line with the Regulations, the Strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

5.4 Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. A full list of which is included within the Pension Fund's annual report. The Committee, after seeking appropriate investment advice, has accepted specific benchmarks with each managers investment strategy so that, in aggregate, they are consistent with the overall asset allocation for the Fund.

The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain portfolios through direct investment or pooled vehicles.

The managers of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

5.5 Cash Management Strategy (CMS)

The Investment Sub Committee (ISC) at its meeting in October 2023 approved the Fund's CMS. The Fund does not have a strategic asset allocation target for cash and aims to be fully invested in line with the SAA as approved each year by the Local Pension Committee.

However, due to having a larger than usual cash holding it was deemed appropriate to formalise the CMS for the Fund. It will be reviewed annually in line with other policies the Fund has such as the investment strategy statement (ISS) and funding strategy statement (FSS).

The Fund utilises the experience the administrating authority has within this field and the CMS is based upon the Leicestershire County Council's annual investment strategy as advised by the County Council's treasury advisor Link which incorporates:

a. The management of risk – the Council's investment priorities are security first, portfolio liquidity second and then yield (return).

b. A credit worthiness policy – Link's methodology includes the use of credit ratings from the three main credit rating agencies; Standard & Poor, Fitch and Moody's.

c. Country limits – the Link criteria includes a requirement for the country of domicile of any counterparty to be very highly rated. This is on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support.

The combination of all the factors above produces an acceptable counterparty list, for the County Council, which comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available. The Fund uses a sub-set of the counterparty list as the basis of the Fund's CMS.

Link has a methodology that includes the use of credit ratings. The credit ratings of counterparties are supplemented with the following overlays:

a. "Watches" and "outlooks" from credit rating agencies;

b. Credit Default Swap (CDS) spreads that may give early warning of changes in credit ratings; If a CDS price increases it may be signaling to the market an increase in risk of default.

c. Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned watches and outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of bands which indicate the relative creditworthiness of counterparties. These are used by the Council to determine the suggested duration for investments. The Council further restricts the list of acceptable counterparties from the base list provided by Link and it is this restricted list that the CMS for the Fund is based on. The CMS will use a smaller list of allowable investments per the table below. Officers for the County Council and Pension Fund are familiar with the allowable list of investments and get regular updates from Link. Any updates that require amendments to investments made by the Fund will be actioned as soon as possible.

Investment	**Level of security**	**Maximum period**	**Maximum sum invested**
Money Market Funds: Low Volatility and constant NAV(2) Triple A rated fund	At least as high as acceptable credit rated banks.	Same day redemptions and subscriptions	£250m (max £50m in each MMF) Minimum use of two MMFs(1) with each MMF having a minimum size of £3bn GBP
Term deposits with credit-rated institutions with maturities up to 1 year (including both ring-fenced and non ring-fenced banks)	Varied acceptable credit ratings, but high security	1 year	£250m(3)

Term deposits with overseas banks domiciled within a single country	Varied acceptable credit ratings, but high security	1 year	£100m[3]
Certificates of Deposit with credit rated institutions with maturities of up to 1 year	Varied acceptable credit ratings, but high security	1 year	£250m
Term deposits with the Debt Management Office	UK Government backed	1 year	£500m
UK Government Treasury Bills	UK Government backed	1 year – held to maturity	£500m
Term Deposits with UK Local Authorities up to 1 year	LA's do not have credit ratings, but high security	1 year	£50m

[1] Limits can be extended higher temporarily by the Director of Corporate Resources and will need to be reported to the next meeting of the Local Pension Committee.

[2]Funds will be invested in constant or low volatility NAV MMFs. Constant NAV MMFs where the capital value of a unit will always be maintained at £1. These funds have to maintain at least 99.5% of their assets in government backed assets. Low volatility NAV MMFs are those where the MMFs are permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level.

[3]Limits for term deposits per counterparty as advised by the treasury advisor will be used up to a total for all term deposits of £350m

6. Risks

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. Officers, investment consultants and for relevant assets LGPS Central manage, measure, monitor and mitigate the risks as far as possible being taken in order that they remain consistent with the overall level of risk that is acceptable to the Committee. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The overall risk is that the Fund's assets are insufficient to meet its liabilities. The Funding Strategy Statement calculates the value of the Fund's assets and liabilities and with the triennial valuation sets out how any difference in value between assets and liabilities will be addressed.

The principal risks affecting the Fund are set out below. They are grouped into three areas, funding risks, asset risk and other risk. The Fund's approach to managing these three types of risks are explained after each section.

6.1 Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost to the Fund of providing benefits.

- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and / or investment managers, possibly compounded by financial contagion, resulting in an increase in the cost of meeting the Fund's liabilities.

6.1.1 How we manage funding risks

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set after considering expected future returns from the different asset classes and considers historic levels of volatility of each asset class and their correlation to each other. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark.

The Committee also seeks to understand the assumptions used in any analysis, so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

6.2 Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Environmental, social and governance ("ESG") – The risk that ESG related factors incorporating climate risk may reduce the Fund's ability to generate the long-term returns.

- Manager underperformance – The failure by the investment managers to achieve the rate of investment return assumed in setting their mandates.

6.2.1 How we manage asset risks

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

The Fund is currently cashflow positive, in that contributions from employees and employers are greater than benefits being paid. The Fund invests across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term. Whilst the Fund has a growing proportion of less liquid assets, the Fund has a large proportion of highly traded liquid assets that can be sold readily in normal market conditions so that the Fund can pay immediate liabilities.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. This currency risk is managed through a variable currency hedging programme designed to take account of both the risks involved with holding assets that are not denominated in sterling and the perceived value of overseas currencies relative to sterling.

Details of the Fund's approach to managing ESG risks are set out later in this document within section 8.1.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing multiple investment managers and by having a large proportion of the Fund's equities managed on a passive basis. The Committee assess the investment managers' performance on a regular basis and will take steps, including potentially replacing one or more of the managers, if underperformance persists.

The Committee also recognises that individual managers often have an investment 'style' that may be out-of-sync with market preference for prolonged periods, and that this could lead to lengthy periods of underperformance relative to the relevant benchmark. If the Committee remain convinced by the quality of the investment manager, and the fact that their views remain relevant, underperformance will not necessarily lead to their replacement.

6.3 Other provider risk

- Transition risk - The risk of incurring costs in relation to the transition of assets between managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

- Stock-lending - The possibility of default and loss of economic rights to Fund assets.

6.3.1 How we manage these other risks

The Committee expects officers to monitor and manage risks in these areas through a process of regular scrutiny of the Fund's investment managers and audit of the operations it conducts for the Fund. In some cases, the Committee will have delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace an investment manager should serious concerns exist.

The Fund monitors risks to the Fund, the specific risks are included and set out in the Fund's Funding Strategy Statement.

7. Pooling

Government instigated 'pooling' of pension fund investments in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme assets. Pension funds formed their own groups, and eight asset pools were formed, which are now all operational.

The Fund is a participating scheme in the LGPS Central Pool (Central). The proposed structure and basis on which the LGPS Central Pool operates was set out in the July 2016 submission to Government. The Fund is part of the LGPS Central pool with the objective that the pooled investments can expect to benefit from lower investment costs and the opportunity to access alternative investments on a collective basis. As a local authority-owned and Financial Conduct Authority registered investment manager, the pool company, LGPS Central Limited is required to provide governance, transparency and reporting to give the Fund assurance that its investment instructions are being carried out appropriately.

The LGPS Central Pool consists of the LGPS funds of: Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire.

Collective investment management offers the potential for substantial savings in investment management fees, increased opportunities for investor engagement and access to a shared pool of knowledge and expertise.

The eight administering authorities of the pension funds within the LGPS Central Pool are equal shareholders in LGPS Central Limited. LGPS Central Limited has been established to manage investments on behalf of the Pool and received authorisation from the Financial Conduct Authority in January 2018.

As time has progressed the Fund has 'pooled' significant portion of assets over a number of investment mandates. These investments are reviewed regularly by the Local Pension Committee alongside other investment mandates.

7.1 Assets to be invested in the Pool

The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. LGPS Central has been operating since 1st April 2018.

The Fund transitioned its first assets to Central, as part of the Global Equity Active Multi-Manager Fund, at the end of February 2019. As at September 30th 2023 the Fund has invested or committed to invest in twelve LGPS Central products.

As LGPS Central becomes a mature business the pace of pooling will inevitably slow with new products launched less often.

8. Responsible Investing

8.1 Overview and background

Responsible investment is an approach to investment that aims to incorporate environmental including climate risk, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable investment returns. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. Responsible Investment is a core part of the Fund's approach to investment decisions. The Committee consider the Fund's approach to ESG in two key areas:

- Sustainable investment / environmental and social factors – considering the financial impact of environmental including climate risk, social and governance (ESG) factors on its investments. The Committee has in March 2023 approved the Fund's first NZCS which contains the primary aims for the Fund with respect to formalising a strategy to achieve net zero.

- Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In combination these two matters are often referred to as 'Responsible Investment', or 'RI' and this is the preferred terminology of the Fund.

8.2 Principles for Responsible Investment (PRI)

The Principles for Responsible Investment are recognised as the global standard for responsible investment for investors with fiduciary responsibilities. The Fund declares its support for the PRI and it's 6 principles listed below.

> "*As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).*
>
> *We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:*
>
> > *Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.*
> >
> > *Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.*
> >
> > *Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
> >
> > *Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.*
> >
> > *Principle 5: We will work* together to enhance our effectiveness in implementing the Principles.
> >
> > *Principle 6: We will each report on our activities and progress towards implementing the Principles."*

The Fund is aware of RI duties and ultimately aim to balance its approach with the cost to LGPS employers, who in the main are providing social and environmental services to the local population.

8.3 The Fund's ESG approach

As institutional investors, the Fund has a duty to act in the best long-term interests of its beneficiaries. In this fiduciary role, the Fund believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time. The Fund produces an annual RI plan with progress updated at each Committee meeting and ensures the Fund's RI progress. The plan is developed in conjunction with the specialist RI team at LGPS Central.

The Fund believes that it will improve its effectiveness by acting collectively with other likeminded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting along. The Fund uses its membership of the Local Authority Pension Fund Forum, alongside LGPS Central to assist it in pursing engagement activities.

The Committee takes RI matters seriously and will not appoint any manager unless they can show evidence that RI considerations are an integral part of their investment decision-making processes. To date, the Fund's approach to RI has largely been to delegate this to their underlying investment managers as part of their overall duties.

The Fund does not exclude investments to pursue boycotts, divestment and sanctions against foreign nations and UK defense industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

8.4 Responsible Investing and LGPS central

The Fund's investments that LGPS Central manages and advises upon are subject to Central's Responsible Investment and Engagement (RI and E) Framework. This Framework incorporates the investment beliefs and responsible investment beliefs of the eight funds within the LGPS Central Pool. The RI and E framework can be found at:

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

Critical to the framework is Central's Investment and RI beliefs, which the Committee has endorsed and is 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: 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.

- Climate change: Financial markets could be materially impacted by climate change and by the response of climate policymakers. Responsible investors should proactively manage this risk factor through stewardship activities, using partnerships of likeminded investors where feasible.

- 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.

- Corporate governance and cognitive diversity: Investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is clear evidence showing that decision making, and performance are improved when company boards and investment teams are composed of cognitively diverse individuals.

- Fees and remuneration: The management fees of investment managers and the remuneration policies of investee companies are of significance for the Company's clients, particularly in a low return environment. Fees and remuneration should be aligned with the long-term interests of our clients, and value for money is more important than the simple minimisation of costs. Contributing to national initiatives that promote fee transparency such as the LGPS Code of Transparency is supportive of this belief.

- Risk and opportunity: Risk premia exist for certain investments; taking advantage of these can help to improve investment returns. There is risk but also opportunity in holding companies that have weak governance of financially material ESG issues. Opportunities can be captured so long as they are aligned with the Company's objectives and strategy, and so long as there is a sufficient evidence base upon which to make an investment decision.

LGPS Central is a signatory to the PRI and as such the Fund's investments via Central will be in line with the principles outlined earlier in this report. In addition, there is a pipeline of Fund transitions to Central, as well as a number of advisory mandates which benefit from Central's RI approach and resource.

It is expected that the Fund's ability to invest in a responsible way will be enhanced through LGPS Central due to the inherent benefits of scale, collectivism and innovation that result from being part of the pool.

To broaden its stewardship activities, LGPS Central appointed EOS at Federated Hermes as its stewardship provider, with the remit of engaging companies on ESG issues and executing the LGPS Central Voting Principles, which have also been approved by the Fund (see below).The funds outside of Central's direct management will be transitioned over a period of years. This could be for an extended period of time, due to the cost implications of a transition. The Fund has access to RI resource and expertise provided by Central which we will assess and help guide the Fund's approach to RI whilst funds are transitioned to Central, further to the below section.

8.5 The exercise of rights (including voting rights) attaching to investments

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The instruction of shareholder voting opportunities is an important part of responsible investment. The Fund delegates responsibility for voting to LGPS Central and the Fund's directly appointed investment managers. For Fund assets managed by the former, votes are cast in accordance with LGPS Central's Voting Principles, to which the Fund contributes during the annual review process.

For Fund assets managed by appointed external managers, votes must be cast in line with industry best practice as set out in the accepted governance codes. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The results of engagement and voting activities are reported to the Local Pensions Committee on a quarterly basis.

8.6 Climate Change

The Fund believes that climate change presents a material risk to financial markets. For this reason, the Fund takes an evidenced based approach to risks and opportunities posed by climate change.

The Fund has developed a Net Zero Climate Strategy (NZCS) setting out how it intends to manage both the risks and opportunities of climate change, and how it intends to integrate climate change into its broader strategy, asset management and approach to engagement.

The NZCS sets out the Fund's support of a transition to a low carbon economy, in line with its ambition to become Net Zero by 2050, or sooner. The Fund will consider the impact of climate change in both its asset allocation and individual investment decisions.

The NZCS includes targets set in line with the Paris Agreement to achieve Net Zero by 2050, with an ambition for sooner. Delivery and monitoring of these targets are reported annually to the Local Pension Committee. The NZCS is subject to review at least every three years.

Alongside the NZCS the Fund produces annual reports in line with recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), which set out recommendations for more effective climate-related disclosures that could promote more informed investment decisions, and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposure to climate risk.

Prepared by:
Declan Keegan

For and on behalf of the Local Pension Committee of the Leicestershire County Council Pension Fund.

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Leicestershire County Council

LOCAL PENSION COMMITTEE – 8 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSIBLE INVESTING UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Committee with an update on:
   a. progress versus the Responsible Investment (RI) Plan 2024 (Appendix A);
   b. the Fund's quarterly voting report (Appendix B) and stewardship activities.

2. A presentation will also be provided by LGPS Central on LGPS Central's Stewardship Strategy 2024-2027 (Appendix C).

Policy Framework and Previous Decisions

3. Responsible investment factors have long been a consideration for the Leicestershire County Council Pension Fund, having satisfied itself that potential investment managers take account of responsible investment (RI) as part of their decision-making processes before they are considered for appointment.

4. This is enshrined in the Fund's Investment Strategy Statement last approved by the Committee on 3 March 2023, as well as the approach to climate related risk and opportunities within the Net Zero Climate Strategy also approved 3 March 2023.

5. The Fund is supported by LGPS Central's Responsible Investment and Engagement Framework which sets out its approach to responsible investment on behalf of the eight pooled funds. The framework supports the Fund broadening its stewardship activities.

Background

6. 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 the Fund's 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.

7. Engaging companies on ESG issues can create value for those businesses and the Fund as an investor by encouraging better risk management and more sustainable practices, which therefore should generate sustainable investment returns.

Responsible Investment (RI) Plan 2024 Progress

8. The Local Pension Committee approved the RI Plan in January 2024. The Plan was developed following discussion with LGPS Central’s in-house RI team. The Fund has a continual focus on raising RI standards. Progress made to date on the 2024 RI Plan is set out in Appendix A.

LGPS Central Stewardship Strategy

9. LGPS Central undertook a three-year review of its stewardship strategy and themes, resulting in a focus from 2024 onwards on the following revised themes:
    a. Climate Change
    b. Natural Capital
    c. Human Rights
    d. Sensitive/Topical Issues.

10. The four themes are more aligned to those of wider industry engagement and will therefore allow LGPS Central to work even more collaboratively with other groups of investors.

11. Central have developed a new engagement tracker to better monitor objectives, rationale, contributions and next steps for each engagement. This will integrate measures of success and effectiveness and will be reported as part of their public stewardship reports.

12. LGPS Central will be in attendance to set out the revised Stewardship Strategy and outcomes of previous engagements and next steps and provide an opportunity for Committee to feedback their views on stewardship activities.

Voting and Engagement

13. Appendix B sets out the Fund’s voting report from October to December 2023. This incorporates circa 43% of the Fund’s assets (LGIM’s Global, UK and Low Carbon Transition fund, LGPS Central’s Climate Multi Factor fund, Emerging Markets Active fund and the Global Equity Active fund). A brief breakdown is set out below:

    - The Fund made voting recommendations at 757 meetings (5,605 resolutions)

- At 383 meetings the Fund opposed one or more resolutions.
- The Fund voted with management by exception at three meetings and supported management on all resolutions at the remaining 371 meetings.
- The majority of votes where the Fund voted against management were related to board structure (42%). These votes include issues such as over boarding, diversity, and inadequate management of climate risk.

14. As announced during COP28 a number of investment managers including LGIM, Ruffer, Aegon, and other organisations have signed a statement calling on global adoption of the International Sustainability Standards Board's climate-related reporting at a global level. This would support companies in adopting better climate-related reporting in order to advance action orientated responses to the risk of climate change.

15. Some further highlights from engagement activity from partners and investment managers are set out below.

LGPS Central Stewardship Report

16. LGPS Central is the pooling company of the Fund. It is a strong supporter of responsible investment through the Responsible Investment and Engagement Framework. Central will provide an update on its stewardship activities as part of their appended presentation.

Legal and General Investment Management – ESG Impact report Q4

17. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 16.1% of the Fund. LGIM's latest ESG impact report highlights some key activity in the Investment Stewardship team.

18. The latest ESG impact report highlights the focus on nature, collaboration with companies in Asia, and key policy updates regarding diversity and human rights. One highlight is set out below.

Company	Theme	Action	Outcome
Rolls Royce	Labour relations and climate change	Engagement with the new Rolls Royce CEO and Board Chair. Discussed importance of positioning the company for the climate transition, and nearer term challenges and objectives such as returning the company to an investment grade credit rating.	Rolls Royce have announced a strategic review in November 2023 which appears well balanced in making appropriately radical structural and cultural changes without sacrificing options for the company to remain an active participant in the carbon transition. This review was received well by the market. LGIM will remain engaged with the company on their implementation of the review's findings and its role in the carbon transition.

Local Authority Pension Fund Forum – October to December 2023

19. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The latest report features an overview of the LAPFF conference detailing discussions on various important topics including electric vehicle (EV) supply chains and the biodiversity crisis. There is a continued push on the 'Say on Climate' initiative, aimed at pushing companies to present their climate transition plans for shareholder voting. There is active engagement with insurance companies regarding climate change, as well as engagement efforts focused on mining human rights. There has also been joint engagement related to antimicrobial resistance which is considered a global threat to public health and economic prosperity. One example of this is given below:

Topic	Action	Outcome
FAIRR Initiative's Restaurant Antibiotics Engagement	Focus on reducing the use of antibiotics in protein supply chains. Aim of mitigating risks associated with antibiotic resistance due to the overuse of antibiotics in livestock to safeguard public health.	LAPFF and other investors held a first call with Restaurant Brands International (who own Burger King and Tim Hortons among others), sharing key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in the supply chain. LAPFF will continue to support engagement as the dialogue develops.

Ruffer – Q4 2023

20. Forming a small proportion of the Fund's portfolio, Ruffer invest in a handful of equities on behalf of the Fund within the targeted return portfolio. Their approach to engagement includes looking at developing an understanding of whether specific issues were industry-wide issues or specific to a company, and continuing work to support the market infrastructure needed to help managers make more informed investment decisions.

Topic	Action	Outcome
Ryanair	Discuss use of sustainable aviation fuel, update on emissions reduction targets and other climate related issues.	The Company has formally submitted targets to the Science Based Targets Initiative and awaits validation process. Expecting improved disclosures as part of its Sustainability Report to align with the incoming Corporate Sustainability Reporting Directive regulations. Ruffer remains impressed by Ryanair's approach and believes it is well placed to reinforce its

		competitive advantage throughout the transition and emissions reductions.

Recommendation

21. It is recommended that the Local Pension Committee note the report.

Background papers

22. None

Equality Implications

23. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty

Human Rights Implications

24. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty

Appendices

Appendix A: RI Plan Update
Appendix B: Quarterly voting report
Appendix C: LGPS Central Presentation

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RESPONSIBLE INVESTMENT PLAN 2024

Financial Quarter	Date (where applicable)	Title	Description
Q4	26 January 2024	RI Plan	Communication and publication of the Fund's 2024 RI Plan + LGPS Central RI Stewardship
	26 January 2024	Strategic Asset Allocation	Consideration of the Fund's Net Zero Climate Strategy within the asset allocation.
		Local Pension Board Report	Update to Local Pension Board on progress against the Fund's net zero targets.
		Website Refresh	Updated pension website on the Fund's RI approach.
	8 March 2023	Manager Presentation	Adams Street - As part of Manager report to Committee overview of approach to Environment, Social and Governance factors (ESG). Stewardship presentation from LGPS Central on updated themes and engagement outcomes.
	March 2033	Policy Review	Incorporation of RI matters into relevant policies up for review.
	TBC March 2023	LGPS Shareholder Day	Agenda to be confirmed.
		Manager RI Snapshot as 31 March	The Fund will request climate and other RI related information from all investment managers to understand how they are monitoring/managing climate risk, and availability of climate data, and approach to stewardship. This will be used to drive discussions on matters related to the NZCS with Investment Managers throughout the year.
Q1	June 2024	Taskforce on Climate-Related Financial Disclosures (TCFD) Report	Public report of the Fund's approach to climate risk, set out in alignment with the recommendations of the TCFD, NZCS, Climate Risk Management Report and stewardship reporting.
	June 2024	Manager Presentation	Manager TBC. As part of Manager report to Committee overview of approach to ESG.

Q2	September 2024	Manager Presentation	Manager TBC. As part of Manager report to Committee overview of approach to ESG.
		Training	LGPS Central to provide training session on responsible investment/climate matters and engagement in advance of November Climate Risk Report
Q3	29 November	Climate Risk Report	The Fund will engage with LGPS Central and partner funds on future reporting and increase monitoring to sovereign bonds taking into account guidance from the Assessing Sovereign Climate-Related Opportunities and Risks initiative. The Fund will ensure it is reviewed in light of reporting on NZCS and seek to expand data coverage, and the possibility of expanding targets to corporate bonds and other available asset classes.
	29 November	Manager Presentation.	Manager TBC. As part of Manager report to Committee overview of approach to ESG.
	4/5/6th December	LAPFF Conference	Agenda to be shared once available.
		Strategic Asset Allocation Review	To take into account Climate risk as per NZCS and Climate Risk Management Report.
	TBC	Pension Fund AGM	Presentation as part of Pension Fund Annual General Meeting progress on NZCS and RI matters.
Q4	January 2025	Strategic Asset Allocation Committee	Consider recommendations from Climate Risk Report and Net Zero Climate Strategy
		RI Plan	2025 Plan.

Ongoing Activities throughout the year

- LGPS Central will be hosting their Annual RI Day with topics of interest to members, this date will be circulated to Committee once confirmed.
- Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund Forum, and developments on responsible investment matters with themes of interest to the Committee.
- Implementation and further inclusion of actions positively correlated with broader Net Zero Climate Strategy through LGPS Central and other external managers to ensure the climate transition and physical risks are identified and managed through stewardship and/or asset allocation activities.

- Work with appointed managers to understand how they are assessing, monitoring, and mitigating key transition and physical risks within material sectors. With a focus on high impact sector and previous disclosures.
- RI Working group with LGPS Central and Partner Funds. Including Working with LGPS Central to continue to develop climate reporting more broadly, and look at improvements to fixed income.
- Explore use of climate scenario analysis with a look to integrate funding and investment analysis in line with Climate Risk Management recommendation.
- Continue to engage companies highlighted in Climate Stewardship Report via our engagement partners including LGPS Central on companies and engagements selected. Look to encourage escalation where needed.
- Following expected review of the Stewardship Code 2020, review whether the Fund should apply, subject to value being evidenced.
- Continue review of best practice with regards to the Fund’s asset classes and climate reporting, and international industry standards.

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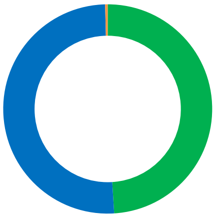
Leicestershire County Council Pension Fund

Voting Report, Q4 2023 (Oct-Dec 2023)

Over the last quarter we voted at **757** meetings (**5,605** resolutions). At **383** meetings we opposed one or more resolutions. We abstained at **zero** meetings. We voted with management by exception at **three** meetings. We supported management on all resolutions at the remaining **371** meetings.

Global

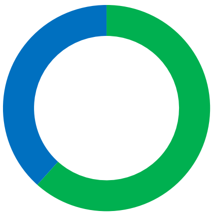
We voted at 757 meetings (5605 resolutions) over the last quarter.



Meetings in Favour 49%
Meetings Against 51%

Developed Asia

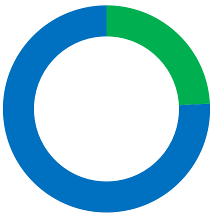
We voted at 60 meetings (334 resolutions) over the last quarter.



Meetings in Favour 62%
Meetings Against 38%

Australia and New Zealand

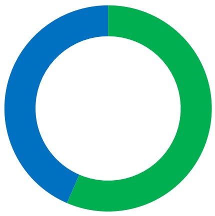
We voted at 124 meetings (701 resolutions) over the last quarter.



Meetings in Favour 24%
Meetings Against 76%

Emerging and Frontier Markets

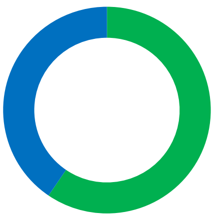
We voted at 355 meetings (1977 resolutions) over the last quarter.



Meetings in Favour 56%
Meetings Against 43%

Europe Ex-UK

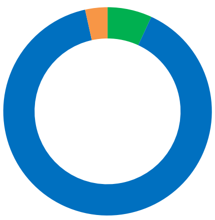
We voted at 42 meetings (350 resolutions) over the last quarter.



Meetings in Favour 60%
Meetings Against 40%

North America

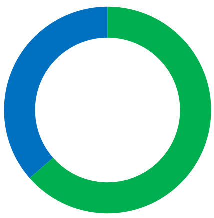
We voted at 58 meetings (817 resolutions) over the last quarter.



Meetings in Favour 7%
Meetings Against 90%
Meetings with Management by Exception 3%

United Kingdom

We voted at 118 meetings (1426 resolutions) over the last quarter.



Meetings in Favour 64%
Meetings Against 36%

The Issues on which we voted against management or abstaining on resolutions are shown below.

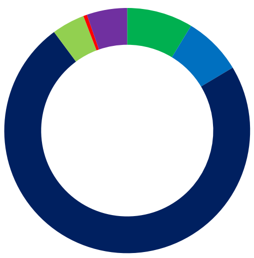
Global

We voted against or abstained on 3132 resolutions over the last quarter.

Amend Articles 13%
Audit + Accounts 10%
Board Structure 42%
Capital Structure + Dividends 10%
Other 2%
Remuneration 16%
Shareholder Resolution 7%

Developed Asia

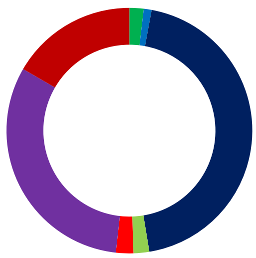
We voted against or abstained on 207 resolutions over the last quarter.



Amend Articles 9%
Audit + Accounts 8%
Board Structure 73%
Capital Structure + Dividends 4%
Remuneration 5%

Australia and New Zealand

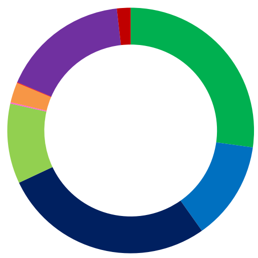
We voted against or abstained on 481 resolutions over the last quarter.



Amend Articles 2%
Audit + Accounts 1%
Board Structure 44%
Capital Structure + Dividends 2%
Poison pill/ Anti-Takeover Device 2%
Remuneration 32%
Shareholder Resolution 17%

Emerging and Frontier Markets

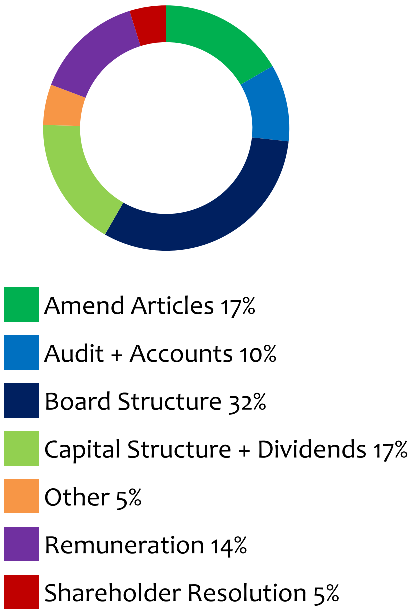
We voted against or abstained on 1169 resolutions over the last quarter.



Amend Articles 27%
Audit + Accounts 13%
Board Structure 28%
Capital Structure + Dividends 11%
Other 3%
Remuneration 17%
Shareholder Resolution 2%

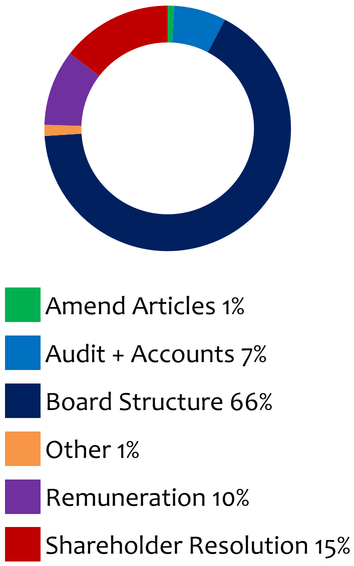
Europe Ex-UK

We voted against or abstained on 187 resolutions over the last quarter.



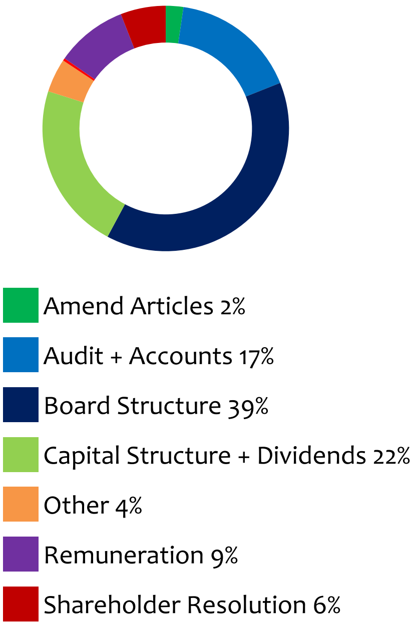
North America

We voted against or abstained on 481 resolutions over the last quarter.



United Kingdom

We voted against or abstained on 607 resolutions over the last quarter.



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2024-2027

Intro to Stewardship & LGPS Central's Stewardship Strategy

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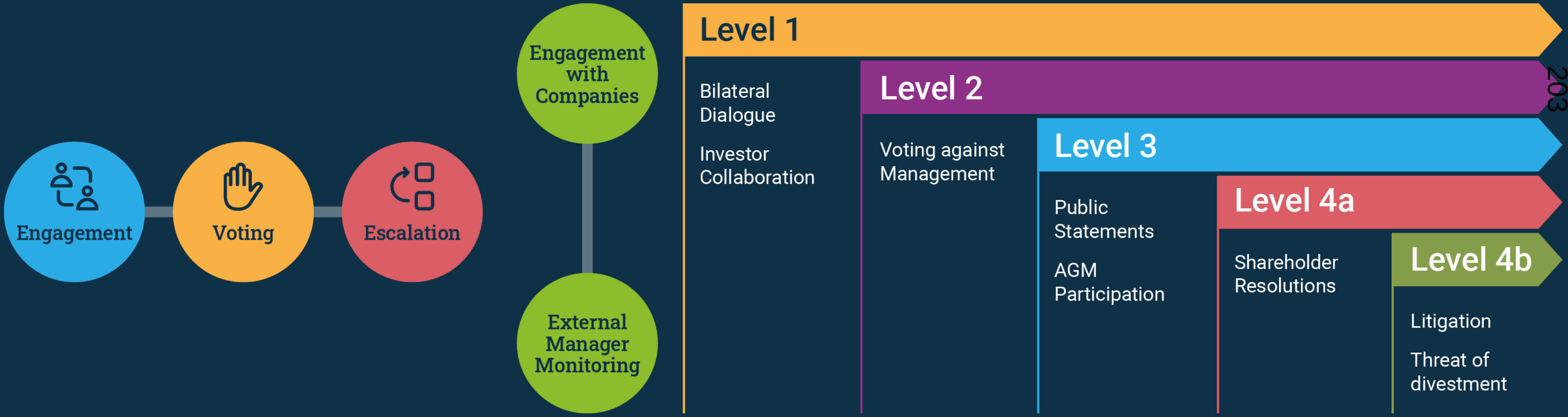
Agenda

Intro to Stewardship	Engagement Examples	2024-2027 Stewardship Themes	Detail on Each Theme
Stewardship Partners' Themes	Key Partnerships	Glossary	

What Stewardship means

LGPS Central Limited

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (FRC).



Key Concepts

LGPS Central Limited

Outcome

Tangible record that stewardship activities have led to positive impacts in respect to beneficiaries' assets.

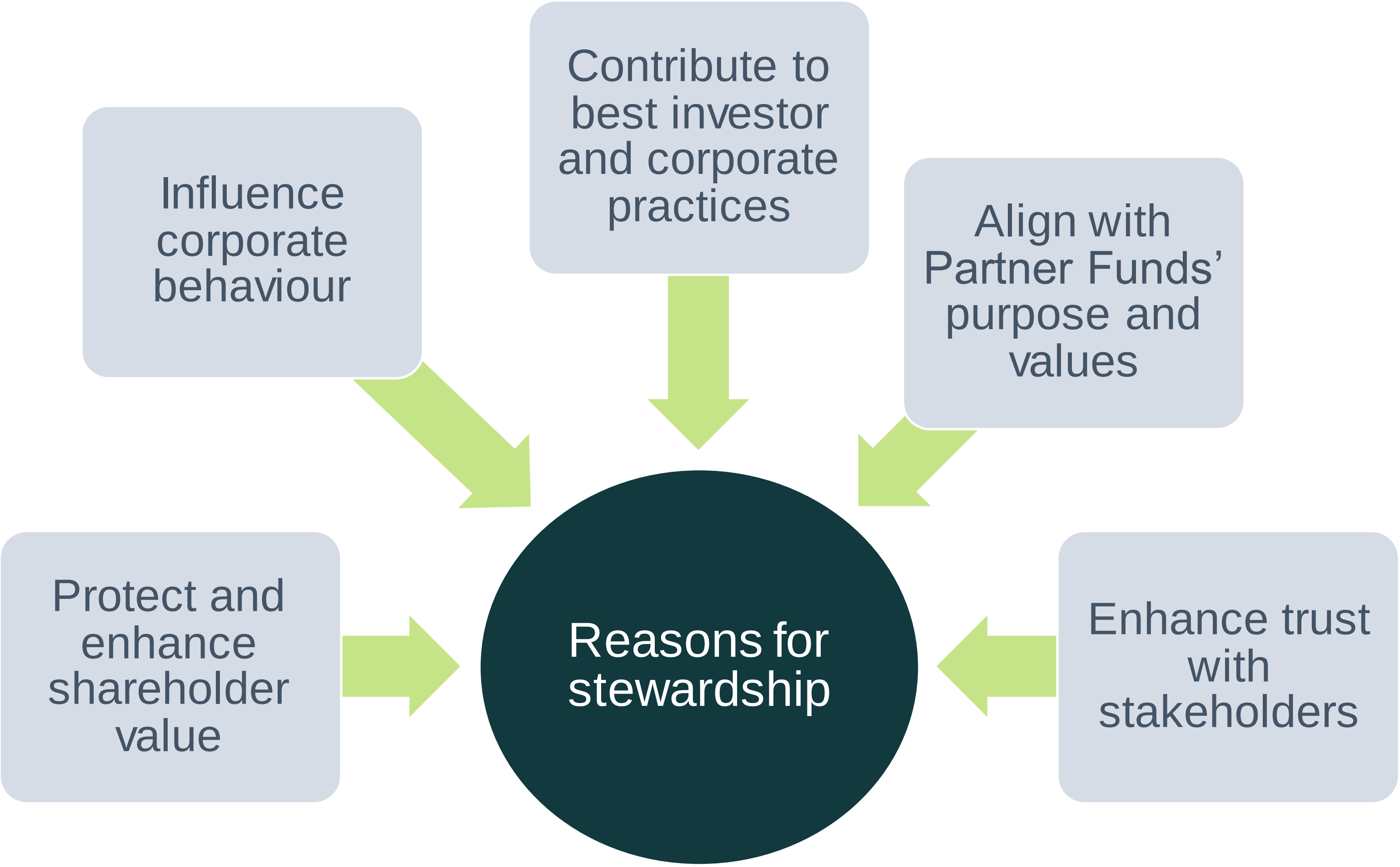
Active Ownership

Active ownership is the **use of rights** and position of ownership to influence the activities or behaviour of investee companies.

Escalation

Approach taken following an **unsuccessful** engagement e.g. public statement, overweight/underweight holdings, filing resolutions, voting against re-election of responsible directors, divestment, litigation etc.

Why we steward our assets



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Engagement Examples

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Net Zero – Shell	Net Zero - BP
2023 • Direct engagement with the company - Shell is considering a plan to implement an absolute target (in terms of upstream oil production) as part of the 2025 energy transition update to realise the ambition of reducing Scope 3 emissions. Additionally, Shell plans to invest $10 to $15 billion into low carbon solutions but have not yet published a detailed CAPEX strategy into 2030. Shell will release a new climate plan ahead of the 2024 AGM. LGPSC has asked for the opportunity to provide feedback on Shell's draft Energy Transition Strategy. **2022** • LGPSC voiced concerns to Shell's Chair regarding their Energy Transition Strategy's inconsistency with the Paris Agreement and the absence of facilitating targets for its achievement. Shell acknowledged its role in addressing climate risk and its progress in reducing oil production, although Shell noted that setting absolute short- and medium-term Scope 3 targets for its upstream emissions are a challenge.	**2023** • Collaborative engagement. LGPSC alongside other investors engaged with BP, discussing the company's CAPEX alignment with net zero and transition growth engines. On CAPEX, BP provided a summary of recent and planned future capital spending across strategic themes with approximately $8.5bn p.a. allocated to resilient hydrocarbons (including oil and gas CAPEX), as well as refining and bioenergy. In 2022, group CAPEX was $16.3bn, of which $4.9bn was within their transition growth engines. The group has sent an email in request for further clarification on how those elements are aligned with BP's 2030 target and longer term aim to reach net zero. • Additionally, the engagement focused on potential future engagement with BP's nomination committee regarding the appointment of the new CEO and ensuring that shareholders are consulted ahead of drastic changes to the climate strategy policy.

Engagement Examples

LGPS Central Limited

Barclays – Climate Change (Banks)

LGPS Central along with ShareAction and other investors filed a resolution in December 2023 in relation to Barclays' climate strategy. Following extensive engagement with Barclays' senior leadership, we withdrew the resolution as result of the positive outcome regarding Barclays' climate strategy and commitment to continuing engagement, including an annual meeting for the co-filing group with Barclays Group's CEO.

Outcome: Barclays announced on February 9th that they will stop direct financing of new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. In addition, LGPS Central remains committed to ensure that Barclays follows through with its newly established commitments.

2024-2027 Stewardship Themes

LGPS Central Limited

Climate

- Net Zero Alignment (Direct, CA100+, CDP)
- Audit Accounts (IIGCC)
- Just Transition (LAPFF)
- Banks (ShareAction)

Natural Capital

- Advocacy (PRI, IPDD)
- Nature Action 100
- Plastic pollution (AsYouSow)

Human Rights

- Corporate Index Benchmark (ICCR)
- Advance (PRI)
- Modern Slavery (Find it, Fix it, Prevent it), OPT (Direct, LAPFF)

Sensitive / Topical Activities

- Laggards in ACS (Direct, Investor Forum, EOS)
- Egregious controversies in ACS (Direct, Investor Forum, EOS)
- Fair Tax (PRI)

Climate Change

LGPS Central Limited

Climate Change

- Oil & gas, coal mining, utilities
- Automotive, steel, cement, petrochemicals, airlines
- Financial services
- Forestry
- Agricultural supply chains
- Consumer goods

The Challenge

- The largest impact of climate change is the negative effect it could have on the GDP of the worldwide economy by 2050 if global temperatures rise dramatically [(1)]. Forecasts based on temperature increases staying on the current trajectory, the Paris Agreement and net-zero emissions targets not being met.
- IPCC states that "it is unequivocal that human influence has warmed the atmosphere, oceans and land" [(2)].
- Climate change has the potential to disrupt the success of companies across all sectors and geographies.
- Climate change risks are endemic and span from physical, transitional to market-pricing risks. Its impact is likely to be transgenerational.

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(1) This is how climate change could impact the global economy | World Economic Forum
(2) Climate Change 2021: The Physical Science Basis

Climate Change

Climate Change

- Oil & gas, coal mining, utilities
- Automotive, steel, cement, petrochemicals, airlines
- Financial services
- Forestry
- Agricultural supply chains
- Consumer goods

Investment Risk and Opportunity

- Managing climate-change risks and capturing new opportunities can be crucial to protecting investments. A Paris Orderly Transition pathway is preferable for the economy, as it is the least disruptive. Research also shows it would provide the most favourable funding level projection in the medium-to-long term (3).
- As pension schemes' liabilities stretch over an extended period, the long-term impacts of climate change can affect the liability side of the balance sheet in addition to any transitional impacts on asset values.
- Companies with credible net zero strategies are more likely to set business plans which are more resilient against climate risks and steer away from stranded assets.
- Climate financing is a pre-requisite for meeting the Paris Agreement. Climate solutions can contribute to the emission reductions needed to limit global warming to 1.5° or 2°C.

(3) https://www.theactuary.com/2021/05/28/climate-risk-scenarios-pension-schemes

Natural Capital

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Natural Capital

- Biotechnology and pharmaceuticals
- Chemicals
- Consumer Good Retail
- Food
- Forestry & Paper Products
- Household and personal goods
- Food and beverage retail and restaurants
- Metals and mining

The Challenge

- Over half of global GDP is moderately or highly dependent on nature.
- A positive feedback loop exists between the effects of Climate Change and Biodiversity loss.
- Climate change will become the dominant cause of biodiversity loss in the coming decades.
- 5 key drivers of Biodiversity loss: Land-use change, Climate Change, Pollution, Natural Resource use and exploitation, invasive species.
- The mismanagement of nature-related risks poses potentially serious systemic and macroeconomic risks.

Natural Capital

Natural Capital

- Biotechnology and pharmaceuticals
- Chemicals
- Consumer Good Retail
- Food
- Forestry & Paper Products
- Household and personal goods
- Food and beverage retail and restaurants
- Metals and mining

Investment Risk and Opportunity

- Degradation of nature could reduce companies' ability to generate long-term value for shareholders through:
  i. scarce resources
  ii. regulatory tightening
  iii. reputational damage
- Companies reliant on a linear take-make-waste model face substantial commercial risks.
- New opportunities around Nature-based climate solutions.

Human Rights

Human Rights

- The responsibility to respect human rights applies to all companies across sectors.
- Certain human rights will likely be more at risk of being impacted than others, depending on sector, geographical area and other circumstances

The Challenge

- There is a growing visibility and urgency around many human rights issues globally.
- Media, governments and citizens are questioning whether the global financial system serves its intended purpose, and the wider interests of society, if it fails to manage capital in a way that supports sustainable and inclusive economies.
- Higher scrutiny is placed on social (S) factors since if mismanaged, they can have the potential to destroy companies' value and they are increasingly perceived as a barometer for company's culture (4).

(4) Time to Rethink the S in ESG (harvard.edu)

Human Rights

LGPS Central Limited

Human Rights

- The responsibility to respect human rights applies to all companies across sectors.
- Certain human rights will likely be more at risk of being impacted than others, depending on sector, geographical area and other circumstances

Investment Risk and Opportunity

- The long-term legitimacy of sectors and markets depends, among other things, on operations and products that are ethically acceptable – “social license to operate”.
- Companies’ operations impact employees, as well as contract workers, workers in supply chains, customers, communities and the environment around operations.
- Businesses and institutional investors have a responsibility to respect human rights as indicated in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational enterprises. Litigations and claims can be brought against investors.

Sensitive / Topical Activities

LGPS Central Limited

Sensitive / Topical Activities

- The responsibility to respect international norms and adopt business practices applies to all companies across sectors.

The Challenge

- An MSCI study found that companies with high ESG scores experienced lower costs of capital, lower equity costs, and lower debt costs compared to companies with poor ESG scores. McKinsey[(5)] echoes this argument maintaining that over 2,000 academic studies concluded that better ESG scores translate to about a 10% lower cost of capital. This correlates to lower regulatory, environmental, and litigation risks associated with high ESG-scoring companies.
- In two thirds of “high ESG controversy” cases, companies’ stock experienced “sustained underperformance,” trailing the global index by an average of 12% over the course of the following 2 years after the controversy [(2)].
- Supply chain disruption may severely affect the long-term success of companies (i.e., supply chain resilience and business risk).

(5) Why ESG scores are here to stay | McKinsey
(6) ussif.org/files/GSIR_Review2018F.pdf

Sensitive / Topical Activities

Sensitive / Topical Activities

- The responsibility to respect international norms and adopt business practices applies to all companies across sectors.

Investment Risk and Opportunity

- The share values of companies that are involved in systemic ESG scandals are likely to be severely impaired. Companies in severe breach of international norms can be exposed to: imminent removal of their license to operate, government intervention, and severe litigations. Investors can face dire reputational risks as well as complaints at OCP level.
- Laggard ESG practices can act as a proxy indicator for companies' vulnerability to potential scandals and corporate mismanagement.
- Engaging with companies' executive teams with alleged controversies and/or ESG laggard approaches is part of the LGPSC's fiduciary duties and universal owners' commitment to responsible investment.

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(3) ICGN - Fiduciary duties exist to safeguard the current and future interests of fund beneficiaries, both to enhance value and to protect them from potential misuse of their assets, owing to negligence, conflicts of interest (or agency issues) and/or incompetence of their investor fiduciaries.

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Key partnerships

LGPS Central Limited

Green Finance Initiative

Transition Pathway Initiative

Local Authority Pension Fund Forum

PRI Principles for Responsible Investment

THE INVESTOR FORUM

IIGCC The Institutional Investors Group on Climate Change

30% Club GROWTH THROUGH DIVERSITY

Climate Action 100+

BVCA British Private Equity & Venture Capital Association

FRC Financial Reporting Council

CDP

THE INVESTMENT ASSOCIATION

ICGN International Corporate Governance Network

Nature Action 100

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Appendix – Additional examples

LGPS Central Limited

Recent Examples

- In February 2024, LGPS Central along with Nature Action investors initiated the engagement programme on Rio Tinto and its approach to nature stewardship. The programme will be finalised after the **Rio Tinto**'s annual report and accounts are released (March). Engagement KPIs will be set up after this stage.
- In March 2024, LGPS Central will engage with **BHP** along with CA100+ investors regarding their approach on Just Transition. The Company's sustainable capabilities is considered a laggard in this respect due to its limited disclosure on stakeholder engagements and commitment to the ILO Just Transition guidelines. Engagement KPIs are currently being set up.
- From December 2023, **LGPS Central and a property manager** are discussing how integrate additional Modern Slavery requirements in their due diligence. These include ensuring that companies are providing whistleblowing mechanisms and due diligence is carried out beyond Tier 1 suppliers.

Appendix – Additional examples

LGPS Central Limited

Just Transition – Dominion Energy Inc	Board Diversity - Comcast Corp
Engagement objective: Dominion has a net-zero goal and the Virginia Clean Economy Act has a requirement for green jobs. However, Dominion has yet to create a clear narrative or strategy on Just Transition. **Action taken:** In Q4 2020, expectations were raised for the company to come up with a strategy to transition its workforce away from working in fossil-fired generation plants. In Q1 2021, the company disclosed its workforce transition strategy, including reskilling and reallocating the workforce impacted by coal plant closures. **Outcome:** The company's latest climate report highlights the work being undertaken to optimise outcomes for workers, customers, and communities. The Just Transition activities has been tied with the company's environmental justice policy. For example, in pursue of the Virginia Beach offshore wind project, Dominion engaged the community by conducting over 1,000 meetings. The company has addressed the job losses from the closure of coal units across two towns in March 2023. Other transition measures include providing tuition reimbursement, partnering with community colleges to offer employee training, and the setup of an employee career centre.	**Engagement objective:** We expect the company to refresh the board and improve its board diversity, including gender diversity and racial/ethnic diversity. **Action taken:** Concerns were raised about the company's board diversity and urged the need for refreshing the board. During the 2023 proxy discussion, EOS expressed the expectation of a minimum of 30% gender diversity on the board. Following this, the company expressed the intent to increase the number of female directors from 2 to 3. **Outcome:** In response, the company outlined a plan to refresh the board and enhance diversity. In Q3 2023, EOS reiterated its voting recommendations, emphasising the importance of achieving a minimum gender diversity of 30% on the board. However, an exception was made for Director Bacon, chair of the nominations committee, based on the company's commitment to diversity, equity, and inclusion and active efforts to address the concern. The engagement process is ongoing, and progress is being monitored.

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Glossary

LGPS Central Limited

Term	Definition
AsYouSow	NGO promoting corporate accountability through shareholder action.
Authorised Contractual Schemes (ACS)	Collective investment scheme that pools assets and is managed on behalf of several investors.
CDP	NGO helping companies, cities, states, regions, and public authorities disclose their environmental reporting impact.
Climate Action 100+ (CA100+)	Investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
EOS at Federated Hermes	Engagement overlay provider that delivers corporate engagement and proxy voting services.
Finance Sector Deforestation Action (FSDA)	Investor initiative focused on eliminating agricultural commodity-driven deforestation from portfolios.
Financial Reporting Council (FRC)	Regulator that is responsible for setting the UK's Corporate Governance and Stewardship Code.
Institutional Investors Group on Climate Change (IIGCC)	A European-based membership body for investor collaboration on climate change.
Intergovernmental Panel on Climate Change (IPCC)	United Nations body for assessing the science related to climate change.
Investor Policy Dialogue on Deforestation (IPDD)	Investor initiative engaging with public agencies and industry associations on the issue of deforestation.

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Glossary

Term	Definition
Local Authority Pension Fund Forum (LAPFF)	Promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
Natural Capital	The world's stocks of renewable and non-renewable natural resources (plant, animals, air, water, minerals, soil) that combine to provide a flow of benefits (ecosystem services) to people.
Principles for Responsible Investment (PRI)	Independent body working to encourage investors to use Responsible Investment to enhance returns and better manage risk.
ShareAction	NGO promoting Responsible Investment and driving better corporate action on Environmental, Social, and Governance issues.
Taskforce for Nature-related Financial Disclosures (TNFD)	Risk management and disclosure framework for organisations to report on nature-related risks.
The Investor Forum	Practitioner-led membership organisation to position stewardship at the heart of investment decision–making.
Transition Pathway Initiative (TPI)	Global initiative that assesses preparedness by companies in high carbon sectors for transition to a low carbon economy.
UN Guiding Principles on Business and Human Rights (UNGP)	Set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations.

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Disclaimer

LGPS Central Disclaimer

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Share Class and Benchmark performance displayed in GBP.

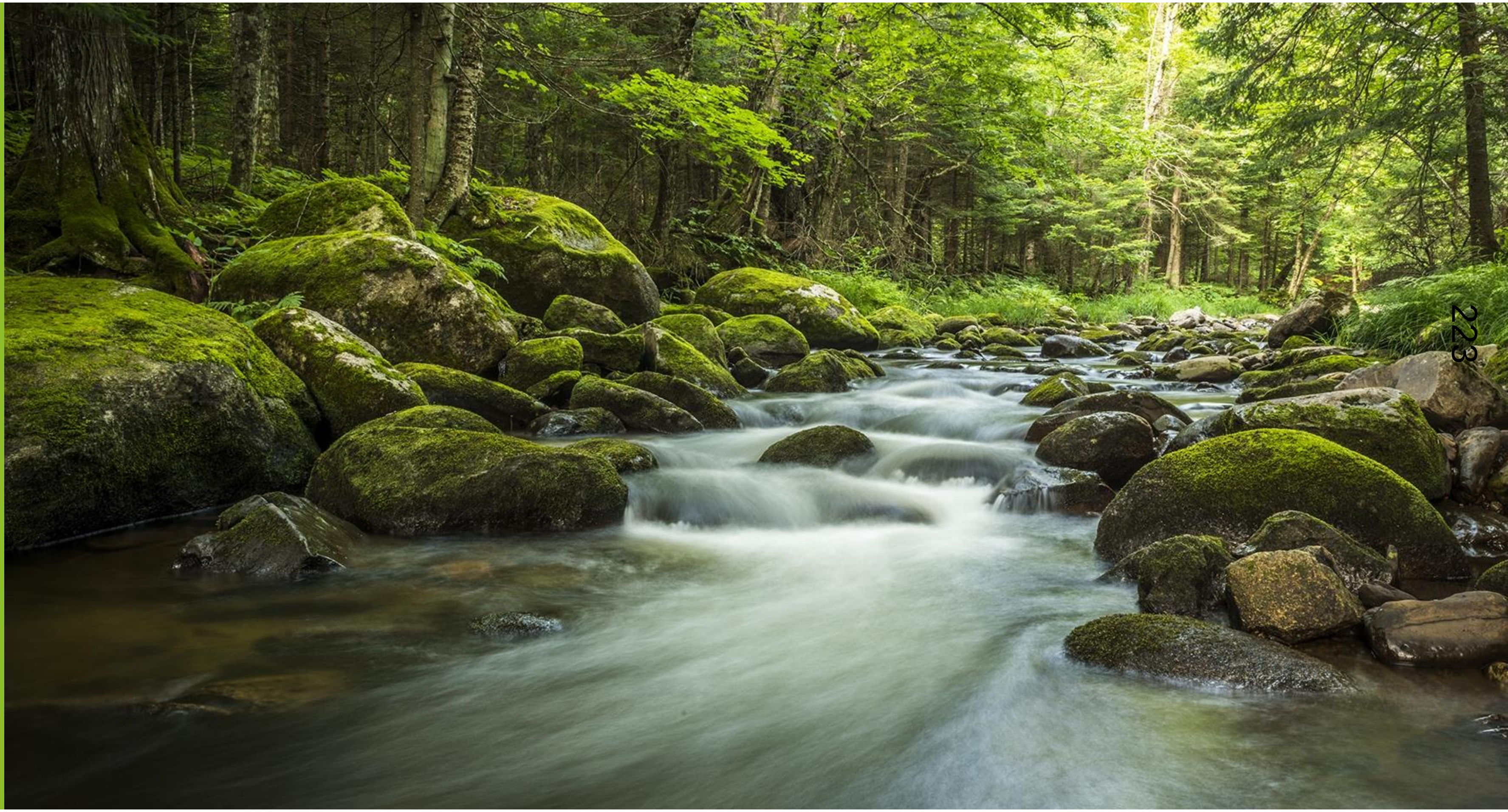
Performance is shown on a Net Asset Value (Nav) basis, with gross income reinvested where applicable.

All information is prepared as of **22 February 2023**.

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited

"One Central team, working in partnership to invest with purpose and deliver superior returns"



Leicestershire County Council

LOCAL PENSION COMMITTEE – 08 MARCH 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ADAMS STREET PARTNERS (ASP) – PRIVATE EQUITY PRESENTATION

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee with information on the Leicestershire Pension Fund (Fund) private equity (PE) investments and the performance of the Fund's PE investments held with Adam Street Partners (ASP).

2. Appended to the report is a PowerPoint presentation which will be delivered at the meeting by representatives from ASP.

Background

3. The Fund has a PE allocation currently managed by three managers with the majority managed by ASP. As at 31 December 2023 the Fund's total PE investments were valued at £422m, or 6.9% of total Fund assets. The Fund has a target weighting to PE set at 7.5% of total Fund assets and is therefore marginally underweight to this asset class.

4. The Fund has a long history of investing with ASP stretching back to 2002. The Fund has invested in most annual vintages and a number of the strategies which ASP will talk about during their presentation. The value of the ASP holdings as at 31 December 2023 is £385m, or about 90% of the value of the Fund's PE investments.

5. The Fund has also invested via Aberdeen Standard Life into one vintage (2017) of a secondaries fund where the strategy is to acquire positions in PE funds from sellers. Private equity is an illiquid asset class, with investors required to commit for ten years or more. A secondary market in investments has arisen as the only way for individual investors to make an early exit from their private equity commitments. Purchasing secondaries can sometimes be more favourable in terms of pricing than the last available pricing for the Fund being acquired. The current value of this investment which is now returning capital to investors is £24m.

6. Finally, the Fund has committed capital to three LGPS Central vintages totalling £80m. Much of this is still uncalled and as such the current value is £11.5m with the last of the three vintages (2023) yet to call capital.

7. In October 2023 the Investment Sub Committee (ISC) agreed to commit:

   a. £40m (GBP) to the LGPS Central PE 2023 vintage; (£40m included in point 6)
   b. $50million (USD) be committed to the ASP Global Funds 2024 vintage;
   c. A combined £80million be committed to PE in 2024/25 with the split by PE Fund to be decided.

8. The ASP presentation will cover the following:

   a. Overall performance of the Fund's total ASP holdings
   b. Types of PE investment made by ASP
   c. Detailed performance of Leicestershire County Council Pension Fund (LCCPF) PE investments over time
   d. How ASP view PE within the United Kingdom
   e. How ASP integrate Environmental, Social and Governance (ESG) standards

Recommendation

9. The Committee is asked to note the report and presentation.

Environmental Implications

10. The LCCPF has agreed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

11. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material ESG factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

12. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material ESG factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendix

Adams Street Partners – Presentation - LCC Pension Fund PE review

Background Papers

11 October 2023 - Investment Sub Committee – Recommended investments to Private Equity products – agenda item 20
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=919&MId=7258&Ver=4

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Adams Street

8 MARCH 2024

Leicestershire County Council Pension Fund

Pension Committee - Private Equity Review

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

LEADING WITH FORESIGHT ™

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As of March 2024

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Continued on next page

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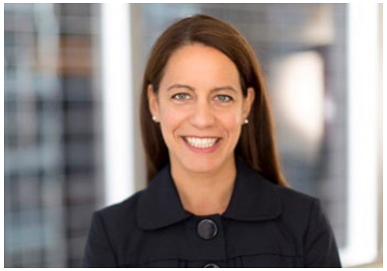
Topics for Discussion

Adams Street

Adams Street Attendees



Ana Maria Harrison, Partner, Investor Relations, London

Years of Investment/ Operational Experience: 27

Years at Adams Street: 10

Education: INSEAD, MBA; Northwestern University, BA

Ross Morrison, Partner, Primary Investments, London

Years of Investment/ Operational Experience: 23

Years at Adams Street: 14

Education: Institute of Chartered Accountants in England & Wales, ACA; University of Newcastle Upon Tyne, BS

Yohan Hill, Principal & Director of ESG and Responsible Investing, London

Years of Investment/ Operational Experience: 22

Years at Adams Street: 4

Education: Imperial College London, MS; University of the West Indies, BS

Adams Street Partners Update Summary

Adams Street

Adams Street Overview

Key Metrics

- 100% employee-owned global private markets firm
- 50+ years of dedicated private equity experience
- 12 offices across the globe
- 310+ employees, 100+ investment professionals
- $58 billion AUM, 550+ advisory boards
- LGPS partner since 2002: $3bn across 13 LGPS
  - Dedicated fee aggregation discount
  - LGPS Advisory Board Code of Transparency

Adams Street attributes

- Independence & fiduciary alignment of interests
- Strategically integrated platform
- Differentiated access and influence
- Proprietary analytics / portfolio construction
- Responsible investor, PRI signatory since 2010

Leicestershire County Council Pension Fund Update

Strong and resilient performance

- 10.8% Net IRR vs 7.5% for PME benchmark* (in USD)
- 13.0% Net IRR (in GBP)
- Outperform PME & PE benchmark in all intra periods
- 100% of drawn amount has been distributed in cash
- Considerable unrealised value (£370m est. NAV)

Portfolio is approaching rapid maturation

- Distributions have overtaken capital calls, thus NAV will continue to decline
- Consistent historial subscriptions over 20+ years, in line with vintage diversification best-practice

Positioning and Outlook

- Portflio has held up well during market dislocation
- Continue to focus on growth-oriented sectors with secular tailwinds (technology & healthcare)
- Dislocation creates opportunity

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As of 30 September 2023

* Public Market Equivalent (PME) is based on MSCI World All Country TR Index linked by cash flow equivalents. Figures since inception (annualised) as of 30 September 20023, latest valuations available.

Private Equity Investment Rationale and Success Factors

Adams Street

Rationale

- Pros
  - ✓ Potentially attractive, risk-adjusted returns
  - ✓ Imperfect correlation with other asset classes
  - ✓ Access to companies not available in the public market
  - ✓ Market inefficiency, transactions are negotiated
  - ✓ strong alignment of interests, control of investments
- Cons
  - × A long-term, relatively illiquid investment
  - × High risk, particularly on an individual transaction basis
  - × Difficulty in valuation (no market pricing)
  - × Not fully invested at all times, multiple capital calls
  - × Investments have high minimums

Success Factors

- Finding attractive investments is difficult
  - Investments aren't listed, like stocks
  - Access is key
- Requires a hands-on role in investment management and monitoring
  - Compared to public equity (stock) investors
- Private equity investing is highly specialized
  - Successful investment decisions requires strong dedicated investment capabilities for:
    - Analyzing investment data
    - Understanding macro-economic trends
    - Evaluating alternative business strategies
    - Building long-term strategic relationships

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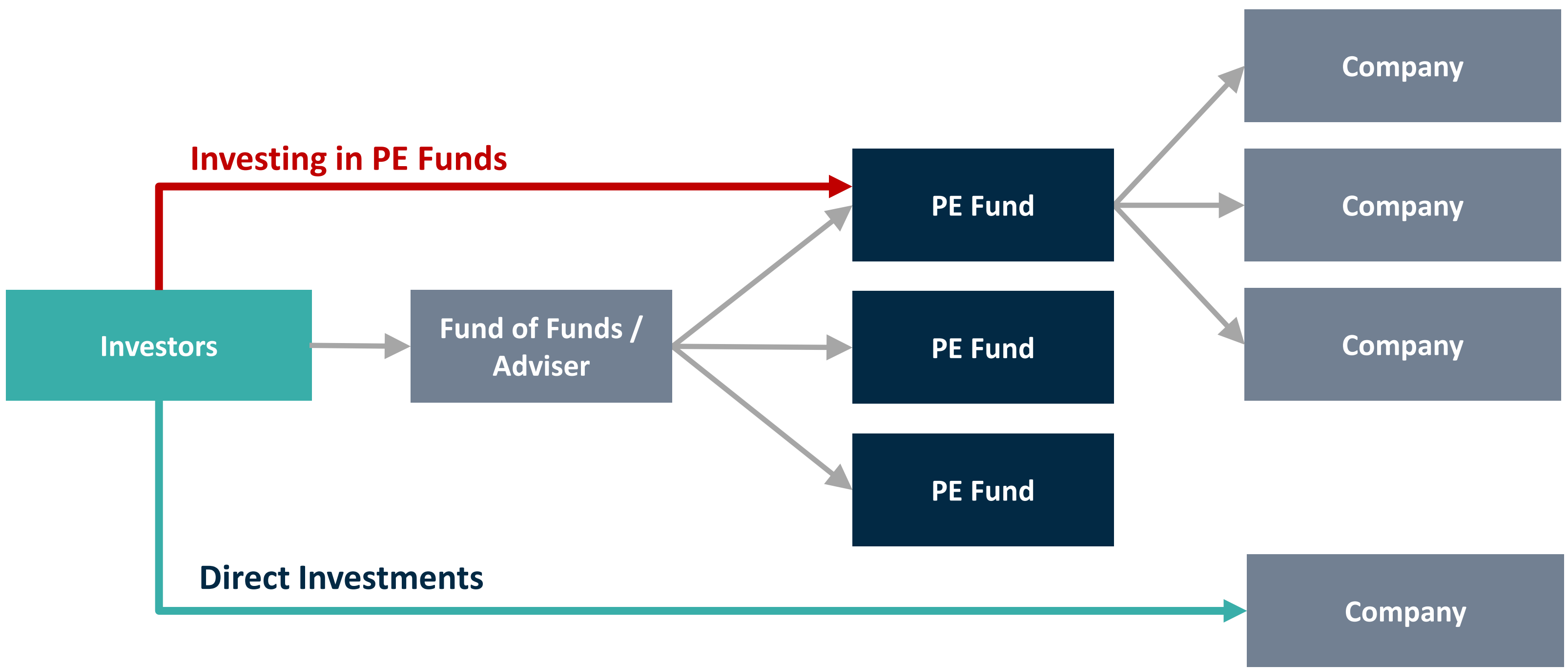
Investors can limit downside through diversification and portfolio construction

Methods of Investing in Private Equity

- Private equity investors have three main avenues for private equity investing:
- Investing directly in private companies: green arrow
- Investing directly in selected private equity funds (also called "partnerships"): red arrow
- Investing indirectly through a private equity "fund of funds" (FoFs) / adviser / customized solution: gray arrows



- Highly diversified, seeks to limit risk
- Access to preferred funds
- Least administrative burden, extra layer of fees but could be most cost-effective option[1]

- Single manager risk
- Access to preferred funds may be difficult
- Relevant costs for investment monitoring and reporting[1]

- Single company risk
- Difficult and time intensive to identify best potential investments
- Highest costs for investment monitoring and reporting[1]

[1] Cost comparison to replicate the same portfolio structure as in the fund-of-funds manager option.

Strategically Integrated Platform

Jeff Diehl
Managing Partner & Head of Investments
30 Years of Experience*

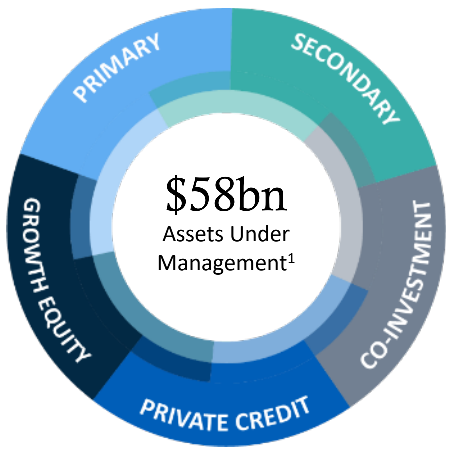
Bon French, CFA®
Chairman
47 Years of Experience*

PRIMARY INVESTMENTS - $34.3BN AUM

Provider of LP capital commitments to sponsors since 1979

Brijesh Jeevarathnam
Partner & Global Head
of Fund Investments
*27 Years of Experience**

- 1,340+ funds
- 370+ GP relationships
- 550+ advisory boards
- *32 Professionals*



SECONDARY INVESTMENTS - $8.3BN AUM

Purchaser of secondary LP interests since 1986

Jeff Akers
Partner & Head of
Secondary Investments
*26 Years of Experience**

- 620+ funds
- 230+ GP relationships
- *16 Professionals*

GROWTH EQUITY - $2.9BN AUM

Provider of long-term capital to growth stage companies since 1972

Robin Murray
Partner & Head of
Growth Equity Investments
*34 Years of Experience**

- 300+ companies
- *12 Professionals*

CO-INVESTMENTS - $5.3BN AUM

Provider of direct equity co-investments to sponsor-backed transactions since 1989

David Brett
Partner & Head of
Co-Investments
*39 Years of Experience**

- 230+ companies
- 130+ GP relationships
- *12 Professionals*

PRIVATE CREDIT - $9.7BN AUM[2]

Provider of debt financing solutions to private equity-backed transactions since 2017

Bill Sacher
Partner & Head of
Private Credit
*39 Years of Experience**

- 250+ GP relationships
- *23 Professionals*

*Investment and Operational
AUM figures as of September 30, 2023.
1. Firmwide AUM as of September 30, 2023; does not include the more recent private credit closings or private credit leverage which may be discussed herein or is available upon request.
2. AUM for Private Credit consists of total capital committed by investors (except with respect to funds for which the investment period has ended, in which case NAV is used) plus deployed and anticipated leverage. Capital committed by investors is $7.9bn (updated to reflect applicable investor capital commitments closed upon between 10/1/2023 and 1/12/2024).

Global Private Equity Program[1]

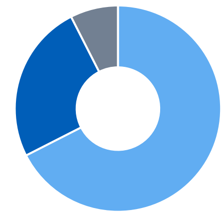
Comprehensive private equity solution

Highlights

- Historical access to best-in-class private equity opportunities
  - Commitments made during a three-year period
  - Focus on dislocation, innovation, and rapidly growing sectors
- Primary partnerships
  - ~30 to 40 funds across established and spin-out managers
  - Diversified across venture, growth equity, and buyout
  - Target overweight to small and mid-market funds[2]
- Co-invest and secondary exposure to capitalize on market inefficiencies while seeking to mitigate the j-curve
- Target Net Return of MSCI ACWI[3] + 400 bps[4]

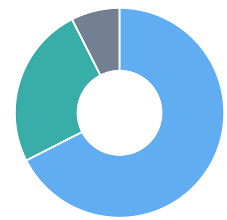
Target Allocations[1]

Subclass



- Buyout 60-75%
- Venture Capital 20-30%
- Other 5-10%

Strategy[5]



- Primary Strategies 65-70%
- Secondary 20-25%
- Co-Investment 15-20%

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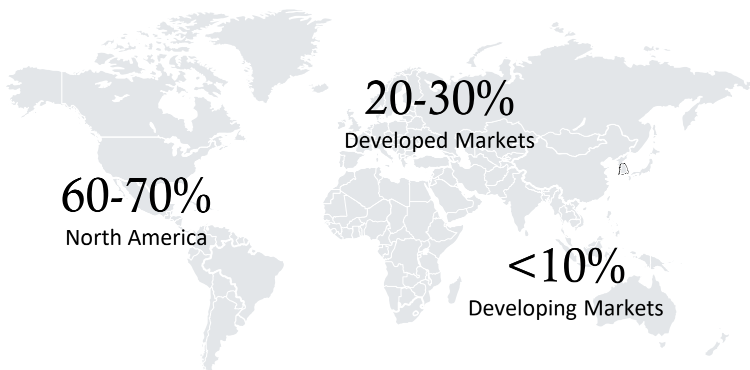
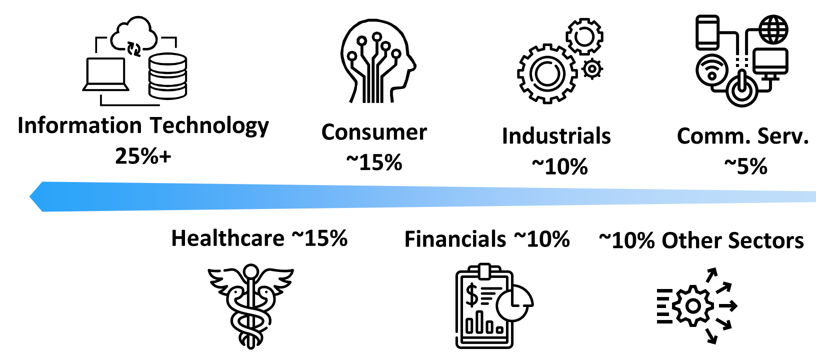
Target Geographic Exposure



Historical Sector Exposure[6]



Fund terms are subject to adjustment as represented in, and qualified in their entirety by, the final governing documents of such fund and are provided for informational purposes only.

1. Actual allocations will differ once the Program is fully invested.
2. Small and mid-market funds have historically represented a majority of the Program's primary allocation, whereby 95% of funds have a size below $5.0bn, 80% are below $2.0bn, 68% below $1.0bn and 43% below $500mm.
3. MSCI ACWI (All Country World Index) captures large and mid cap representation across Developed and Emerging Markets countries. Indices included herein are widely-used reference points within the investment industry but are not necessarily intended to be representative of, or directly comparable to, any Adams Street fund. Such indices may differ from Adams Street funds in terms of composition, risks, strategy, liquidity, or other factors.
4. Targeted net returns (after Adams Street's fees, expenses and carried interest) are only targets, aspirational in nature and based on Adams Street's historical experience as an investor; returns have not been modeled for the fund using assumptions related to returns, expenses or other factors. There is no guarantee that Adams Street or any investment vehicle advised thereby will achieve returns in the targeted range.
5. Includes opportunistic private credit exposure up to 5% of fund size; primary allocation percentage includes a ~10% of total fund size allocation to the Adams Street 2024 Direct Growth Equity Fund.
6. Based upon Global Private Equity Program company-level GICS sector exposure from 2012-2020. There can be no guarantee that the sector breakdown of any future investment vehicle advised by Adams Street Partners will align with what is shown.

Leicestershire County Council Pension Fund - Performance Summary

Adams Street

As of 30 September 2023

In USD M	Subscription	Drawn / Subscription	Distribution / Drawn	Market Value	Total Value / Drawn	Gross IRR Since Inception	Net IRR Since Inception	PME Since Inception *	Value add vs PME
2002 Subscription Total	**$58.3**	**96%**	**160%**	**$1.2**	**$0**	**11.7%**	**9.0%**	**7.5%**	**1.6%**
2003 Subscription Total	**$36.4**	**95%**	**157%**	**$1.0**	**1.60x**	**10.5%**	**8.4%**	**6.5%**	**1.9%**
2004 Subscription Total	**$20.0**	**95%**	**148%**	**$0.6**	**1.51x**	**8.4%**	**6.7%**	**6.1%**	**0.6%**
2005 Subscription Total	**$25.0**	**95%**	**146%**	**$0.9**	**1.49x**	**7.7%**	**6.1%**	**6.2%**	**-0.1%**
2006 Subscription Total	**$30.0**	**95%**	**154%**	**$2.0**	**1.61x**	**9.1%**	**7.1%**	**6.7%**	**0.4%**
2007 Subscription Total	**$19.0**	**95%**	**164%**	**$3.1**	**1.81x**	**11.6%**	**9.7%**	**8.2%**	**1.4%**
2008 Subscription Total	**$38.3**	**92%**	**177%**	**$12.8**	**2.12x**	**15.9%**	**13.5%**	**9.7%**	**3.7%**
2011 Subscription Total	**$20.0**	**87%**	**156%**	**$11.9**	**2.24x**	**17.4%**	**14.5%**	**9.7%**	**4.8%**
2012 Subscription Total	**$20.0**	**93%**	**121%**	**$15.5**	**2.04x**	**15.3%**	**13.2%**	**9.1%**	**4.1%**
2013 Subscription Total	**$20.0**	**92%**	**101%**	**$19.4**	**2.06x**	**15.1%**	**13.3%**	**9.0%**	**4.3%**
2014 Subscription Total	**$40.0**	**92%**	**93%**	**$44.6**	**2.13x**	**16.8%**	**15.1%**	**9.2%**	**5.9%**
2015 Subscription Total	**$30.0**	**88%**	**79%**	**$37.1**	**2.18x**	**23.3%**	**20.9%**	**9.6%**	**11.3%**
2016 Subscription Total	**$30.0**	**89%**	**49%**	**$36.1**	**1.84x**	**20.7%**	**18.2%**	**8.7%**	**9.4%**
2017 Subscription Total	**$40.0**	**80%**	**28%**	**$52.7**	**1.92x**	**22.1%**	**19.7%**	**8.8%**	**10.9%**
2018 Subscription Total	**$50.0**	**77%**	**17%**	**$56.7**	**1.63x**	**23.0%**	**20.1%**	**7.6%**	**12.5%**
2019 Subscription Total	**$39.0**	**81%**	**10%**	**$39.9**	**1.36x**	**27.2%**	**22.8%**	**3.9%**	**18.9%**
2020 Subscription Total	**$26.0**	**72%**	**10%**	**$20.1**	**1.17x**	**20.3%**	**15.4%**	**1.2%**	**14.2%**
Global Fund Total	**$542.0**	**89%**	**105%**	**$355.5**	**1.78x**	**12.7%**	**10.7%**	**7.5%**	**3.2%**
Growth Equity Total	**$25.0**	**95%**	**59%**	**$16.3**	**1.28x**	**8.0%**	**4.5%**	**7.8%**	**-3.4%**
US SMB Total	**$10.0**	**82%**	**24%**	**$16.2**	**2.21x**	**24.5%**	**22.3%**	**8.3%**	**14.0%**
Co-Investment Total	**$60.0**	**95%**	**99%**	**$50.4**	**1.86x**	**15.1%**	**12.8%**	**6.4%**	**6.4%**
SecondaryTotal	**$58.0**	**46%**	**29%**	**$31.3**	**1.47x**	**26.4%**	**20.4%**	**8.5%**	**11.9%**
Grand Total	**$695.0**	**86%**	**98%**	**$469.7**	**1.76x**	**12.9%**	**10.8%**	**7.5%**	**3.3%**
					GBP Performance:	**15.0%**	**13.0%**	**9.7%**	**3.3%**

	Capital Calls	Distributions
Oct. 1, 2023 – Feb. 20, 2024	$9.1M	$12.2M

Public Market Equivalent (PME) is based on MSCI All Country Index (MSCI ACWI) linked by cash flow equivalents.

Given the cash flow activity that has taken post Q3 2023, the portfolio is currently **87% drawn and 100% of the amount drawn has been distributed back.**

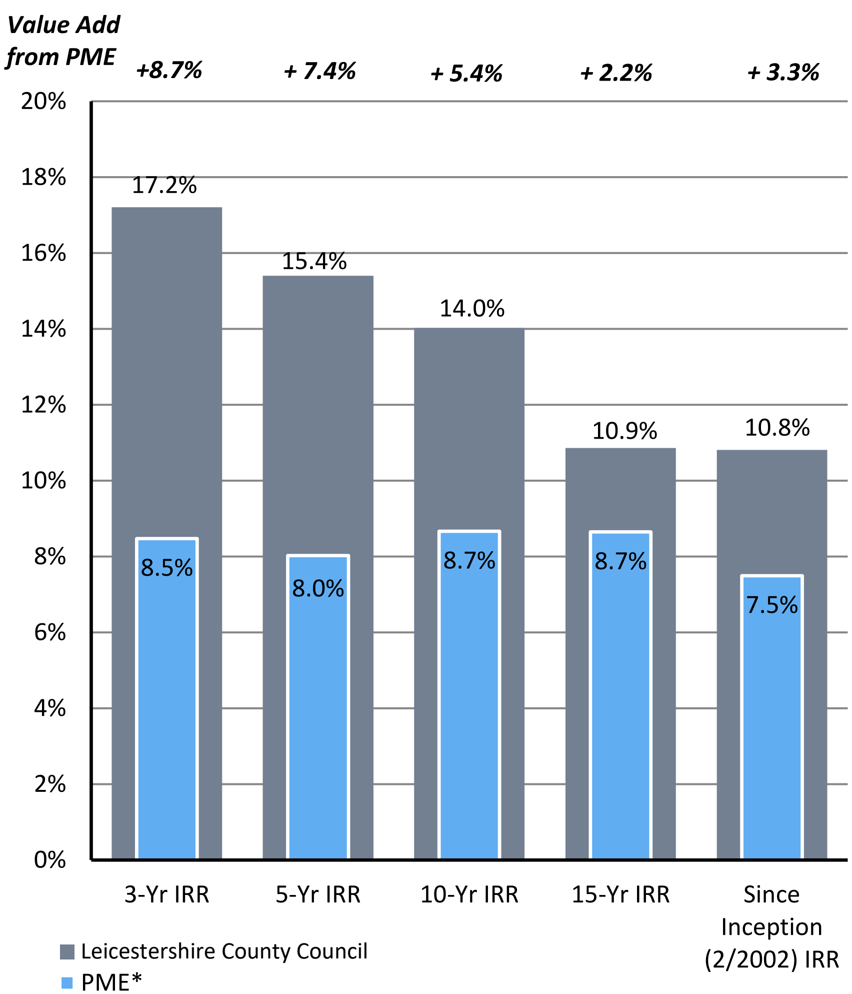
Leicestershire County Council Pension Fund

Intraperiod Net IRR Returns vs PME

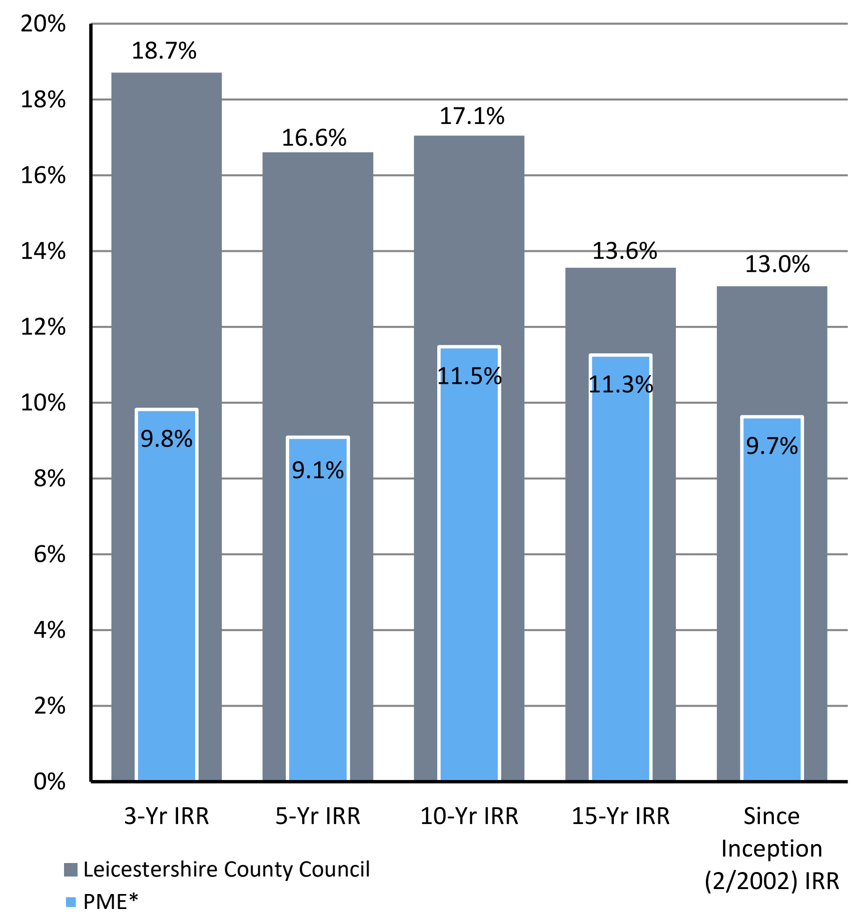
Adams Street

As of 30 September 2023

Internal Rate of Return (Net of Fees) - USD



Internal Rate of Return (Net of Fees) - GBP



* PME is based on the MSCI All Country Index (MSCI ACWI) linked by cash flow equivalents.

Leicestershire County Council Pension Fund

Top Company Exposures and Distributing Funds

As of 30 September 2023

▪ Top 10 Company Exposures by Unrealized Value[1]

Rank	Company	Unrealized Value	% of Total	Region	Industry
1	Company A	$5,286,429	1.3%	United States	Other
2	Company B	$3,267,771	0.8%	United States	IT
3	Company C	$3,215,745	0.8%	Asia	IT
4	Company D	$2,907,094	0.7%	United States	IT
5	Company E	$2,205,013	0.5%	The Americas	Business Services
6	Company F	$2,191,800	0.5%	United States	Healthcare
7	Company G	$2,176,935	0.5%	The Americas	Energy & Natural Resources
8	Company H	$2,130,294	0.5%	Western Europe	Financial Services
9	Company I	$2,019,628	0.5%	United States	IT
10	Company J	$2,006,169	0.5%	United States	IT
	Total Top 10	**$27,406,877**	**6.6%**		

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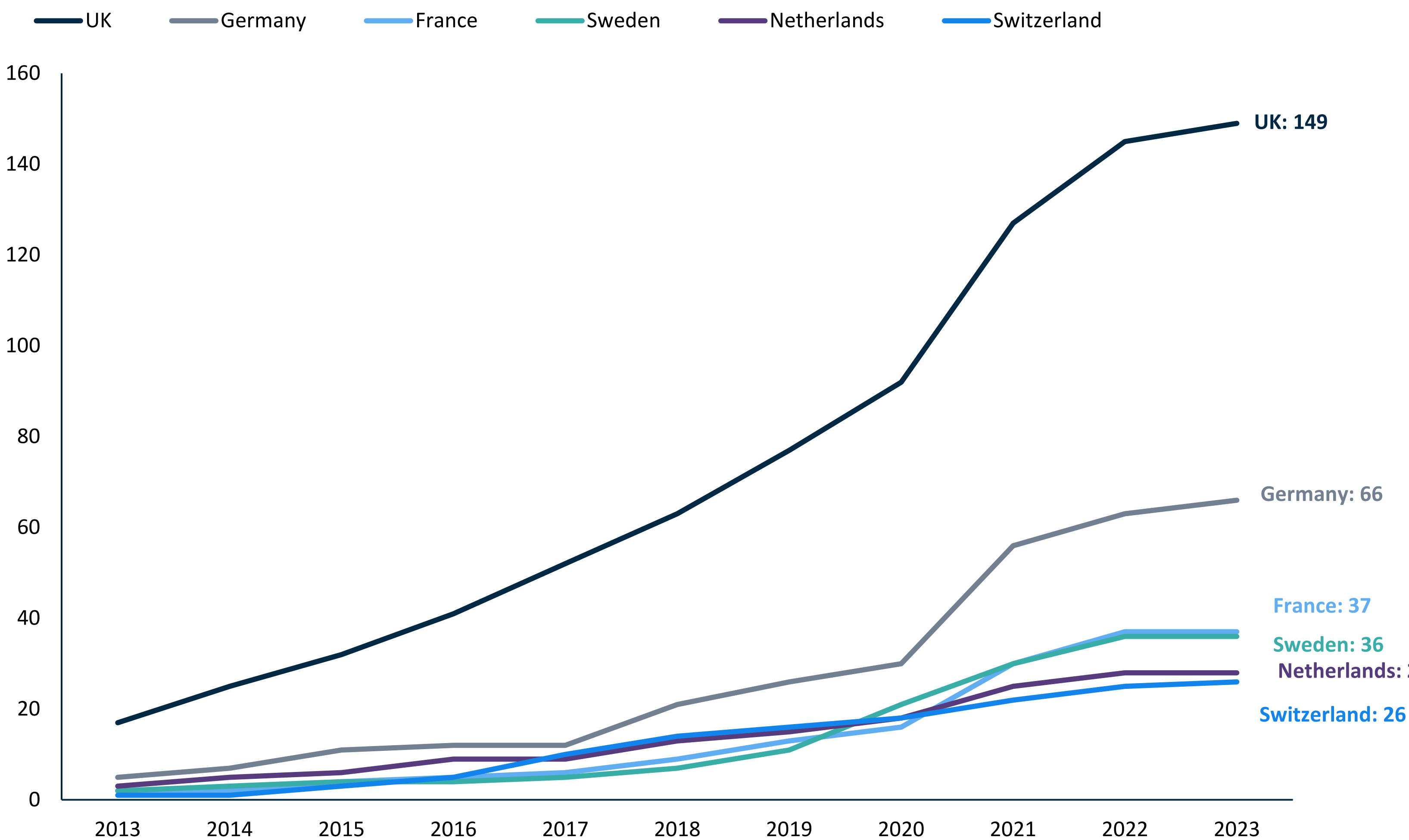
▪ Top 10 Distributing Funds (LTM)[2]

Rank	Partnership	Distribution Amount	% of Total	Vintage Year	Subclass
1	Partnership A	$1,026,341	3.2%	2015	Venture Capital
2	Partnership B	$797,846	2.5%	2016	Buyouts
3	Partnership C	$696,979	2.2%	2017	Buyouts
4	Partnership D	$590,668	1.9%	2018	Debt/Credit
5	Partnership E	$585,139	1.8%	2014	Other
6	Partnership F	$499,163	1.6%	2015	Venture Capital
7	Partnership G	$478,276	1.5%	2019	Venture Capital
8	Partnership H	$467,547	1.5%	2019	Buyouts
9	Partnership I	$445,407	1.4%	2021	Buyouts
10	Partnership J	$443,358	1.4%	2014	Buyouts
	Total Top 10	**$6,030,725**	**19.0%**		

[1] Table depicts portfolio exposure by company. If applicable, Adams Street's direct investments are excluded from this analysis.
[2] Table lists the underlying partnerships that distributed the most, on behalf of Leicestershire County Council's portfolio over the last twelve months (LTM). If applicable, Adams Street's direct investments are excluded from this analysis.

Strong Companies Are Being Founded Across the Continent

Cumulative Number of Technology Companies Reaching $1bn Valuation Per Region, 2013 to 2023



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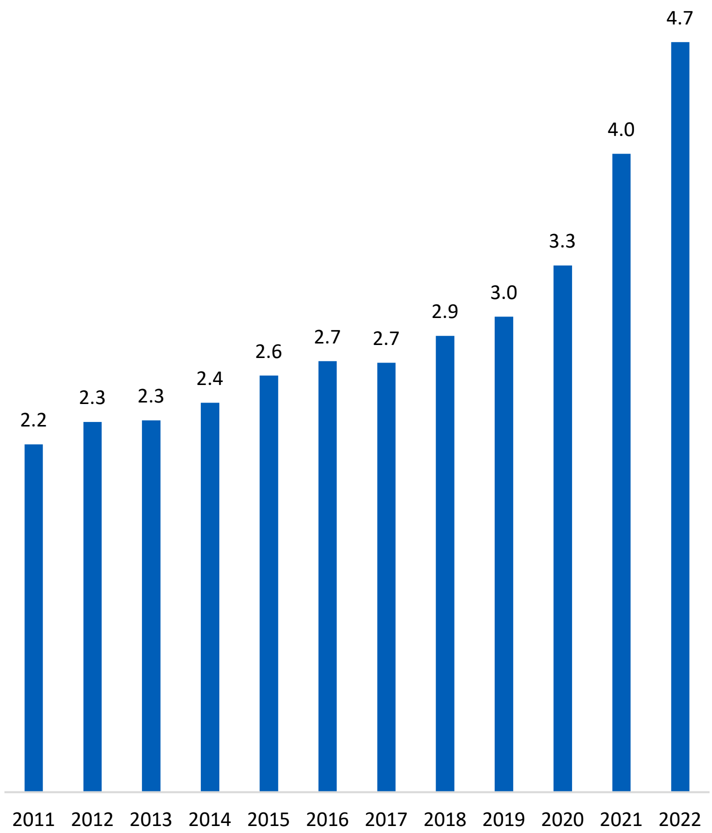
Note: Data is as of October 25, 2023. Where 'unicorn' is defined as a tech company that has reached $1B+ valuation in its lifetime.
Source: dealroom.co

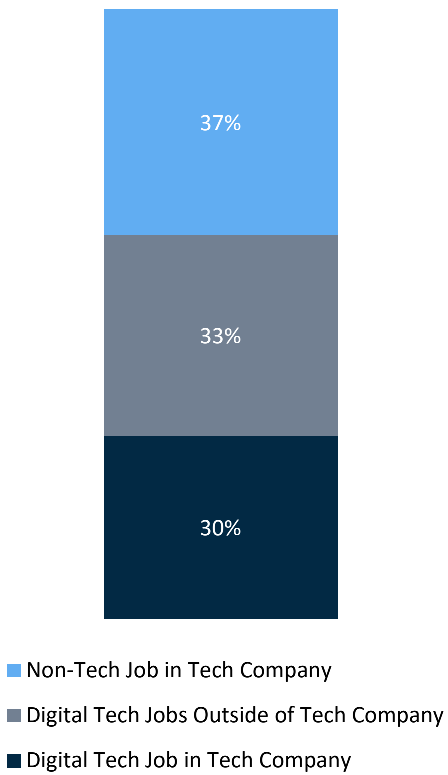
Digital Tech Economy represents a significant proportion of UK Workforce

Tech jobs account for ~14% of the UK workforce

Digital Tech Economy Jobs (millions)



Proportion of Job Type in Digital Tech Economy



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~14% of the UK workforce is employed in the digital tech economy and ~37% of those jobs are non-tech related.

Source: technation.io, "People and Skills Report 2022", published October 2023.

UK has Several Major Tech Hubs that Measure Up to Europe’s Capitals

Adams Street

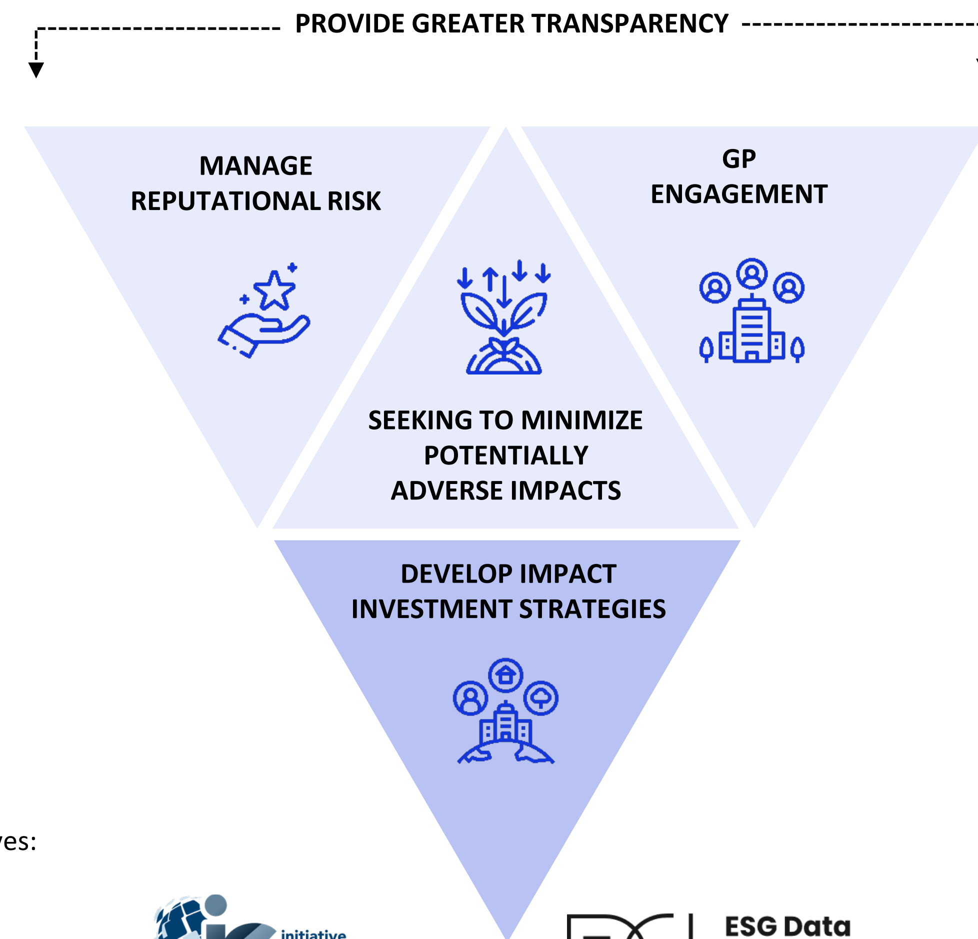
	London	Berlin	Paris	Amsterdam	Stockholm	Oxbridge	Manchester	Dublin	Bristol
Unicorns Created*	107	32	29	17	26	9	5	10	2
Population	9.0m	3.6m	2.2m	821k	976k	373k	553k	544k	535k
Ecosystem Value ($b)	633.9	137.5	218.0	207.9	153.2	199.5	16.7	87.2	8.9
Highest Ranked University**	8	87	40	61	50	1	51	134	81

Source: Dealroom.co, 2023 https://dealroom.co/guides/europe
Unicorns and $1bn+ exits of companies founded after 1990
** University rank as per Times Higher Education, World University Rankings 2024.

Adams Street ESG Program Development

- **Providing greater transparency** to LPs and the wider market on our ESG commitments and practices in key areas
- **Managing our reputational risk** through pre-investment screening and post-investment monitoring of our GPs and portfolio companies on an ongoing basis
- **Seeking to minimize potentially adverse impacts** of our direct investments by early identification of material ESG risks, and embedding this in our investment decision-making and our interactions with GPs and portfolio companies
- **Engagement with our GPs** to encourage greater transparency on ESG integration within their investment decision-making, and responsible ownership practices

Developing impact investment strategies, where appropriate, with the aim of delivering positive outcomes for society and the environment, alongside financial returns



Support industry organizations promoting ESG-related initiatives:

PRI Principles for Responsible Investment

SASB Sustainability Accounting Standards Board

initiative climat international — Private equity action on climate change

ESG Data Convergence Initiative

Certain organizations and their trademarks are included herein to which Adams Street is a signatory, has guiding principles to which Adams Street aims to adhere, or which Adams Street otherwise looks to and/or supports with regard to various ESG standards. Inclusion does not indicate that such organizations have endorsed Adams Street, nor a guarantee that Adams Street will take any particular action with regard to ESG issues. The level of diligence and/or oversight performed prior, or subsequent to, making an investment is performed in Adams Street's discretion, including, but not limited to factors, such as the relationship with the GP and the relative size of the investment.

Integration of ESG into Adams Street's Investment Process

Adams Street became a signatory to Principles for Responsible Investment ("PRI") in 2010. We have adopted an ESG Policy, established an ESG Committee, and conduct training to integrate ESG considerations into our investment process.[1]

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PRE-INVESTMENT SCREENING	INVESTMENT DECISION-MAKING	POST-INVESTMENT MONITORING & REPORTING
▪ **RepRisk[2] screening and background checks of GPs/companies** to determine exposure to recent material ESG-related incidents or controversial activities that would contravene Adams Street's ESG Policy, the investment guidelines of specific client mandates, or otherwise constitute a reputational risk to the firm ▪ **In-house ESG evaluations**, where appropriate, to determine the overall risk associated with any material ESG factors associated with a new, actionable investment opportunity ▪ **Evaluating third-party diligence reports** (e.g., environmental studies, financial and insurance reports, legal reports, background checks, etc.) to substantiate our assessments	▪ **Material ESG factors**, as applicable based on strategy and/or mandate, are routinely captured in the investment memos for consideration by the relevant team's investment committee, prior to making the decision to invest ▪ **ESG requirements**, including any mandates associated with certain fund of one or SMA clients, may be incorporated into relevant legal documents	▪ **Annual firm-level ODD/ESG survey** and ESG ratings of active GPs ▪ **Ongoing RepRisk incident monitoring** of portfolio companies ▪ **Firm-level ESG data and analytics** to support our external, annual reporting efforts ▪ **Ad-hoc interactions with GPs/companies** and the wider industry

ADAMS STREET PARTNERS ESG POLICY

1. The ISRM team, in coordination with the wider ESG Committee, directly supports the firm's investment teams in the development and implementation of the ESG Framework, as well as our firm-wide ESG engagement and reporting efforts.
2. Adams Street has Street has contracted with RepRisk AG ("RepRisk"), a leading ESG research provider whose coverage includes private companies. RepRisk screens, on a daily basis, over 100,000 public data sources in 23 languages to systematically identify any company or project associated with an ESG risk incident, per RepRisk's research scope.

Insights From Our Annual ESG Survey

Adams Street generated an overall ESG score based on level of ESG disclosure for 200+ active GPs in our 2023 survey.

We are encouraged by the significant growth in manager participation in the exercise (87%, versus 64% in 2021), and improvements in key indicators of ESG integration across the Adams Street platform. These include:

- Increased integration of ESG policies and procedures into investment process across GPs assessed, including the venture capital sub-class
- More GPs providing quantitative ESG data from portfolio companies, particularly European managers
- Rising coverage, although still from a relatively low base, of GPs with offerings that provide explicit positive environmental or social characteristics and/or objectives

Adams Street used Apex ESG Ratings Ltd, a third-party ESG ratings provider, for the second straight year to conduct the survey. Questions were derived from the requirements of four key ESG standards and regulations: the EU SFDR, the ESG Data Convergence Initiative (EDCI), TCFD, and UN PRI.

KPIs *(Annual GP ESG Survey Results)*		**Disclosure % of GPs Assessed 2021** *(n=157)*	**Disclosure % of GPs Assessed 2022** *(n=205)*	**YoY % Change**
ESG Policy	ESG Integration in Investment Decision-Making Process	83%	87%	+4%
ESG Affiliations	Official UNPRI Signatories	36%	42%	+17%
ESG Training	Require Employee ESG / Sustainability Training	51%	52%	+2%
Remuneration Policy	ESG Integration in Remuneration Policy	9%	12%	+37%
Climate Change	GHG Emissions Reporting – Scopes 1, 2 and/or 3	14%	20%	+39%
DEI	Board Diversity Reporting	43%	44%	+1%
Impact Investing	Positive Environmental Characteristics or Objectives	17%	22%	+30%
	Positive Social Characteristics or Objectives	18%	24%	+32%

Appendix

Key Risk Factors

Adams Street

This document identifies a number of benefits associated with, or inherent in, Adams Street's services and operations on behalf of a particular investment strategy or a fund; however, it is important to note that all investments come with material risks, some of which may be magnified in a private markets investment, which may pursue highly speculative investments and which have limited liquidity, as further identified in the Fund's definitive documents. Further, although Adams Street believes that the firm and its personnel will have competitive advantages in identifying, diligencing, monitoring, consulting, improving and ultimately selling investments on behalf of vehicles managed by the firm, there can be no guarantee that Adams Street will be able to maintain such advantages over time, outperform third parties or the financial markets generally, or avoid losses.

THE RISK FACTORS LISTED BELOW ARE GENERAL RISK FACTORS ASSOCIATED WITH INVESTMENT VEHICLES MANAGED BY ADAMS STREET; HOWEVER, THIS LIST IS NOT INTENDED TO BE EXHAUSTIVE. THE EXACT NATURE OF A RISK MAY DIFFER BASED ON THE SPECIFIC NATURE OF THE FUND, INVESTMENT STRATEGY, TARGET GEOGRAPHY, TARGET INVESTMENT CHARACTERISTICS, TYPE(S) OF INVESTMENTS MADE, ETC. AND FURTHER DIFFERENCES IN RISK FACTORS MAY APPEAR BETWEEN DIFFERENT VINTAGE YEARS OF SIMILAR FUNDS, AS A RESULT OF DIFFERENT FUND COUNSEL OR FOR OTHER REASONS. ADDITIONAL IMPORTANT RISKS ASSOCIATED WITH AN INVESTMENT IN A FUND ARE INCLUDED IN—AND INVESTORS SHOULD CAREFULY REVIEW—THE RELEVANT FUND'S FINAL DOCUMENTATION.

Past Performance Not Necessarily Predictive of Future Performance: There is no assurance that the performance of any Adams Street-managed fund will equal or exceed the past investment performance of entities managed by Adams Street or its affiliates.

Appropriateness of Investments: An investment in an Adams Street-managed fund is not appropriate for all investors. An investment is appropriate only for sophisticated investors and an investor must have the financial ability to understand and willingness to accept the extent of its exposure to the risks and lack of liquidity inherent in an investment in an Adams Street-managed fund. Investors should consult their professional advisors to assist them in making their own legal, tax, accounting and financial evaluation of the merits and risks of investment in a fund in light of their own circumstances and financial condition. An investment in an Adams Street-managed fund requires a long-term commitment, with no certainty of return. There may be little or no near-term cash flow available to the limited partners. Many of a fund's portfolio investments will be highly illiquid. Consequently, dispositions of such portfolio investments may require a lengthy time period or may result in distributions in kind to the limited partners.

High Risk Asset Class: Private markets investments, whether made directly into portfolio companies or indirectly via investment funds or CLOs, are high-risk and subject to loss, even loss of a part or all of an investor's entire investment.

Illiquidity: An investment will be highly illiquid. There will be no market for interests, in an Adams Street-managed fund, investors will have only very limited withdrawal rights for specific legal or regulatory reasons, and any transfer of an interest in an Adams Street-managed fund, will be subject to the approval of the general partner of the relevant entity. The interests in an Adams Street-managed fund, will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or any state or other securities laws and may not be transferred unless registered under applicable federal or state securities laws or unless an exemption from such laws is available. In addition, the direct or indirect portfolio company investments that a fund will make are also generally and similarly illiquid.

Valuations May Fluctuate: The valuations of investments are calculated based upon good faith assessment of the fair value of the assets. Therefore, valuations of investments for which market quotations are not readily available may differ materially from the values that would have resulted if a liquid market for such investments had existed. Even if market quotations are available such quotations will not always reflect the ultimate realizable value of such investments. Where an Adams Street-managed fund makes investments in underlying funds, Adams Street will review the fund valuations provided by the respective managers of such underlying funds; however, Adams Street will not be able to verify, and will not guarantee in any way, the accuracy of such valuations. A fund may experience fluctuations in results from period to period due to a number of factors, including changes in the values of the investments made pursuant to a fund's strategy, changes in the frequency and amount of drawdowns on capital commitments, distributions, dividends or interest paid in respect of investments, the degree of competition, the timing of the recognition of realized and unrealized gains or losses and general economic and market conditions (including, but not limited to, the effect of any catastrophic and other force majeure events on the financial markets, the economy overall and/or various industries). As an asset class, private markets have exhibited volatility in returns over different periods and it is likely that this will continue to be the case in the future. Such variability may cause results for a particular period not to be indicative of performance in a future period.

Continued on next page

Key Risk Factors (continued)

Extraordinary Events: Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States, its interests abroad or other countries and natural disasters may adversely affect the United States, other countries, global financial markets and global economies and could prevent a fund from meeting its investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect certain financial markets and any Adams Street-managed fund(s) for the short or long term in ways that cannot presently be predicted.

Force Majeure Events: Investments may be subject to catastrophic events and other force majeure events. These events could include fires, floods, earthquakes, adverse weather conditions, pandemics, assertion of eminent domain, strikes, acts of war (declared or undeclared), riots, terrorist acts, "acts of God" and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects. Some force majeure risks are generally uninsurable and, in some cases, investment project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period.

Impact of Borrowings: Borrowing will directly impact (positively or negatively) the returns of an investment in an Adams Street-managed fund and increase the risks associated with an investment in such fund. Calculations of net and gross IRRs in respect of investment and performance data included and/or referred to in performance materials, and with respect to an Adams Street-managed fund, as reported to limited partners from time to time, are based on the payment date of capital contributions received from the applicable limited partner or timing of investment inflows and outflows received or made by the investing entity. In instances where an Adams Street-managed fund utilizes borrowings under a fund's subscription-based credit facility or asset-backed facility (or other facility), use of such facility (or other leverage) may result in a higher reported IRR (on an investment level and/or fund level) than if the facility had not been utilized because such borrowings were used in lieu of capital contributions or in advance of related capital contributions that would only be made at a later date. Use of a subscription-based credit facility (or other long-term leverage) may present conflicts of interest as a result of certain factors and the applicable fund's general partner may make distributions prior to the repayment of outstanding borrowings.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of an Adams Street-managed fund and its limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the applicable fund's general partner's ability to consent to the transfer of a limited partner's interest in such fund or impose concentration or other limits on such fund's investments, and/or financial or other covenants, that could affect the implementation of such fund's investment strategy.

As a result of the foregoing and similar factors, use of such leverage arrangements with respect to investments may provide the applicable fund's general partner with an incentive to fund investments through long-term borrowings in lieu of capital contributions. Moreover, the costs and expenses of any such borrowings will generally be borne as costs and expenses of such fund, which will increase the expenses borne by the applicable limited partners and would be expected to diminish net cash on cash returns.

Subject to the limitations set forth in the applicable partnership agreements, Adams Street maintains substantial flexibility in choosing when and how subscription-based credit facilities or other lending facilities are used. Adams Street is authorized to adopt from time to time policies or guidelines relating to the use of such credit facilities. Such policies may include using the credit facilities to systematically defer calling capital from investors (such as seeking to call capital only once a year). In addition to using such facilities to defer or in lieu of capital calls, Adams Street is authorized to elect to use short or long-term fund-level financing for investments including (a) for investments that have a longer lead time to generate cash flow or to acquire assets, (b) for platform investments that require capital to fund operating expenses prior to developing sufficient scale to self-fund or generate enterprise value, (c) for investments where cash is retained in the business to fund activity that results in incremental returns for the investment, (d) to make margin payments as necessary under currency hedging arrangements, (e) to fund management fees otherwise payable by investors, (f) for investments with revenues in a foreign currency and (g) when Adams Street otherwise determines that it is in the best interests of the applicable fund.

Continued on next page

Key Risk Factors (continued)

Availability of High-Quality Investment Opportunities: Investors will be dependent on the ability of Adams Street and its affiliates to provide access to high-quality private markets investment opportunities. There is no assurance that such opportunities will be available during the period over which an investor's investment will be allocated to investments or that high-quality investment opportunities will be available at attractive prices. In addition, in the event Adams Street does identify any such opportunities, it should not be assumed that an Adams Street-managed investment vehicle will be allocated a portion of any such opportunity. The application of the factors described herein, and applied under Adams Street's investment allocation policy (the "Investment Allocation Policy"), will result in the exclusion of certain managed entities from an allocation, and the Investment Allocation Policy does not require that a managed entity, including any particular investment vehicle, participate in every entity in which it is eligible to invest.

Competition: Investment vehicles managed by Adams Street will compete for investments with third parties, including other financial managers, investment funds, pension funds, corporations, endowments and foundations, wealthy individuals and family offices, among many others. Investment vehicles, including those managed by Adams Street will compete for limited capacity in such investments. There can be no assurance that Adams Street will be able to locate and complete attractive investments or that the investments which are ultimately made will satisfy all of the relevant objectives.

Compliance with the Directive: The European Alternative Investment Fund Managers Directive (2011/61/EU) (the "EU Directive") came into force in the European Economic Area (the "EEA") in July 2011 and has been on-shored, without modification, by the United Kingdom ("UK") following Brexit (the EU Directive and its UK equivalent together, the "Directive"). The EU Directive applies to (i) alternative investment fund managers (each, an "AIFM") established in the EEA and/or the UK who manage EEA or non-EEA alternative investment funds (each, an "AIF"), (ii) non-EEA AIFMs who manage EEA and/or UK AIFs, and (iii) non-EEA AIFMs who market their AIFs within the EEA and/or the UK. The Directive imposes various operating requirements on EEA and UK AIFMs, and, to a lesser extent, non-EEA AIFMs seeking to market an AIF within the EEA and/or the UK.

As a result of the Directive's implementation, Adams Street or its agents may be required to give notice to or seek the approval of regulators in certain countries in connection with the marketing of certain investment vehicles. This may preclude Adams Street from marketing to you further until such notice is given or approval is obtained, or otherwise significantly disrupt marketing activity. Compliance by Adams Street with the transparency, reporting and disclosure requirements of the Directive will significantly increase the regulatory burden and costs of doing business within the EEA and/or the UK and this may have an adverse impact on certain investment vehicles and Adams Street.

The operating requirements imposed by the Directive include, among other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on use of leverage, restrictions on early distributions ("asset stripping" rules), disclosure and reporting requirements to both investors and home state regulators, and independent valuation of an AIF's assets. As a result, the Directive could have an adverse effect on Adams Street and certain of its investment vehicles by, among other things, imposing extensive disclosure obligations significantly restricting marketing activities within the EEA and the UK, increasing the regulatory burden and costs of doing business in the UK and in EEA member states, and potentially requiring Adams Street to change its compensation structures for key personnel, thereby affecting Adams Street's ability to recruit and retain these personnel. The Directive could also limit Adams Street's operating flexibility and a fund's investment opportunities, as well as expose Adams Street and/or a fund to conflicting regulatory requirements in the United States (and elsewhere) and the EEA or the UK.

On 25 November 2021, the European Commission published a proposed text to revise the EU Directive and Directive 2009/65/EC. While the text is not yet finalized, there are proposals which, if implemented and applied to Non-EEA AIFMs, could adversely affect Adams Street's ability to market a fund in the EEA, could increase the costs associated with the management and operation of a Fund as a result of additional disclosure and reporting requirements, and could affect the ability of a fund to conduct its operations, including but not limited to: concentration limits, limits on lending to connected entities, risk retention requirements, and mandated liquidity management mechanisms, to the extent applicable to a fund.

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