Meeting: **Local Pension Committee**

Date/Time: **Friday, 14 March 2025 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 31 January 2025.		(Pages 5 - 8)
2.	Question Time.		
3.	Questions asked by members under Standing Order 7(3) and 7(5).		
4.	To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5.	Declarations of interest in respect of items on the agenda.		
6.	2025 Fund Valuation - Results of the Stabilised Employer Modelling.	Director of Corporate Resources	(Pages 9 - 42)
7.	Pension Fund Policy Report.	Director of Corporate Resources	(Pages 43 - 200)
8.	Pension Fund - Business Plan and Budget 2025/26.	Director of Corporate Resources	(Pages 201 - 226)
9.	Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 227 - 236)

Democratic Services ◦ Chief Executive's Department ◦ Leicestershire County Council ◦ County Hall Glenfield ◦ Leicestershire ◦ LE3 8RA ◦ Tel: 0116 232 3232 ◦ Email: democracy@leics.gov.uk

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10.	DTZ International (DTZ) - UK Property Update.	Director of Corporate Resources	(Pages 237 - 256)
11.	Summary Valuation of Pension Fund Investments.	Director of Corporate Resources	(Pages 257 - 276)
12.	Responsible Investing Update.	Director of Corporate Resources	(Pages 277 - 292)
13.	Date of next meeting. The date of the next meeting is scheduled for 27 June 2025, 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.	Leicestershire Total Fund Summary Q4	Fund Manager	(Pages 293 - 296)
17.	LGPS Central Quarterly Investment Report - 31 December 2024	Fund Manager	(Pages 297 - 378)
	Growth		
18.	Ruffer Quarterly Report	Fund Manager	(Pages 379 - 438)
19.	Adams Street Partners Quarterly Report	Fund Manager	(Pages 439 - 548)
20.	Fulcrum Diversified Core Absolute Return Quarterly Report	Fund Manager	(Pages 549 - 566)
21.	Legal and General Investment Manager Quarterly Report	Fund Manager	(Pages 567 - 596)
22.	LGPS Central PE Primary Reports	Fund Manager	(Pages 597 - 664)
23.	Patria SOF Quarterly Report	Fund Manager	(Pages 665 - 712)
	Income		
24.	KKR Global Infrastructure Investors Quarterly Report	Fund Manager	(Pages 713 - 752)
25.	LGPS Central Direct Property Quarterly Report	Fund Manager	(Pages 753 - 754)
26.	Saltgate UK AVPUT	Fund Manager	(Pages 755 - 758)
27.	Christofferson Robb & Company CRF Quarterly Report	Fund Manager	(Pages 759 - 766)
28.	IFM Global Infrastructure Quarterly Investor Report	Fund Manager	(Pages 767 - 820)

TO:

Leicestershire County Council

Mr. T. Barkley CC (Chairman)
Mr. D. Grimley CC
Mr. P. King CC
Mr. D. Bill CC MBE
Mrs. H. Fryer CC

Leicester City Council

Cllr. G. Whittle
One Vacancy

District Council Representatives

Cllr. M. Cartwright
Cllr. R. Denney

University Representative

Mr. J. Henry

Scheme Member Representatives

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

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Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 31 January 2025.

PRESENT

Leicestershire County Council
Mr. T. Barkley CC (in the Chair)
Mrs. H. Fryer CC
Mr. D. J. Grimley CC
Mrs. M. Wright CC

District Council Representative
Cllr. R. Denney

University Representative
Mr. J. Henry

Employee Representatives
Mr. N. Booth
Mr. V. Bechar – in attendance online

Independent Advisors in Attendance

Mr. Richard Lunt	Hymans Robertson
Mr. Russell Oades	Hymans Robertson

124. Minutes.

The minutes of the meeting held on 29 November 2024 were taken as read, confirmed and signed.

125. Question Time.

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

126. 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).

127. Urgent items.

There were no urgent items for consideration.

128. Declarations of interest.

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

No declarations were made.

129. Fit for the Future Consultation Response.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to outline the Fund's appended response to the consultation paper issues by the Ministry of Housing, Communities and Local Government titles "Local Government Pension Scheme (LGPS): Fit for the future" following the Committee's views on 29 November 2024. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion, the following points were made:

i. Members were asked to note that the Fund's response was largely supportive of the proposals, as the benefits of pooling were recognised, but the consultation and draft proposals had raised a number of questions and challenges and the response included some suggested solutions on how to deal with some of the these. For example, the Fund had put forward a request that fiduciary duties should be extended to pools as well as administering authorities, and that the Fund should retain a remit for high level investment objectives and strategic asset allocations. Members reiterated their view that these requests were absolutely fundamental to ensure protection of the Fund for scheme members.

ii. The Fund had raised concerns around how legacy assets would be transferred, and the response sought to ensure this would be done in the most safe and cost effective way.

iii. There was no timescale in terms of a government response, but regular updates would be provided to the Committee.

RESOLVED:

That the response to the Local Government Pension Scheme Fit for the Future consultation as set out in the report be noted.

130. Overview of the Current Asset Strategy and Proposed 2025 Asset Strategy

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide information on the outcome of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure. A paper written by the Fund's investment advisor Hymans Robertson (Hymans) in support was appended to the report. The report also provided guidance regarding the Fund's investment strategy in respect to the ongoing Fit for the Future (pooling) consultation. A copy of the report marked 'Agenda Item 7' if filed with these minutes.

The Chair welcomed Mr. Richard Lunt and Mr. Russell Oades from Hymans to the meeting. They provided a presentation as part of this item. A copy of the presentation slides is filed with these minutes.

Arising from discussion, the following points were made:

i. Members were reassured that advice and recommendations provided by Hymans on the direction of travel for the Strategy review had been consistent with the government's Fit for the Future consultation.

ii. In terms of listed equity, the increase in asset value had caused the percentage of liquid equities to increase and these had performed well relative to some of the other classes, in particular bonds.

iii. A Member queried, in terms of listed equity, if it was too simplistic to consider them as one block, instead of considering the different asset allocations separately. It was reported that whilst previously there had been several regional allocations, such as to Japan and emerging markets in North America, the portfolio had since been reduced to just five holdings: central global equity; central climate multi factor fund; LGIM low carbon transition; LGIM global equity; and LGIM UK equity.

iv. A Member questioned if the listed equities were all passive funds. It was noted the LGIM funds were passive, the central global equity funds were wholly active, and the climate multi factor fund was semi-passive.

v. In response to a question regarding the management of risk, Hymans responded that the equities portfolio had been spread amongst the developed markets, such as the US and UK, and allocations looked consistent with other LGPS funds. It was also important for the actuarial valuation that the expected return from the assets was high enough to make sure that contributions were of an appropriate level and that risks associated with this strategy were not too significant should there be a recession. Proposed targets were run through Hyman’s modelling system, and both the expected levels of return and risk were comparable to the current strategy.

vi. Members supported the need to keep diversification within the Fund. Hymans reported that this was a balancing act in terms of wanting to support the pool but also wanting to keep diversification. Part of the review to be carried out in 2025 would be in collaboration with Central looking at different areas of opportunity, noting it was key to keep diversification in the portfolio.

vii. Further clarity was sought by a Member on why there was no case for moving into infrastructure further as an element of protection to reduce risk. It was explained that the weighting to infrastructure at 12.5%, including Timberland, was relatively illiquid, and as a long-term investor the Fund is mindful of illiquid investments, given assets could not be realised in the short term for cash flow purposes if needed. Members were assured that the weighting was considered to be appropriate at this time.

viii. Members were advised of equity portfolio insurance, which paid out in the event of a fall in the market. It was noted there would be a modest drag on returns, but it was considered appropriate and justifiable as a way of reducing risk if the equity market were to fall significantly. It was noted that other pension schemes which had looked at the insurance considered cover for a period of 6 to 12 months to be an appropriate but some had chosen to take cover for a period of three years to match the actuarial cycle.

RESOLVED:

a) That the changes to the 2025 target SAA allocation as described at paragraph 21 of the report be noted.

b) That the Committee approve that the three reviews below be undertaken and findings presented to the Investment Sub-Committee for consideration:

- A tail risk protection review scheduled for the end of 2025 with the scope to be defined in advance between officers and investment advisors and taking into account the outcome of the 2025 triennial valuation and required rates of future investment return.

- A review of two asset classes, property and private global credit with the aim to maintain exposure and take into account pooling consideration. The final scopes of both reviews to be agreed between officers and investment advisors.

131. Draft Responsible Investment Plan 2025.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek approval of the Leicestershire Pension Fund's Responsible Investment (RI) Plan 2025, to enable the Fund to further improve the management of responsible investment risks. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Members noted the high-level progress against the interim targets set which had been reached before the 2030 deadline, and development of metrics that were now coming in would provide greater insight into the companies invested in, and the Fund's involvement in resolutions.

RESOLVED:

That the Responsible Investment Plan 2025 be approved.

132. 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 Training Needs Self Assessments which have been undertaken, and set out progress against the Fund's Training Policy and 2024 Training Plan. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

a) That all members should complete the training needs assessment if not yet completed by 31 January 2025.

b) That members not in current compliance with the Training Policy should commit to progressing completion of Hymans Aspire modules, noting that a record would be taken as at 31 March 2025 for the Fund's Annual Report.

133. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 14 March 2025.

9.30am to 11:58am CHAIRMAN
31 January 2025

LOCAL PENSION COMMITTEE – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2025 FUND VALUATION – RESULTS OF THE STABILISED EMPLOYER MODELLING

Purpose of the Report

1. The purpose of the report is to recommend the Local Pension Committee (LPC) approve the results of the stabilised employer modelling, a consultation with the stabilised employers, and a mid-valuation cycle review in September 2027. Details of the Actuarial results are appended to the report.

Background

2. Leicestershire Local Government Pension Scheme is required to complete a Pension Fund Valuation every three years. The most recent valuation took place on the 31 March 2022 and the next valuation will take place on the 31 March 2025.

3. A report was taken to the LPC on the 29 November 2024 that laid out the valuation principles and timeline. The LPC provisionally agreed to the following funding principles which have been tested within the modelling exercise:

   - increase in prudence (from 75% to 80%) to recognise uncertainity in markets
   - adopt a funding target of 120% to provide a buffer against adverse experience and to protect employers
   - retain the stabilisation policy with increases/decreases of 2% of pay pa.

4. The actuarial calculations in the Appendix have been modelled using these funding principles. This is shown on page two of the Appendix.

5. As detailed in the valuation timeline the stabilised employers have been modelled earlier using prior membership data. This enables these employers to receive their expected employer rates approximately 9 months early, assisting them with their financial planning.

6. It is possible to model these employers in advance of the valuation date due to the long-term nature of their participation and the stability mechanism used in their funding strategy, which means their results are not so strictly dependent on the membership data or market conditions precisely on the valuation date.

7. The next stage in the 2025 valuation is to inform the stabilised employers of their expected contribution rates for the period 1 April 2026 to 31 March 2029.

8. The stabilised employers are the larger tax raising employers, namely Leicestershire County Council, Rutland County Council, Leicester City Council, the Borough and District Councils, ESPO, Police and Fire authorities.

9. The Fund's Funding Strategy Statement permits stabilisation if:

    - the employer satisfies the eligibility criteria based on tax raising status, financial security and time horizon in the Fund set by the Administering Authority and;

    - there are no material events which cause the employer to become ineligible, for example, significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring) or changes in the security of the employer.

10. Stabilisation is permitted in the expectation that the employer will be able to meet its obligations for many years to come. Stabilised employer contributions are limited to smaller annual increases and decreases of +/-2% of pay p.a. thereby a maximum of 6% of pay increase/decrease in a three-year valuation cycle. This is regardless of any larger fluctuations in the markets, thereby improving stability and affordability of contributions for the longer term.

11. This method is designed to protect these employers from volatility between the three-year valuation cycles by "smoothing" their employer rates meaning more gradual stepped increases when in deficit, but equally, gradual stepped decreases when in surplus.

12. Stabilised contribution strategies tested are detailed on page 15 of the Appendix.

Modelling

13. The Actuary modelled 5,000 economic simulations for future investment return and inflation, as these are unknown and volatile.

14. The likelihood of success is the percentage of the 5,000 simulations that meet the funding objective at the end of the employer's funding horizon.

Prudence

15. The Fund has adopted 80% prudence (previously 75% in 2022), meaning in 80% of the 5,000 simulations, the employers would need to meet the target funding level (see below), at the end of the employer's funding time horizon (17 years).

16. By using 80% prudence this provides the Fund greater flexibility to manage contribution volatility in future and is justified in the current uncertain economic environment.

17. The modelling looked at total contributions required (i.e. Primary Rate for the cost of future benefit accrual plus Secondary Rate for the cost of benefits already accrued).

18. It is noted, by increasing to an 80% prudence level, the actuarial results still enable the stabilised employers to receive the maximum rate reduction.

Target funding level

19. At the LPC meeting on the 29 November 2024, Committee approved maintaining the prudent funding target of 120%. The current contribution framework is detailed in the Fund's Funding Strategy Statement and is summarised below:

Employer Funding Level	**Total Contribution Rate**
Less than 100%	Employer pays a contribution rate to increase their funding level
Between 100% and 110%	Employer pays a contribution to continue to build up their funding level to between 110% and 120%
Between 110% and 120%	Employer pays a contribution to maintain their funding level to between 110% and 120%
Greater than 120%	Employer is allowed to benefit from a contribution rate reduction, to gradually reduce their funding level down to 120%, where applicable

20. It is noted that targeting a 120% funding level (in addition to increasing prudence to 80%) still enables the stabilised employers to receive the maximum rate reduction (i.e. 6% of pay over 3 years).

21. The LPC has provisionally agreed (in November 2024) to increasing prudence and maintaining a target funding levels of 120%, decisions which are supported by the modelling results.

22. Final decisions on prudence levels and funding targets will be made later in the valuation process during the review of the actuarial assumptions and funding framework which is expected to be brought to the June Committee meeting.

Contributions

23. The modelling exercise supports a reduction in contribution rates to the maximum permitted under the Fund's stabilisation policy (6% of pay over three years).

24. Each Employer will pay a total contribution rate that reflects this outcome. This total contribution rate will be presented as Primary Rate plus Secondary Rate.

25. The Actuary has calculated the expected cost of future benefit accrual (Primary Rate) to be around 18% of pay for each employer.

26. Therefore, all employers will be paying a positive Secondary Contribution Rate in addition to this Primary Rate to ensure they meet the total contribution rate modelled.

27. The Secondary contribution rate should **not** be conflated with deficit recovery payments (as the employers are currently in surplus).

28. For stabilised employers, their long-term funding strategy is based on paying a total contribution rate – meaning there should not be a focus on the specific construct of Primary and Secondary.

29. In the recent past, many of the employers have ‘underpaid’ against the Secondary Rate that would have otherwise been payable (had stabilisation not been in place) when they were in deficit. Conversely, employers are now continuing to pay Secondary contributions while in surplus.

30. For administrative ease for the employers and Fund Officers, the total contribution rates payable will now be certified as a percentage of pay at this valuation, noting that Secondary contributions at 2022 were certified as a lump sum for many employers.

<u>Other considerations – risk of regret</u>

31. The modelling also assessed the chance that contributions may need to be increased at the next valuation, if they are reduced from April 2026. This metric is known as the ‘risk of regret’.

32. Assuming contribution reductions of 6% of pay (in total) and updating the prudence (to 80%) and target funding level (to 120%), the risk of regret is around 20% (or less) for all employers, i.e. there is a about a one in five chance that contributions could increase at the next valuation – based on the modelling.

33. This supports the view that the decisions from the modelling strike an appropriate balance of risk and helps to satisfy intergenerational fairness, i.e. employers get the benefit of contribution reductions without placing undue pressure on future generations.

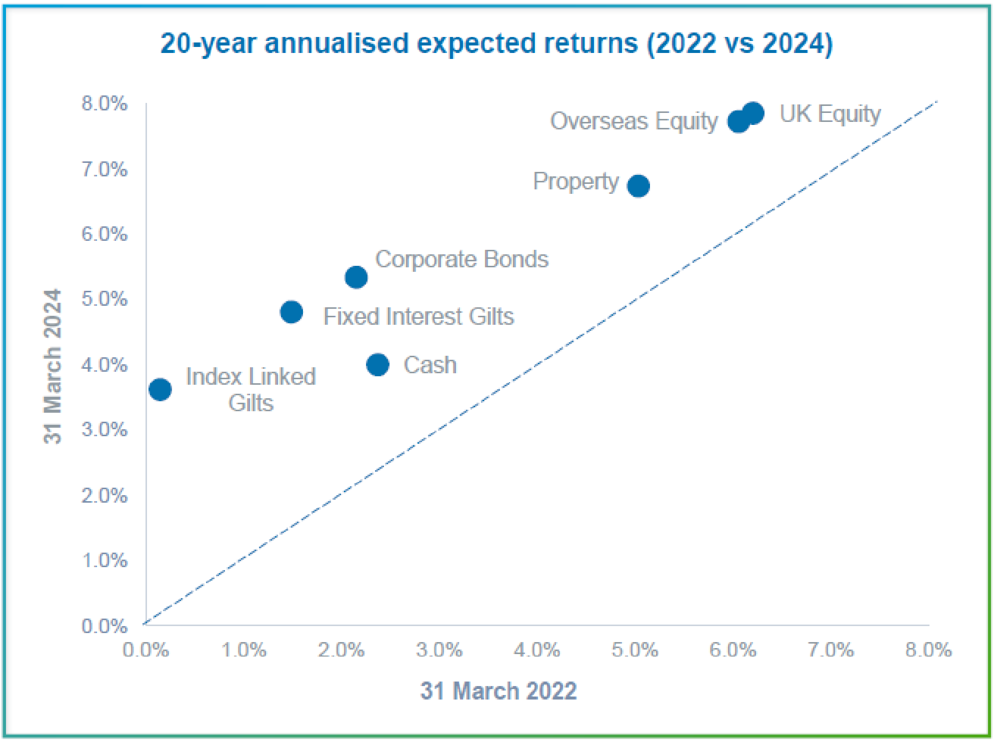
<u>Other considerations – alternative economic views</u>

34. The core modelling is based on the standard calibration of the Actuary’s model - which simulates 5,000 possible future economic outcomes with varying inflation and investment returns, to reflect uncertainty in the real world.

35. The Actuary also stress-tested the contribution strategy against alternative economic views with lower returns on growth assets or higher inflation – with both views representing credible concerns about increased uncertainity in future markets.

36. Under these stress-tests the results remain positive. Assuming contribution reductions of 6% of pay, 80% prudence and 120% funding target, the likelihood of achieving the funding target is around 80% for all employers.

37. The Actuary has also incorporated the effect of higher UK base rates on longer term investment returns. Since the last valuation the Bank of England base rates have risen from 0.75% to 4.5%. As a result of the methodology used future investment returns are expected to be higher. This is illustrated on the graph below where all asset classes are showing higher rates of expected return ranging from 1.0% to 3.5%.



38. As we know future investment returns are not guaranteed and just a short look backwards illustrates that returns can be volatile from one year to the next but there have been periods where returns can be lower than expected or negative for multiple years. For a listed equity world index like MSCI world, years 2000, 2001 and 2002 generated large negative investment returns and in 2008 alone the MSCI world index returned minus 41%; it would take until 2013 to erase the losses from 2008 if an investor was wholly invested in a wide range of listed equity like the MSCI world index.

39. The Fund is well diversified but the investment environment for many assets would be negatively impacted in the event of poor stock market performance.

Indicative Contribution Rates from 1 April 2026

40. Considering the results modelled by the Actuary, Fund Officers can recommend the stabilised employers receive the maximum 2% of pay per annum rate reduction during the three-year valuation cycle, i.e. 6% of pay reduction in total.

41. The chance contributions may need to increase at the next valuation, known as the risk of regret, is included in the table below. Officers are comfortable with these results.

42. Indicative rates for the employers based on 80% prudence level, targeted 120% funding, with a 6% reduction in rate for each employer are shown in the table below:

	Contribution rates (% of pay pa)				
Employer	Current rate (2025/26) *	Primary (2026 -29)	Secondary (2026 - 29)	**Total (2026 -29)**	Risk of Regret
Leicestershire CC	29.4%	18%	5.4%	**23.4%**	11%
Blaby BC	29.3%	18%	5.3%	**23.3%**	22%
Leicester CC	27.8%	18%	3.8%	**21.8%**	13%
Charnwood BC	35.2%	18%	11.2%	**29.2%**	11%
NW Leicester DC	29.1%	18%	5.1%	**23.1%**	15%
Oadby & Wigston	36.4%	18%	12.4%	**30.4%**	15%
Rutland CC	27.8%	18%	3.8%	**21.8%**	20%
Police	24.9%	18%	0.9%	**18.9%**	20%
Melton BC	30.3%	18%	6.3%	**24.3%**	16%
Hinckley & Bosworth	29.2%	18%	5.2%	**23.2%**	16%
Harborough DC	34.5%	18%	10.5%	**28.5%**	11%
Fire	26.1%	18%	2.1%	**20.1%**	19%
ESPO	28.3%	18%	4.3%	**22.3%**	**

*% of pay equivalent where secondary is paid as a lump sum currently
** Modelled using Leicester City Council that has a similar funding profile

43. The full summary of results is found on page 17 of the Appendix.

44. The Actuary and Officers have considered the profile of the contribution reductions and are supportive of allowing all employers to take the full reduction immediately to assist with budgeting pressures. This decision is supported by all the modelling.

45. It is recommended to the Committee the indicative contribution rates for employers will therefore reduce by 6% of pay in 2026/27, followed by to a freeze at these rates in 2027/28 and 2028/29.

46. This enables the stabilised employers to benefit from the maximum reduction immediately (from April 2026) whilst still maintaining the long-term financial sustainability of the Fund.

Cashflow impact

47. Officers have also considered the reduction in cashflow (due to less contributions being received) and are confident this does not present a risk to the Fund.

48. The Actuary carried out a cashflow modelling exercise in February 2023 and modelled a 6% of pay reduction across the whole fund. At that time, these projections showed that the Fund is expected to remain in a relatively strong positive net cashflow position over the medium term (>£20m pa).

49. The Fund will carry out a review of the cashflow position after the valuation has been finalised to refresh this analysis. Results of this updated analysis will be brought to a future committee in 2026.

50. Officers recommend a mid-valuation cycle review to assess the position of the Fund in September 2027. The results of this will then be brought back to Committee.

Timeline for the 31 March 2025 Valuation

51. The updated valuation timeline is as follows.

Date	Topic	Stakeholder(s)
March 2025	Results of the stabilised employer modelling	**Committee – current stage**
March/April 2025	Review funding policies and employer risk management	Pension Section
April 2025	Provide the stabilised employers with their indictive rates. 1 April 2026 to 31 March 2029	Pension Section/Stabilised employers
June 2025	Agree final valuation assumptions	Committee
August 2025	Provide Hymans with all Fund data	Pension Section
September 2025	Calculate Fund results	Hymans
September/October 2025	Whole Fund valuation results	Committee / Local Pension Board

Date	Topic	Stakeholder(s)
October/November 2025	Provide the other employers with their indicative rates. 1 April 2026 to 31 March 2029	Pension Section/Fund employers
November/December 2025	Changes to Fund Funding Strategy Statement and Investment Strategy Statement	Pension Section/Fund employers
February 2026	Finalise funding Strategy Statement and Investment Strategy Statement	Committee / Local Pension Board
March 2026	Final valuation report produced with final employer rates	Hymans
April 2026 to March 2029	Employer rates implemented	Pension Section/Fund employers

52. Officers recommend a consultation with the stabilised employers commences to discuss the maximum 6% reduction from April 2026.

Recommendation

It is recommended that the;

a. Committee approve the proposed changes to the stabilised employer contribution rates from 1 April 2026 to 31 March 2029, subject to there being no material changes.

b. Committee approve the consultation with the stabilised employers to discuss the proposed rates from 1 April 2026 to 31 March 2029.

c. Committee approve the mid-valuation cycle review in September 2027.

Equal Opportunities Implications

None specific

Appendix

Appendix – Hymans slides on the proposed stabilised employer results

Officers to Contact

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Leicestershire County Council Pension Fund

2025 valuation funding review – summary document

Tom Hoare FFA C.Act

Richard Warden FFA C.Act

5 March 2025

Executive summary

When setting contribution rates at the 2025 valuation, the Fund will need to consider a variety of quantitative and qualitative factors. The analysis and results set out in this report provide the quantitative information required for the purpose of setting rates for the modelled employers over the 2026/29 period, and the key conclusions (after discussion with officers) are:

Long-term funding objective

- **Prudence** –there has been a significant shift in market conditions since the 2022 valuation and the results support the recommended **increase in prudence from 75% to 80%** to recognise increased levels of market volatility and uncertainty. Higher prudence will give the Fund greater flexibility to manage future funding strategy if markets restore to longer term norms.
- **Funding target** – the results support the recommendation to **increase the funding target to 120%** to retain a funding 'buffer' to protect employers against adverse market experience. Targeting 100% funding is potentially unsustainable and there is a greater likelihood that a deficit would emerge in the future which may become unaffordable for employers given the increasing payroll to liability gearing. Holding a funding buffer will also help the Fund to manage other potential risks that are harder to quantify within the contribution strategy – such as climate risks, which could have an extreme impact on funding levels in the future.

Contribution rates

- **Contribution reduction** – we recommend that the Fund **reduces contribution rates by 6% of pay in total** (by 2028/29). Based on the results of all employers, the likelihood of success remains above 80% (including an allowance for higher prudence and an increased funding target, as set out above). The results show that an immediate reduction of 6% of pay (as opposed to 2% of pay pa for 3 years) does not negatively impact the results, and we are comfortable that this remains within the spirit of the current stabilisation policy over the 3-year period.
- **Stabilisation** – the Fund can continue to offer stabilisation to employers. This provides a valuable benefit (of security and budgeting certainty) without negatively impacting funding outcomes.
- **Long term cost efficiency** – assuming contribution reductions (and updated long-term funding objectives) as outlined above, the "risk of regret" metric is less than 20%*. We believe this strikes an appropriate balance of risk for the Fund and employers and helps satisfy inter-generational fairness.
- **Long term cost of benefits** – based on our recommendation of 80% prudence, the **Primary Rate is estimated to be around 18% of pay**.

*Blaby's risk of regret is 22% - although we do not view this as a cause for concern or a reason to adopt an alternative approach for this employer

Further commentary on these conclusions and our initial recommendations are contained in the '*conclusions and next steps*' section.

Setting funding plans

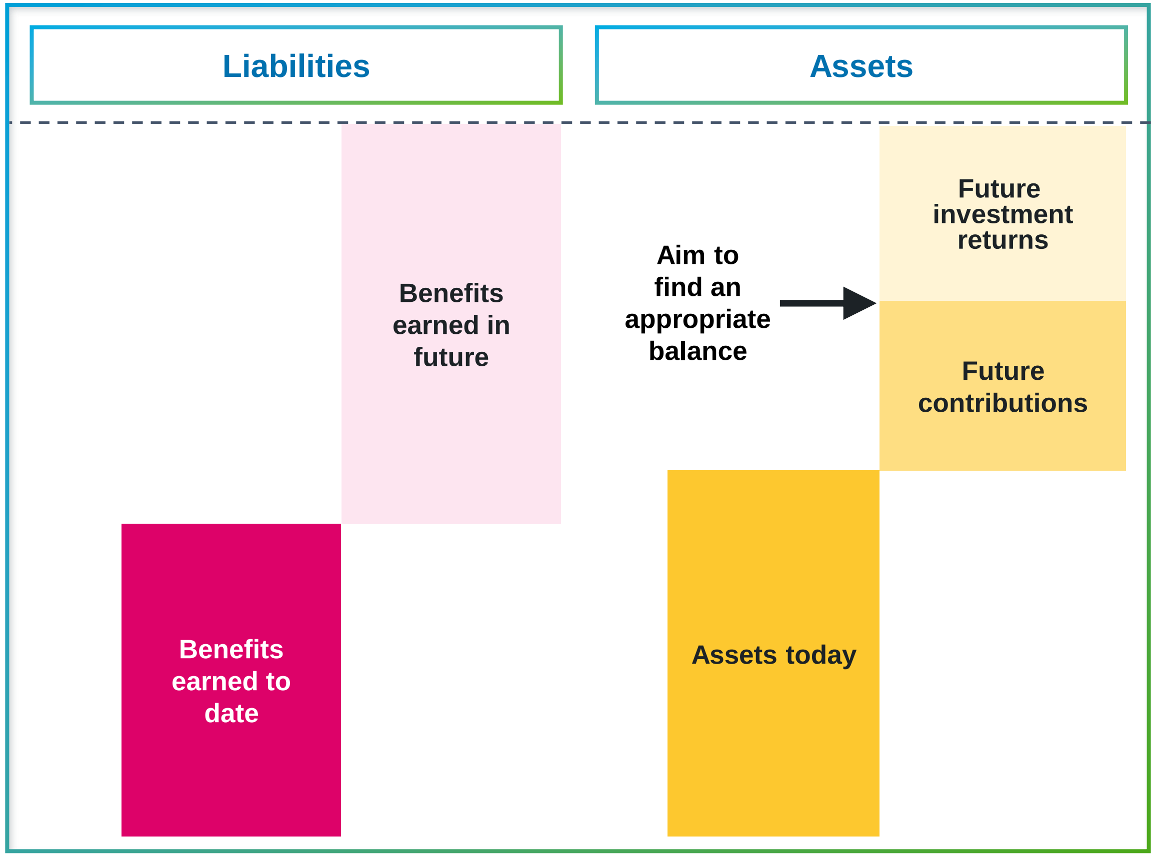
- The funding of members' benefits is achieved by a combination of contributions and investment returns.
- **An employer's "funding plan" can be defined as the combination of its contribution strategy and its investment strategy**. The funding plan should achieve an appropriate balance between future investment returns and future contributions. As future returns are unknown, there is uncertainty when setting a funding plan. Therefore, the plan needs to have a sufficiently high likelihood of being able to pay members' benefits over the long term.
- To meet this aim, the Fund set the following **funding strategy criteria** at the 2022 valuation for the modelled employers:

*The employer must have at least a **75% likelihood** of being **100% funded** at the end of the 17 **years** funding time horizon*

- When setting funding plans, different combinations of contributions and investment strategy are tested to see which is most appropriate (in the Fund's view).
- At the 2022 valuation, this testing was facilitated by a type of modelling known as 'Asset Liability Modelling'. This modelling considers a large number of simulations of the future economic environment - each with different paths for investment returns, inflation and interest rates. The results of this modelling were used to inform the setting of the current funding plans.
- It is expected that the Fund will set the following funding strategy criteria at the 2025 valuation for the modelled employers:

*The employer must have at least a **80% likelihood** of being **120% funded** at the end of the 17 **years** funding time horizon*

- Asset Liability Modelling has therefore been carried out to test contribution strategies against this criteria to assess the appropriate level of contribution from 1 April 2026.



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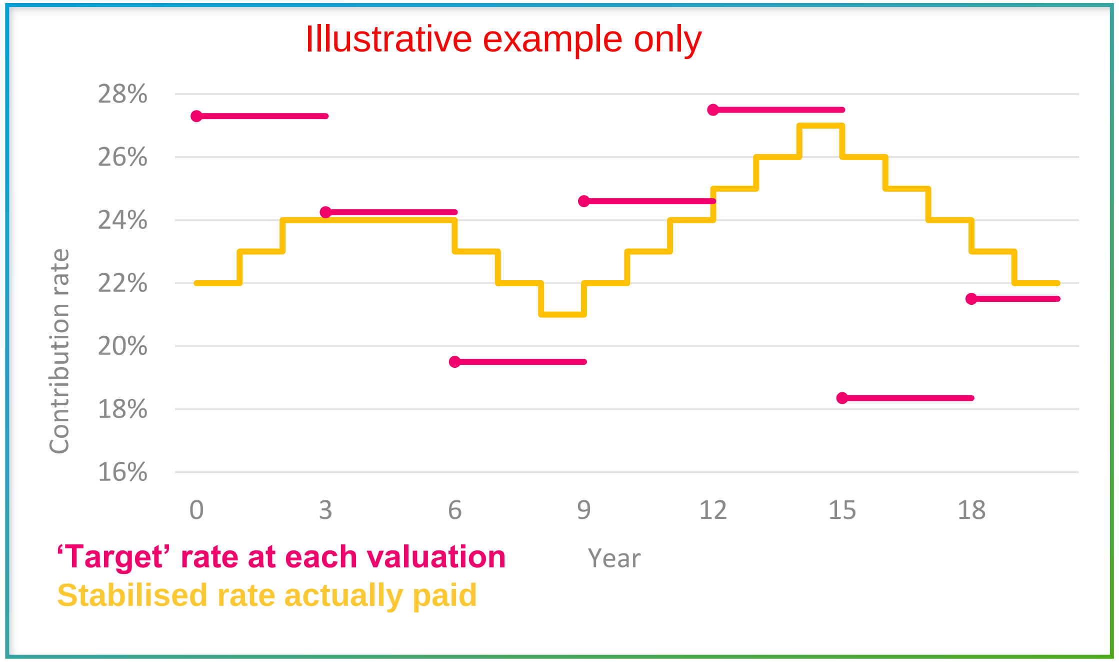
Current contribution strategy for modelled employers

The Fund operates a contribution stability mechanism for its long-term, secure employers. Under a contribution stability mechanism, annual changes in contribution rate are restricted to a predefined maximum level (e.g. 2.0% of payroll). Stabilisation takes a long-term approach to setting contribution rates which cuts through short-term funding volatility (it is sometimes summarised as "underpay in the bad times, overpay in the good"). It is an explicit mechanism documented in the Funding Strategy Statement. The approach is summarised in the illustrative chart below.



As part of the 2022 valuation strategy review, the contribution stability mechanism was deemed an appropriate long-term contribution strategy for the modelled employers and the contribution rates payable over 1 April 2023 to 31 March 2026 were set. The below table sets out the current contribution rate in payment (with any monetary contributions expressed as the equivalent % of pay) and maximum stabilisation mechanism for each of the modelled employers:

Employer / Pool	Current rate in payment (% of pay) 2025 / 26	Stabilisation mechanism
Leicestershire County Council	29.4%	+/- 2.0% p.a.
Blaby District Council	29.3%	+/- 2.0% p.a.
Leicester City Council	27.8%	+/- 2.0% p.a.
Charnwood Borough Council	35.2%	+/- 2.0% p.a.
NW Leicestershire District Council	29.1%	+/- 2.0% p.a.
Oadby & Wigston Borough Council	36.4%	+/- 2.0% p.a.
Rutland County Council	27.8%	+/- 2.0% p.a.
The Chief Constable & OPCC	24.9%	+/- 2.0% p.a.
Melton Borough Council	30.3%	+/- 2.0% p.a.
Hinckley & Bosworth Borough Council	29.2%	+/- 2.0% p.a.
Harborough District Council	34.5%	+/- 2.0% p.a.
Fire Service Civilians	26.1%	+/- 2.0% p.a.
ESPO	28.3%	+/-2.0% p.a.

Approach to funding review

Approach to funding

The Fund has a plan in place for each employer to meet its long-term funding objectives. The overriding funding objective is to have a sufficient likelihood of being able to pay members' benefits over the long term. A second objective is typically to have stable funding plans in place (given the long-term nature of the LGPS). However, the funding environment can change significantly from one actuarial valuation to the next which may affect funding plans. Therefore, it is important that funding plans are regularly reviewed to ensure they remain appropriate.

These reviews do not typically seek to discard the existing funding plan and devise a brand new one. Instead, funds may adjust/revise some key aspects of the funding plan in response to changes in the funding environment. Funding in this way helps to ensure long-term continuity in funding plans and improve engagement with employers. The aspects of the funding plan that are typically considered are:

Long-term funding objective

Contribution rates

Investment strategy

Funding strategy decisions

To review each of the key aspects of the funding plan, the Fund should consider the following questions. These questions will be referenced throughout this report.

1. Long-term funding objective

Q1: Should the Fund change the amount of money it wants to set aside in the long-term to pay members' benefits? This can be achieved by:

a) Changing the level of prudence in actuarial assumptions (an **implicit** adjustment to the long-term funding objective), and/or

b) Changing the target funding level (an **explicit** adjustment to the long-term funding objective)

2. Contribution rates

Q2: What is an appropriate contribution rate in the short- and long-term? Consider:

a) Is stabilisation still an appropriate long-term contribution strategy?

b) What contribution rate should be paid during the next valuation cycle? (1 April 2026 to 31 March 2029)

c) What is the expected long-term cost of benefits?

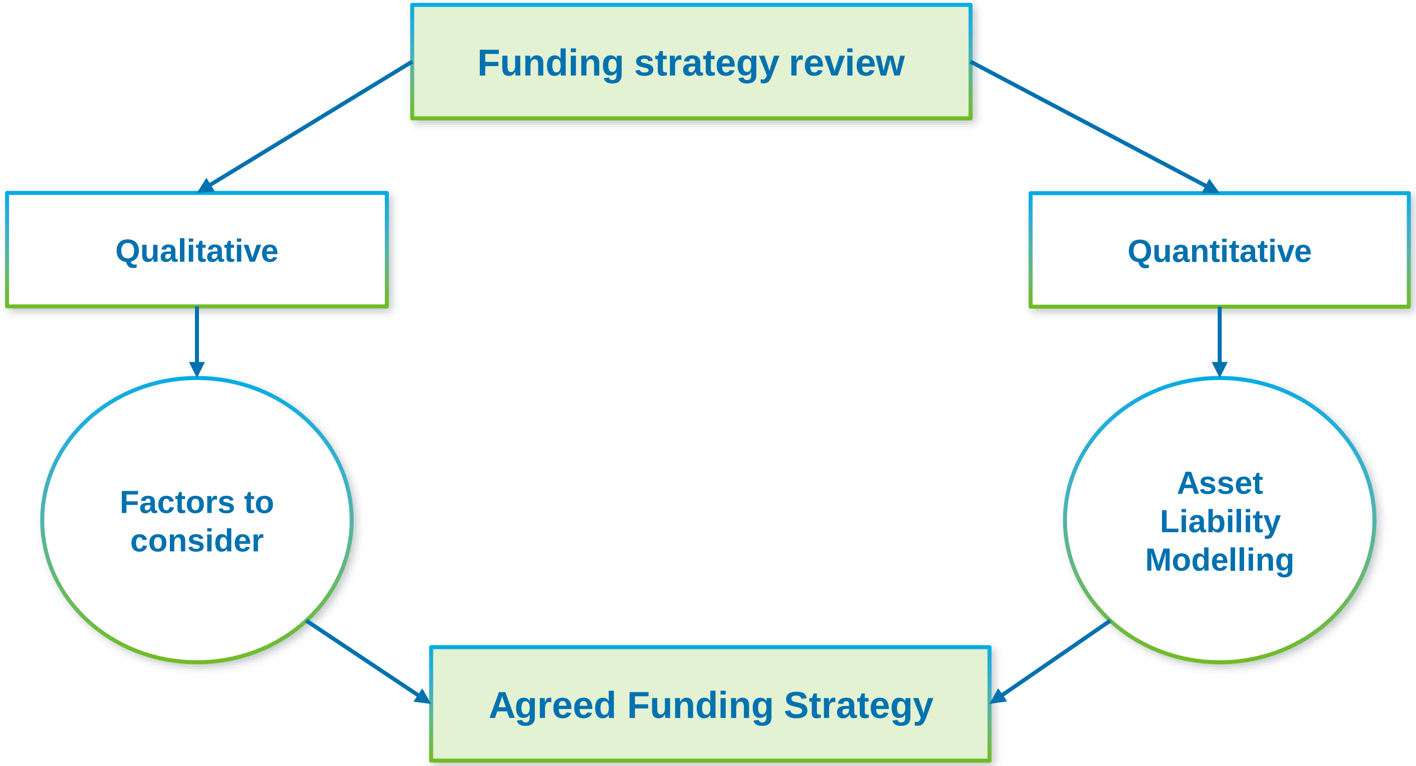
3. Investment strategy

Q3: How may a change in investment strategy impact the funding strategy?

The Fund has recently undertaken a review of its investment strategy and has opted not to consider the impact of future changes in investment strategy on the funding strategy at this stage.

How should the Fund make these decisions?

When reviewing funding plans, the Fund should consider a combination of qualitative and quantitative information, as demonstrated in the diagram below.



Asset Liability Modelling details

Asset Liability Modelling methodology

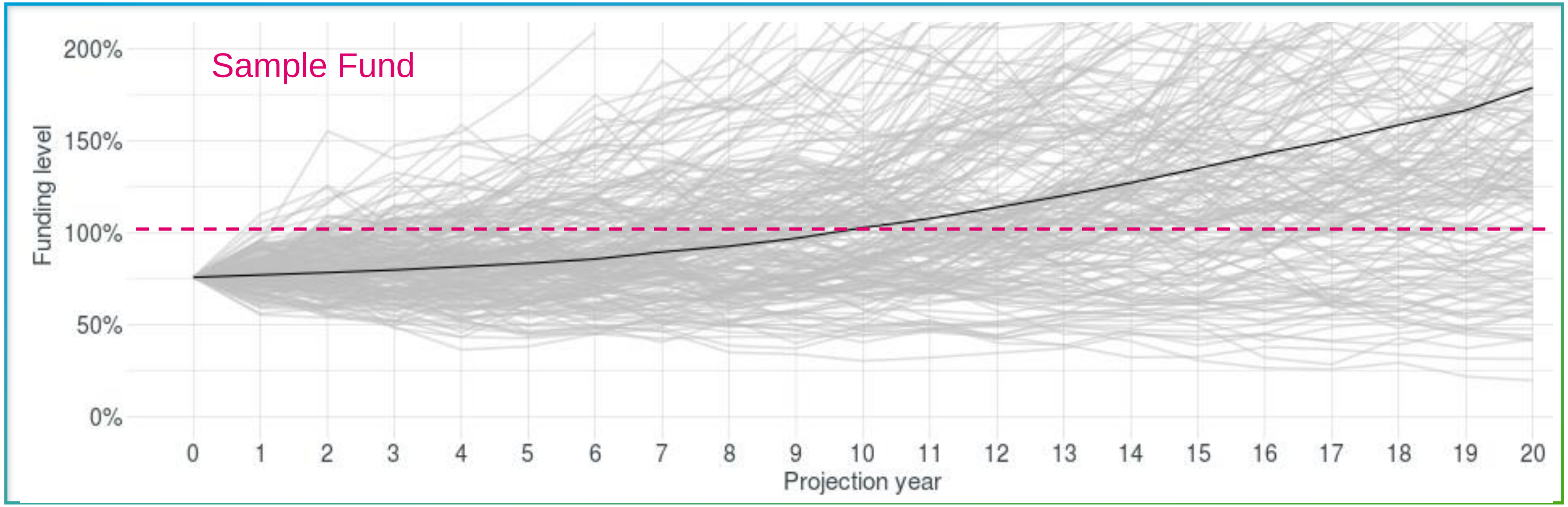
We have used Asset Liability Modelling to help LGPS funds review funding plans since 2010. This type of modelling allows the Fund to better understand the level of funding risk associated with different funding plans and make a more informed decision.

At a high-level, the methodology for Asset Liability Modelling is:

- Assets and benefits are projected forward from the valuation date under 5,000 different simulations for future market and economic conditions. A summary of the 5,000 simulations is set out in the Appendix of this report.
- For each simulation (of which there are 5,000 per funding plan modelled), we calculate the funding position annually throughout the projection period.
- The calculation of the funding position uses the same methodology as at the 2022 formal valuation. The assumptions underlying the funding position are set out in the ‘Data and Inputs’ section of this report.
- We rank the 5,000 simulations from best to worst and we plot the outcomes graphically.
- We can then compare the range of outcomes and risk metrics with other funding plans modelled.
- When comparing funding plans, we focus on two key risk metrics:
  - The “likelihood of success” metric shows the percentage of simulations that meet the funding objective at the end of the funding time horizon
  - The “risk of regret” metric shows the percentage of simulations which result in the funding plan needing to be revised (either through a change in investment strategy or increasing contribution rates) at the 2028 valuation (ie the percentage of simulations for which the likelihood of success in 2028 is no longer above the Fund’s threshold of 75%)
- Further detail on these metrics are set out on the following pages.
- For further technical detail on the Asset Liability Modelling approach please see the Appendix.

Likelihood of success

The chart below shows a sample of the 5,000 simulations for a certain funding plan tested. Each simulation projects the employers'/fund's assets and liabilities under a potential future outcome for investment returns, inflation and interest rates, allowing us to calculate the funding level over the period. Doing this 5,000 times then provides a range of future funding levels to analyse.



Simulations where the funding objective (of being at least 100% funded) is met

The likelihood of success is the percentage of the 5,000 simulations that meet the funding objective at the end of the employer's funding time horizon
Under the current funding strategy criteria, the minimum acceptable likelihood of success is 75%

Risk of regret

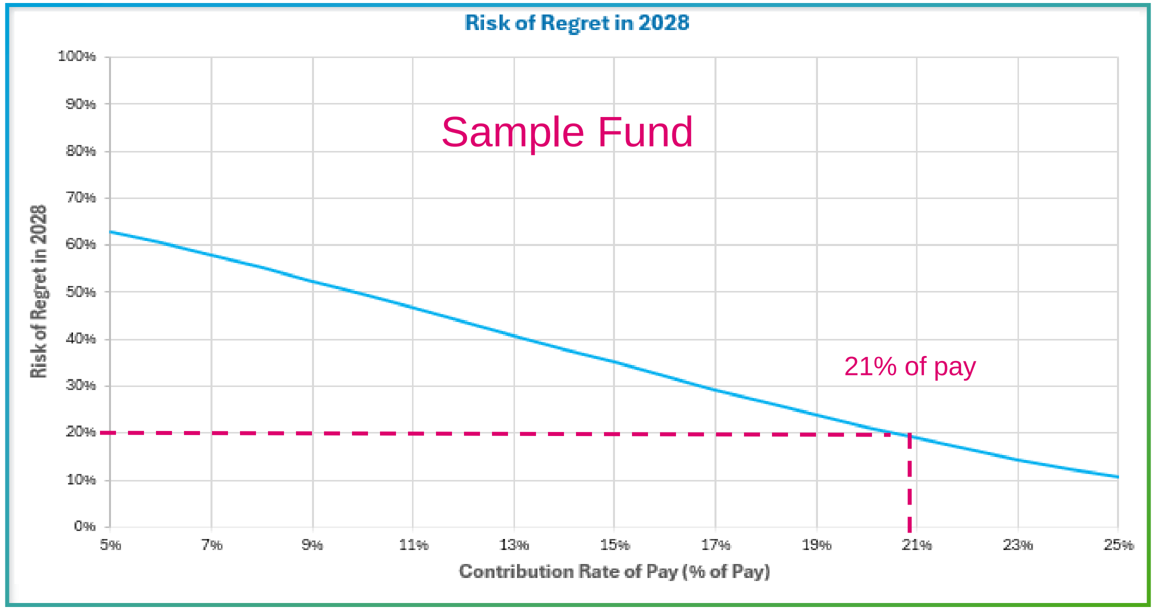
As well as understanding if a funding plan will be successful, it is also important to assess the level of potential downside risk. As the LGPS is an open, long-term scheme, most employers' primary focus will be on contribution rates. Therefore, a key question that needs considered is:

"If the contribution rate is set at a particular level now, what is the likelihood that it will need to increase at the next valuation?"

We refer to this as the "risk of regret". To measure this 17-year we model a selection of contribution rates (keeping investment strategy the same) which are fixed. We then analyse the model at 31 March 2028 to see how many of the 5,000 simulations do not meet the expected 2025 funding strategy criteria (of having a 80% likelihood of being 120% funded at the end of a 17-year time horizon). In these simulations, we assume that the funding plan would need adjusted which will typically be done by increasing the contribution rate (but could also be achieved by a change of investment strategy).

So, if a funding plan had a 20% risk of regret, then there is a 1 in 5 chance that this plan would have an insufficient likelihood of success at 31 March 2028 and potentially require the contribution rate to be increased (or the investment strategy to be changed)

The chart on the right shows, for a sample fund/employer, how the risk of regret varies by contribution rate paid.



In this example, a contribution rate of 21% of pay has a 20% risk of regret. As the contribution rate decreases, the risk of regret increases (and vice versa).

The risk of regret measures the risk of having to raise the contribution rate (or change investment strategy) at the next valuation.
Comparing different funding plans on this metric will be helpful for understanding the relative level of downside risk.

Change in economic environment since 2022

Since the 2022 valuation, there has been a significant shift in the UK and global economic environment. One such indicator of this shift is interest rates. The Bank of England Base Rate has risen from 0.75% pa at March 2022 to 4.5% pa at the date of this report. Similar rises have occurred in longer-term interest rates also.

In the model we use for Asset Liability Modelling, this change in economic environment has resulted in future investment return expectations being higher than at 2022. If investors can get a higher return on cash and other lower-risk assets, we generally assume that the return on riskier assets, such as equities, should also increase.

The chart on this page summarises how the expected future investment returns in our models, which underpin the advice in this report, have changed between 2022 and 2024.

Higher future expected investment returns generally mean:

- A higher funding level because a lower value is placed on the Fund's liabilities
- Lower required contributions (all other things being equal)

In our briefing note a new funding era in the LGPS? we acknowledge that people may have different beliefs regarding this change in economic environment and some may be concerned with setting long-term funding plans solely on a very recent significant shift in environment.

Given this, for the 2025 valuations, we have evolved the Asset Liability Model to allow the impact of different beliefs on funding plans to be understood.

Uncertainty around the current economic environment

The Asset Liability Model performs 5,000 simulations of the future economic environment to capture a wide range of possible eventualities and outcomes. This reflects the uncertainty and volatility surrounding economic variables such as interest rates, inflation and the returns on different asset classes. The distribution for each of these variables at March 2024 is summarised in the Appendix. These distributions are generated by the Economic Scenario Service (“ESS”) (Hymans Robertsons’ proprietary economic scenario generator).

There may be some users of this report who wish to understand the outcomes under certain alternative scenarios due to differing beliefs or concerns related to the current economic environment. Therefore, in addition to the core modelling we have also carried out analysis of specific alternative scenarios. The scenarios reflect the following broad economic environments:

Lower returns on growth assets

In this scenario, expected future returns from growth assets are lower than the Core ESS projections. This can be interpreted as simulating the effect of a reduction in valuations in equity markets from current elevated levels back to longer-term averages or experiencing higher than average default losses in credit markets over the long term. **The investment return expectations in this scenario broadly replicate the investment return expectations from the ESS model at the time of the previous actuarial valuation at 31 March 2022.**

Higher inflation

This scenario models a structurally higher inflation environment owing to expectations of more persistent labour shortages, a greater prevalence of supply shocks (climate change and geopolitical tensions disrupting trade, food and energy supplies), diminishing returns from globalisation, the transition to net zero and looser fiscal policy than in the period after the financial crisis**. In this scenario, nominal yields rise relative to the median ESS projection, reflecting a rise in inflation expectations.**

To do this scenario testing, we have reweighted distributions from the ESS towards simulations which reflect the themes of each scenario. The results of the scenario testing are intended to complement the core modelling exercise to help users understand the sensitivity of the results to the central assumptions within the Asset Liability model and give comfort that their own beliefs/concerns about the economic environment are included in any decisions made.

Given the nature of the methodology used to derive the scenario testing, **funding decisions should not be made solely on the results of the scenario analysis**. Instead, they should be considered alongside the core modelling results. Further technical detail on the alternative scenarios is set out in the Appendix.

Contribution strategies tested

The following **stabilised contribution strategies** were modelled to inform decision making on short- and long-term contribution rates:

Rate Pattern (% of pay)	2024/25	2025/26	2026/27	2027/28	2028/29	Thereafter
Reduce by 2% pa then stabilise (at +/- 2% pa)*	Contributions as certified in the Rates and Adjustment certificate		2025/26 rate - 2%	2025/26 rate – 4%	2025/26 rate – 6%	+/- 2% p.a.
Reduce by 6% then stabilise (at +/- 2% pa)			2025/26 rate - 6%	2025/26 rate - 6%	2025/26 rate - 6%	+/- 2% p.a.
Reduce by 1% pa then stabilise (at +/- 1% pa)			2025/26 rate - 1%	2025/26 rate - 2%	2025/26 rate - 3%	+/- 1% p.a.

In addition to the above stabilised contribution strategies, we have modelled a series of **fixed contribution rates** payable in perpetuity: 5%, 10%, 15%, 20%, 25% & 30%. This allows us to isolate the impact of altering key funding parameters and investment strategy as part of the analysis.

*We have also modelled an **unconstrained** contribution strategy. This contribution strategy assumes the contribution rate will be as above from 1 April 2026 to 31 March 2029 and then will vary as required in each future year to satisfy the Fund's funding strategy criteria, without the contribution stability mechanism overlay. This allows the Fund to test and understand the appropriateness of the contribution stability mechanism as a long-term funding strategy.

Summary of results

Summary of results

Based on initial discussion with Fund officers on 6th February, it is expected that the Fund will adopt an 80% prudence level and target 120% funding to provide a 'buffer' for employers against adverse experience (partly due to the increased difficulty for employers to repay future deficits should one emerge). Based on an 80% prudence and 120% funding target, we have summarised the results. The likelihood of success and risk of regret below assume that employer rates are reduced by 6% of pay (in total) over the next 3 years.

Employer / Pool	Proposed contribution rate in 2028/29 (% of pay)	Likelihood of success ('LoS') of core model	Risk of regret	Lower return on growth assets ('LoS')	Higher inflation ('LoS')
Leicestershire County Council	23.4%	88%	11%	83%	82%
Blaby District Council	23.3%	85%	22%	79%	77%
Leicester City Council	21.8%	87%	13%	82%	81%
Charnwood Borough Council	29.2%	87%	11%	81%	81%
NW Leicestershire District Council	23.1%	87%	15%	81%	80%
Oadby & Wigston Borough Council	30.4%	86%	15%	80%	79%
Rutland County Council	21.8%	86%	20%	81%	78%
The Chief Constable & OPCC	18.9%	85%	20%	80%	79%
Melton Borough Council	24.3%	86%	16%	80%	79%
Hinckley & Bosworth Borough Council	23.2%	86%	16%	81%	79%
Harborough District Council	28.5%	87%	11%	81%	81%
Fire Service Civilians	20.1%	86%	19%	81%	79%
ESPO	22.3%	Similar in funding profile to Leicester City Council – see results above as suitable proxy			

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Conclusions and next steps

Conclusions

Key observations from the modelling results are set out below:

1. Funding objective

- The Fund currently utilises a 75% prudence margin when setting its discount rate.
- It also targets a funding level of 100%.
- Moving prudence margins to 80% can be done without increasing current contribution levels (all rates tested meet the Fund’s minimum criteria).
- Additional prudence gives us greater flexiility to manage contribution volatility in future and can be justified in the current economic environment.
- Moving the target funding level (to 120% for example) is also possible, noting that the Fund already has a similar framework in place for non-stabilised employers.
- Final decisions on prudence levels and funding targets will be made later in the valuation process when we undertake a review of the actuarial assumptions and funding framework.
- The results of the modelling supports an increase in prudence and/or an increase in the target funding level (ie a funding ‘buffer’). In either case, it will be important to consider the messaging to employers (and other stakeholders).

2. Contributions

- The Fund’s stabilisation approach remains appropriate, limiting changes in contribution rate to (a maximum of) +/-2% of pay pa for long-term secure employers.
- The results show that there is scope to reduce rates by 2% of pay pa for all of the modelled employers (with each strategy meeting the required minimum likelihood)
- In all cases, the total contribution rates (at the end of the period, 2028/29) will be higher than the estimated cost of benefits (which is around 18% of pay at an 80% prudence level for all employers). Messaging to employer will therefore be important given the strong funding position and the extremal market commentary.
- Given the strong funding positions for all employers (and budgeting challenges for many councils) the Fund could agree to change the shape of the reductions, without impacting the outcomes of the modelling. For example, this could be -3%, -3%, 0%, or even -6%, 0%, 0%.
- As all employers are now in a strong funding position, we would recommend certifying all contribution rates as a % of pay (as opposed to monetary amounts) for administrative ease.
- Based on this analysis, we have proposed contributions on the following page

Recommended contributions

Based on each of the modelled employers meeting the minimum criteria to satisfy a 2% of pay pa reduction in contributions over the period from 1 April 2026 to 31 March 2029, we recommend the following rates.

<table>
<tr><th>Employer / Pool</th><th>Current rate in payment
(% of pay) 2025 / 26</th><th>Proposed rate
(% of pay) 2026/27</th><th>Proposed rate
(% of pay) 2027/28</th><th>Proposed rate
(% of pay) 2028/29</th></tr>
<tr><td>Leicestershire County Council</td><td>29.4%</td><td colspan="2" rowspan="13">The results support an immediate reduction to the 2028/29 rates. The Fund may apply discretion on how quickly to reduce to the 2028/29 rate over the 3-year period while remaining within the confines of the existing FSS (where maximum permitted reductions over a 3-year period are limited to 6% of pay).</td><td>23.4%</td></tr>
<tr><td>Blaby District Council</td><td>29.3%</td><td>23.3%</td></tr>
<tr><td>Leicester City Council</td><td>27.8%</td><td>21.8%</td></tr>
<tr><td>Charnwood Borough Council</td><td>35.2%</td><td>29.2%</td></tr>
<tr><td>NW Leicestershire District Council</td><td>29.1%</td><td>23.1%</td></tr>
<tr><td>Oadby & Wigston Borough Council</td><td>36.4%</td><td>30.2%</td></tr>
<tr><td>Rutland County Council</td><td>27.8%</td><td>21.8%</td></tr>
<tr><td>The Chief Constable & OPCC</td><td>24.9%</td><td>18.9%</td></tr>
<tr><td>Melton Borough Council</td><td>30.3%</td><td>24.3%</td></tr>
<tr><td>Hinckley & Bosworth Borough Council</td><td>29.2%</td><td>23.2%</td></tr>
<tr><td>Harborough District Council</td><td>34.5%</td><td>28.5%</td></tr>
<tr><td>Fire Service Civilians</td><td>26.1%</td><td>20.1%</td></tr>
<tr><td>ESPO</td><td>28.3%</td><td>22.3%</td></tr>
</table>

Appendices

APPENDIX

Additional detail for the ESS

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation). In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc. The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration at 31 March 2024.

Annualised total returns

		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	3.1%	0.9%	1.6%	-0.3%	-0.8%	-0.2%	1.4%	2.3%	0.4%	1.3%	0.5%	3.7%
	50th %'ile	3.9%	3.8%	3.7%	7.8%	7.7%	6.4%	4.1%	3.9%	1.3%	2.8%	1.4%	4.8%
	84th %'ile	4.7%	7.0%	5.9%	16.0%	16.1%	13.8%	6.5%	5.4%	2.3%	4.4%	2.3%	6.0%
10 years	16th %'ile	2.9%	1.6%	3.1%	1.8%	1.5%	1.6%	3.2%	1.5%	0.2%	1.0%	0.2%	3.2%
	50th %'ile	3.9%	3.6%	4.3%	7.8%	7.7%	6.6%	4.7%	3.2%	1.5%	2.6%	1.4%	4.6%
	84th %'ile	5.1%	5.9%	5.5%	13.8%	13.9%	11.9%	6.2%	4.9%	2.7%	4.2%	2.7%	6.3%
20 years	16th %'ile	2.6%	1.9%	4.0%	3.3%	3.1%	3.0%	4.3%	1.1%	-0.5%	0.8%	-0.5%	1.6%
	50th %'ile	4.0%	3.6%	4.8%	7.9%	7.7%	6.7%	5.3%	2.7%	1.2%	2.4%	1.2%	3.5%
	84th %'ile	5.7%	5.4%	5.5%	12.4%	12.5%	10.7%	6.3%	4.3%	2.9%	4.0%	2.9%	6.1%
	Volatility (Disp) (1 yr)	0%	7%	6%	16%	17%	16%	7%	1%		1%		

APPENDIX

Reliances and limitations

This summary document has been prepared solely for the purpose of presenting the key outputs of the contribution strategy review to Pension Committee. It should not be used for any other purpose and third parties should not place reliance on these results. Full details of the advice which was prepared for officers is contained in the report entitled Leicestershire County Council Pension Fund – 2025 valuation funding review (dated 19 February 2025). The reliances & limitation of this fuller report are stated below for completeness.

This paper has been commissioned by Leicestershire County Council as administering authority to the Leicestershire County Council Pension Fund. It intended for the use by Leicestershire County Council in its role as Administering Authority only for the purposes of carrying out a review of funding plans for the Fund's stabilised employers as part of the 2025 formal valuation. It has not been prepared for any other purpose and should not be used for any other purpose.

It should be noted that this paper contains a significant amount of technical detail and is not an exhaustive analysis of all possible strategy options and combinations. It is intended to facilitate discussion with Officers of the Leicestershire County Council Pension Fund after which additional analysis may be required. Any final decisions on the funding strategy based on the analysis in this report will be need to be documented in an audit trail with associated reasons.

Given the above, we would expect the administering authority to consider and discuss the contents raised in this paper before making any funding decisions.

This paper has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- *TAS100 (Principles for Technical Actuarial Work)*
- *TAS300 (Pensions)*

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Agenda Item 7

LOCAL PENSION COMMITTEE – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND POLICY REPORT

Purpose of the Report

1. The purpose of this report is to present to the Local Pension Committee the annual update of the Pension Fund's current strategies and policies, covering any new policies that have been introduced or amendments that have been made.

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. The content of this report was presented to the Local Pension Board on 5 February 2025.

4. This year's exercise has been done in conjunction with the review of The Pension Regulator's (TPR) Code of Practice. Going forward the reviews of policy and the Code will align, ensuring that the Fund continues to comply with its requirements.

5. In addition, any breaches of law that occurred during the previous tax year that may be considered material will be detailed in this report.

Summary of Current Policies

6. All current policies covering both administration and investments, are listed below. Updated policy documents are attached to this report, other policies can be found on the Pension Fund website: https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Reviewed	Date Next Review Scheduled
Investment Strategy Statement (Appendix A)	Yes	Yes	Detailed in this report	March 2025	March 2026
Investment Advisor Objectives (Appendix B)	Yes	Yes	Detailed in this report	November 2024	November 2026
Net Zero Climate Strategy (NZCS)	Yes	No	-	March 2023	March 2026
Cash Management Strategy (Appendix C)	Yes	Yes	Amended to allow UK treasury bills to be sold ahead of maturity in line with LCC policy	January 2025	January 2026
Funding Strategy Statement	Yes	No	-	February 2023	Summer 2025 (as part of Valuation exercise)
Administration and Communication Strategy (Appendix D)	Yes	Yes	Detailed in this report	February 2025	January 2027
Fund Training Policy	Yes	Yes	Detailed in this report	June 2024	May 2026
Pension Fund Budget and Business Plan	Yes	Yes	Detailed in a separate report	February 2025	January 2026
Conflict of Interest Policy (Appendix E)	Yes	Yes	Detailed in this report	February 2025	January 2028
Fund Employer Risk Policy	Yes	No	-	January 2024	January 2026
Administering Authority (Fund) Discretions Policy	Yes	No	-	January 2024	January 2026

Administering Authority Distribution of Death Grant Policy	Yes	No	-	November 2023	January 2026
Administering Authority Overpayment of Pensions Policy	Yes	No	-	February 2024	January 2026
Cyber Policy (Appendix F)	Yes	Yes	Detailed in this report	February 2025	January 2027
Complaints Process (Appendix G)	Yes	Yes	Detailed in this report	February 2025	January 2028
Monitoring Contributions Process (Appendix H)	Yes	Yes	Detailed in this report	February 2025	January 2028
Reporting Breaches of Law Process (Appendix I)	Yes	Yes	Detailed in this report	February 2025	January 2028
Data Improvement Plan (Appendix J)	Yes	Yes	Detailed in this report	February 2025	January 2026
Internal Controls (Appendix K)	No	_	Detailed in this report		January 2026
Transfer Payment Process (Appendix L)	No	_	Detailed in this report		January 2026

<u>Investment Strategy Statement</u>

7. The Investment Strategy Statement (ISS) was updated to include changes to strategic asset allocation and approved by the LPC in March 2024. Changes to the strategic asset allocation were approved by the LPC at its meeting on the 31 January 2025 as well as changes to the rebalancing policy.

<u>Investment Advisor Objectives</u>

8. The Investment Advisor Objectives were updated to include reference to the Fund’s Net Zero Climate Strategy. The objectives also now include consideration of the direction of pooling in light of the Mansion House proposals. These changes were approved by the LPC at its meeting on 29

November 2024.

Overpayment of Pension Policy

9. The Overpayment of Pension policy was reviewed and officers were satisfied that no changes were required.

Cash Management Strategy

10. This strategy has been amended to allow UK treasury bills to be sold ahead of maturity in line with County Council policy.

Fund Training Policy

11. The Fund training policy was reviewed and refreshed in June 2024, following a report that was presented to the Board at their meeting on 17 April 2024. The changes were approved by the LPC at its meeting on 19 June 2024 and progress against the Fund's Training Policy was presented to the LPC on 31 January 2025.

Code of Practice

12. The following policies were reviewed and refreshed as part of the work undertaken to ensure the Fund is fully compliant with TPRs Code of Practice (the Code).

Administration and Communication Strategy

13. A new section in respect of Data Monitoring and Improvement has been added. This provides an overview of the process in respect of these areas and links to the Code and the annual Data Improvement Plan.

14. Minor additional changes have also been made to Section 5: Service Level Agreements and these have been highlighted in yellow.

15. As the changes to the policy did not include any additional actions for Employers, they were not consulted on this occasion.

Conflict of Interest Policy

16. This has been reviewed and refreshed to ensure compliance with the Code. This includes the requirement to publish member's declarations of interests. Members are contacted annually to update their declarations of interest and are expected to provide updates to their register as and when required. The declarations are published on the County Council's website:

https://democracy.leics.gov.uk/ecCatDisplay.aspx?sch=doc&cat=14116

17. Appendix 5 of the policy has been amended to include the Fund's Net Zero Climate Strategy (independent of the Council's own net zero targets and strategy).

Cyber Policy

18. The cyber policy has been amended to ensure compliance with the Code. Following advice from Leicestershire County Council's Technical Security Officer some of the content has been moved from the public facing policy document into an internal document. This version has been shared with Internal Audit and following feedback a minor change was made.

19. There are two additions (highlighted in yellow) in sections 6 and 7, both added to strengthen compliance with the Code.

Complaints Process

20. A refreshed document detailing how officers deal with complaints received from scheme members. This version covers the process from initial contact up to and including contacting the Ombudsman if the internal process does not resolve the complaint to the scheme member's satisfaction. This document has been shared with Internal Audit who were satisfied that no amendments were required.

Monitoring Contributions

21. This details the process for monitoring the monthly payment of pension contributions from Fund employers.

22. The process also includes the steps taken if payments are received late. This also links into the Breaches of Law policy.

23. This document has been shared with Internal Audit and following feedback some minor changes were made.

Reporting Breaches of Law

24. A refreshed process document detailing how Breaches of Law are dealt with has been drafted. This document was shared with Internal Audit and presented to the Pension Board at its meeting held on 16 October 2024.

Data Improvement Plan

25. A separate report detailing the plans for Data Improvement was presented to the Pension Board, which has been reformatted and added to the appendices. This document was shared with Internal Audit who were satisfied that no changes were required.

Internal Controls Document

26. An internal document to strengthen compliance with the Code has been drafted. The document details the checks used by officers when administering the scheme. This has been shared with Internal Audit who were satisfied that no changes were required.

Overview of Transfer Payments

27. An internal document to strengthen compliance with the Code has been drafted. The document details the processes in place to ensure due diligence is carried out prior to the payment of the transfer of member benefits to other schemes. The document includes a ‘Clean List’ of schemes that can be transferred to where there is a very low risk of a scam, which will be reviewed annually. This has been shared with Audit who suggested some minor amendments and the document was updated accordingly.

Breaches during 2024/25

28. There were no breaches of law during 2024/25 that were considered material.

Recommendation

29. It is recommended that the Local Pension Committee approve the revised policies.

Equality Implications

30. There are no equality implications arising from this report.

Human Rights Implications

31. There are no human rights implications arising from this report.

Appendices

Appendix A: Investment Strategy Statement

Appendix B: Investment Adviser Objectives

Appendix C: Cash Management Strategy

Appendix D: Administration and Communication Strategy

Appendix E: Conflict of Interest Policy

Appendix F: Cyber Policy

Appendix G: Complaints Process

Appendix H: Monitoring Contributions Process

Appendix I: Reporting Breaches of Law Process

Appendix J: Data Improvement Plan

Appendix K: Internal Controls Document

Appendix L: Payment of Transfers Out

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LEICESTERSHIRE COUNTY COUNCIL PENSION FUND INVESTMENT STRATEGY STATEMENT

Effective: 14 March 2025
Next review: Q1 2026

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 (FSS) and ISS are therefore inextricably linked. The latest FSS 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.

5.2 Framework for rebalancing

	2024 SAA	2025 SAA	2024 SAA rebalance range	Liquidity	Long Term expected volatility
Growth					
Listed Equity - active and passive	37.5%	41.0%		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%	53.5%	+ / - 2.5%; 51.0% - 56.0%		High
Income					
Infrastructure	12.5%	12.5%		Semi liquid	Medium
Property	10.0%	7.5%		Semi liquid	Medium
Global Credit - private debt	10.5%	9.5%		Illiquid	Low / medium
Global Credit - liquid MAC	9.0%	9.0%		Liquid	Medium
Asset group: income sub total	42.0%	38.5%	+ / - 2%; 36.5% - 40.5%		Medium
Protection					
Inflation linked bonds (ILB)	3.5%	3.5%		Liquid	Low / medium
Investment grade credit (IGC)	3.75%	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		

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	2025 Strategic Target	Rebalance range
Growth	53.50%	+/- 2.5% (51.0% - 56.0%)
Income	38.50%	+/- 2 (36.5% - 40.5%)
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.

5.3 Strategic Asset Allocation returns

The Fund’s current 2025 strategic asset allocation has a median target return 8.4% pa based on the investment advisors 20 year expected returns modelling.

5.4 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.

5.5 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.

5.6 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	£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 December 31 2024 the Fund has invested or committed to invest in fourteen LGPS Central products.

With the Governments Fit for the Future consultation in progress which has proposed pooling of all LGPS funds from each administering authority there is likely to be pooling developments within the next 12 to 24 months across many LGPS funds.

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. The Fund updates achievement against the NZCS goals annually, usually at the last Local Pension Committee meeting each calendar year.

- 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/documents/LGPS-Central-RI&E-Framework-2024.pdf
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.

CMA objectives for investment consultants

Addressee

This paper is addressed to the Officers of the Leicestershire County Council Pension Fund ("the Fund"). The purpose of this paper is to set out the next steps in the requirement to set objectives and assess Hymans Robertson, as investment consultant to the Fund, against the objectives following the publication of the Competition and Markets Authority ("CMA") final order, relating to their review of investment consulting and fiduciary management markets.

This paper should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

Background and scope

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. The order made it a regulatory requirement for pension scheme trustees (including pension committees within the LGPS) to set objectives for their investment consultants.

We have summarised the key points below:

- Since 10 December 2019 pension scheme **trustees must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Fund has set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Pension scheme **trustees must submit 'compliance statements'** stating that they have complied with the above requirement. This statement covers the period from 10 December 2023 to 9 December 2024, so it will need to be sent **after 10 December 2024, but before 7 January 2025**.
- The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk.
- Department for Work and Pensions ("DWP") has now brought forward secondary legislation to enact the CMA requirements for private sector pension schemes. Under the new legislation, responsibility for monitoring compliance will transition to The Pensions Regulator ("TPR"). During the transition period, the requirement to submit compliance statements to the CMA has been dropped. The Department for Levelling-up, Homes and Communities ("DLUHC") is expected to bring forward similar legislation for the LGPS. At this stage, it is not clear whether or not LGPS funds are still required to submit compliance statements. For now, we assume the requirement stands.
- The CMA order only requires trustees to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives that the Fund has set is part of ongoing good governance. This is in line with guidance from TPR which suggests performance is monitored annually, with a detailed review every three years. Further, we note that the DLUHC consultation proposed to extend this requirement to cover LGPS funds under future regulations. We have evaluated our performance against current objectives in Appendix 1.
- TPR also suggests checking that objectives are still appropriate at least every three years. We have proposed amendments to the current objectives in Appendix 3.

Assessing performance against objectives

As noted above, we are assuming that, by 7 January 2025 the Fund must have submitted a compliance statement to the CMA confirming compliance with Part 7 of the CMA, by setting strategic objectives for their investment consultant. However, there is not an obligation to have assessed your consultant's performance against these objectives by that date.

Next steps for the Fund

- Report compliance relative to the CMA's requirements to the CMA by 7 January 2025 – see Appendix 2;
- Finalise the assessment of performance against current objectives;
- Confirm the proposed objectives for the coming year.

Prepared by: -

Richard Lunt, Senior Investment Consultant
Russell Oades, Investment Consultant

For and on behalf of Hymans Robertson LLP

November 2024

General Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Appendix 1: Current objectives

Leicestershire County Council Pension Fund Objectives	Investment Consultant Objectives	Performance Evaluation 2024
Strategic Ensure members' benefits are met as they fall due. Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers. The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The current strategic return target is between 3-4% per annum in excess of CPI. Reduce the deficit recovery period for the Fund. Consider the Net Zero Climate Strategy in strategic decisions.	Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward. Deliver an investment approach that supports meeting the Fund's cashflow needs, and likely evolution, and minimises the risk of forced disinvestment. Ensure the approach involves suitable diversification, a level of complexity consistent with the Fund's governance capacity and focuses on predictable returns. Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. This includes a review of protection assets and potential alternative protection assets.	As part of the recommendations from the last SAA review, we conducted an extensive review of protection assets, including evaluating the potential for introducing alternative protection assets. The review confirmed that the current balance between growth, income, and protection assets remained appropriate, with the current investment strategy validated by our asset-liability modelling (ALM) output. This took into account the likely impact on contribution rates. It also concluded that there wasn't a strong enough case for adding in alternative protection assets, bearing in mind the associated additional governance burden. Building on this, the SAA review currently being undertaken is more targeted compared to previous years, focusing more on identifying exceptions or areas requiring further attention. We have identified the following key areas: private debt, tail risk protection (building on our earlier review of protection assets), Net Zero considerations, and the use of pooling solutions. This more streamlined approach allows us to refine the strategy while ensuring it continues to support the Fund's cashflow requirements, diversification, and long-term sustainability, all while considering the Committee's risk tolerance and Net Zero ambitions. This serves as a preliminary step to help shape the direction and priorities for more detailed reviews in 2025.

Implementation Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance. Ensure cost efficient implementation of the Fund's investment strategy. Ensure an orderly transition to LGPS Central (where applicable).	Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the 2023 SAA review. Proposing benchmark amendments to the reporting of investment performance. Advise on the use of solutions provided by LGPS Central as a vehicle for implementing the agreed investment strategy, to support the regulatory direction of travel on pooling whilst also expressing our views on preferred solutions, and where appropriate help in the specification of LGPS Central solutions to meet the Fund's needs. Ensure investment decisions take into account the potential for regulatory change and developments. Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where possible.	We provided advice focused on the cost-efficient implementation of the Fund's investment strategy, with priority given to the outstanding recommendations from the 2023 SAA review. This included overseeing changes to the listed equities portfolio, where we supported a four-phase transition of assets. The process was completed efficiently, with efforts to minimise costs resulting in approximately £383k in transaction cost savings. We proposed amendments to the benchmarks used for reporting investment performance as part of the 2024 SAA review, ensuring they better reflect the Fund's objectives and provide a more accurate measure of progress. Progression of this was then delegated to officers. We advised on the use of LGPS Central solutions in each of the asset classes reviewed during the year. Our advice covered concentration limits and their relevance within the pooling framework, with the aim of reducing the governance burden on the Fund. As part of our consideration of LGPS Central solutions, particularly during the in-depth review of infrastructure assets, we evaluated their Net Zero policy and progress. This included discussions with their Responsible Investment (RI) committee to gain a deeper understanding of their approach. We ensured that their policy and progress were aligned with the Fund's NZCS, identifying and reporting any gaps, thereby reinforcing the integration of RI principles into all decisions.

		Impact on Net Zero was also considered as part of the reviews of protection assets, timberland and risk-sharing transactions (RSTs) strategies.
Governance Ensure the Fund's approach reflects relevant regulatory and legislative requirements. Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes. Ensure the Fund's investment objectives are supported by an effective governance framework.	Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance. Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in investment recommendations and the Strategic Asset Allocation (SAA) where appropriate. Advise on the actions the Fund should undertake to deliver its Net Zero goals and other Responsible Investment objectives and priorities by both reporting on progress, where a baseline has been established, or doing so once baseline information is available, in areas such as listed credit and private markets, thereby expanding the coverage of the overall portfolio. Provide relevant and timely advice.	Our advice complied with current regulations and guidance and, where possible, anticipated future requirements. We ensured that all advice included consideration of responsible investment issues and was consistent with the Fund's other policies and beliefs. Responsible investment goals were considered when reviewing implementation options. In relation to the Fund's Net Zero goals, we actively advised on practical steps the Fund could take to meet these objectives. During our in-depth reviews of specific asset classes, such as RSTs and infrastructure, we identified areas where climate-related disclosures needed improvement. We recommended specific actions to address these gaps, which should, over time, improve the Fund's climate governance and broaden the scope of improved disclosures across the entire portfolio. Net Zero is also a key area of focus as part of the 2024 SAA review currently underway. We sought to provide timely advice at all times, responding promptly to queries. Most deliverables were on schedule, as we incorporated lessons from past projects by setting earlier milestones. We also arranged interim calls to explain findings and maintain clear communication throughout each project.

Appendix 2 – CMA compliance statements – the details

Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:

  "Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider."

- Pension scheme trustees must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA between 10 December 2024 and 7 January 2025 will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statements for the Fund on the following page. A scanned copy of a signed statement should be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk.

Leicestershire County Council Pension Fund

Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the Leicestershire County Council Pension Fund

I, ………………………….., confirm on behalf of the Leicestershire County Council Pension Fund that during the period commencing on 10 December 2023 and ending on 9 December 2024, the Leicestershire County Council Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Additional Compliance Reporting

(a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and

(b) for the period to which the Compliance Statement relates, the Leicestershire County Council Pension Fund has complied in all material aspects with the requirements of the Order and reasonably expect to continue to do so.

For and on behalf of the Leicestershire County Council Pension Fund

Signature: ....

Name: ....

Title: ....

Appendix 3: Proposed objectives

Leicestershire County Council Pension Fund Objectives	Investment consultant objectives 2025
Strategic Ensure members' benefits are met as they fall due. Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers. The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The long-term median investment return projected as part of the last annual review of investment strategy was 8.7% per annum, relative to the required return of 4.4% per annum calculated for the 2022 funding valuation. Reduce the deficit recovery period for the Fund. Consider the Net Zero Climate Strategy in strategic decisions.	Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward. Deliver an investment approach that supports meeting the Fund's cashflow needs, and likely evolution, and minimises the risk of forced disinvestment. Ensure the approach involves suitable diversification, a level of complexity consistent with the Fund's governance capacity and focuses on predictable returns. Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. Assist in any due diligence of revised net zero targets. This includes a detailed review of private debt, tail-risk protection assets, and any other key areas highlighted in the most recent SAA review or subsequent officer or committee initiated request.
Implementation Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance. Ensure cost efficient implementation of the Fund's investment strategy. Ensure and help plan an orderly transition to LGPS Central (where applicable).	Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the SAA review and specific asset class reviews. Advise on the use of solutions provided by LGPS Central as a vehicle for implementing the agreed investment strategy, to support the regulatory direction of travel on pooling whilst also expressing our views on preferred solutions, and where appropriate help in the specification of LGPS Central solutions to meet the Fund's needs. Ensure investment decisions take into account the potential for regulatory change and developments. Provide assistance as requested with understanding and implementing the outcome of the recently launched 'Fit for the future' consultation. This includes advising on achieving the proposed target of moving all assets to the Pool by 31 March 2026, taking into account the implementation routes and associated risks involved with transferring assets, such as

	costs of sale, difficulties of unwinding illiquid investments etc. Provide oversight on the process of transferring assets over, including managing the highlighted risks as far as possible. The scope of the review depends on the outcome of the consultation, but may include comment and views on the practical consequences of reduced control over more granular asset allocation decisions, including views on the Pool's capabilities in these areas, and any impact on strategic direction this may have. Maintain close links with the Pool in order to fully understand their plans. Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where possible.
Governance Ensure the Fund's approach reflects relevant regulatory and legislative requirements. Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes. Ensure the Fund's investment objectives are supported by an effective governance framework.	Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance. Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in investment recommendations and the Strategic Asset Allocation (SAA) where appropriate. Advise on the actions the Fund should undertake to deliver its Net Zero goals and other Responsible Investment objectives and priorities by both reporting on progress, where a baseline has been established, or doing so once baseline information is available, in areas such as listed credit and private markets, thereby expanding the coverage of the overall portfolio. Provide relevant and timely advice.

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Leicestershire County Council Pension Fund
Cash Management Strategy

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; up to and including 365 days	£250m(2)
Term deposits with overseas banks domiciled within a single country	Varied acceptable credit ratings, but high security	1 year; up to and including 365 days	£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; up to and including 365 days	£250m
Term deposits with the Debt Management Office	UK Government backed	1 year; up to and including 365 days	£500m
UK Government Treasury Bills	UK Government backed	1 year; up to and including 365 days	£500m
Term Deposits with UK Local Authorities up to 1 year	LA's do not have credit ratings, but high security	1 year; up to and including 365 days r	£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 per counterparty as advised by the treasury advisor will be used up to a total for all term deposits of £350m

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APPENDIX D

Leicestershire Local Government Pension Scheme

Joint Administration and Communication Strategy

March 2024 (Revised September 2024)

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 8 March 2024.

An additional section on Data Monitoring and Improvement was added in September 2024.

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 version became effective from 8th March 2024. A new section on data monitoring and improvement was added in September 2024. The document will next be reviewed by Committee in 2025.

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.

Data Monitoring and Improvement

The Fund holds and uses a significant amount of data to calculate and pay pensions so accurate and timely data is key in delivering a high-quality pension service.

The following list of criteria are from the Pension Regulator Code (March 2024) with the Fund action for each of these.

Monitor data on an ongoing basis to ensure it is as accurate and complete as possible for all pension scheme members.

Active contributors' records are updated with pay and contributions each month, directly from employer's payroll systems. Every year, as part of the annual benefit statement exercise, records are reviewed to ensure accurate data is held for use in the calculation of the annual benefit statements. Preserved and pensioner records are updated annually for pensions increase.

If there is a specific exercise, for example and employer leaving the Fund, all the employer member data will be checked to allow calculation of a scheme cessation.

Ensure the Local Pension Board receives information about material errors and gaps in their scheme data, once identified.

The Fund scores its data annually using the Pension Regulator data scoring methodology. This measure common and scheme specific data. The scores are reported annually to the Board and reported to the Regulator. If there are areas of concern these are highlighted to the Board.

Ensure any service providers operate their own procedures for identifying, rectifying, and reporting errors to the Local Pension Board.

The system provider runs annual common and scheme specific data reports to highlight data issues and alter fund officers. The Fund Actuary also operate their own data checking processes and highlight any issues to officers to resolve. This takes place prior to valuation periods and is included in the overall valuation programme reported to the Board.

Ensure data improvement is prioritised for members close to the point where they start drawing on their benefits.

The Leicestershire Fund provides an online service where all members can run their own pension retirement estimates at any time. Therefore, all member records are included in the annual data checks. At retirement (or estimate before retirement) a more detailed data check is carried out by officers.

Ensure any plan for improving data can be monitored and has an achievable deadline.

Where errors or gaps in data are identified, and a data improvement plan is required, this will be taken to the Local Pension Board detailing the issue, how it will be monitored and an achievable end date.

A record of data reviews and improvement will be kept, including what actions were necessary and the findings.

Where applicable, ensure member records are reconciled with information held by the employer(s).

The Fund uses the system providers monthly data reconciliation and posting tool. Employers extract data from their payroll systems monthly, submit this through the reconciliation tool, enabling data to post to individual member records. Issues with data are highlighted during the load and inaccurate or missing data is not loaded and employers are altered to resolve it.

Ensure regular reconciliation of scheme membership, especially those reaching retirement.

This takes place each month using the reconciliation and posting tool.

Carry out scheduled tracing and existence exercises to validate member data.

The Fund uses a tracing and existence service alongside the National Fraud Initiative process. This enables officers to check as required, but at least six monthly.

The Fund has a data retention policy that details how long data will be held. For old cases where data is no longer held, for example an old refund, each case will be considered fairly and on a case by case basis.

The Fund protects scheme data and has a fund cyber policy. If there is a breach of data, these are reported to Team Managers in the first instance and escalated as necessary.

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

<u>COMMUNICATION STRATEGY</u>

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 Distribution**	**Audience Group (Active, Deferred, Pensioner or All)**
New Joiner information	Pensions website (registration for Member Self-Service account required)	On commencing employment	On-line (paper copies available on request)	New employees
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

Type	Media	Frequency	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
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 copies available on request	All
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

Method	Media	Frequency	Method of Distribution	Audience Group
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 meet and as and when required	Virtual or via the Local Government Employers organisation	All members of the Pension Board and Committee
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
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 – rated at least mainly ok or clear	95%
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
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
AVC provider to issue annual benefit statements to AVC payers as at 31 March each year	By the following 31 March

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
Notify leavers of refund or cash transfer sum entitlements	Within 3 months of leaving
Payment of Cash Transfer Sum	10 working days of receipt of all necessary information (statutory deadline:3 months from date of election)
Provide details of estimated Transfers Out	Within 1 month of receipt of all necessary information (statutory deadline: 3 months from date of request)
Payment of Transfers Out	10 working days of receipt of all necessary information (statutory deadline: 6 months from “guarantee date”, i.e. calculation date used in initial quotation)
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	Paid by BACs by 22nd of the month after deduction is taken. In the event of a late payment, the Pensions Manager may consider charging interest.
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

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Appendix E

Leicestershire Pension Fund Conflict of Interest Policy

Contents

Introduction

1. This is the Conflict of Interest Policy ("the Policy") of the Leicestershire Pension Fund ('the Fund'), which is managed by Leicestershire County Council (the 'Administering Authority'). The Policy details how actual and potential conflicts of interest will be identified and managed by those involved in the management and governance of the Fund, whether directly, or in an advisory capacity.

2. Conflicts of interest have always existed for those with LGPS administering authority responsibilities. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as members of the Fund (existing employees and/or retired employees), as an Elected Member of an Employer participating in the LGPS, or as an adviser to more than one LGPS administering authority. Furthermore, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role in managing or advising on LGPS funds.

3. It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the Fund beneficiaries and participating Employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. In accordance with good practice, however, it is essential that such conflicts are recorded and managed appropriately.

4. This Policy is aimed at helping Fund beneficiaries, members of the Pension Committee, Investment Subcommittee and the Local Pension Board, as well as officers and advisers to the Fund, to identify when such conflicts of interest might arise and provide a process to enable these to be documented and managed. This is to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. The Policy is intended to aid good governance, in conjunction with the Fund's other governing policies, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

5. This Policy should be read in conjunction with other Leicestershire County Council Constitutional documents, including the Members' and Officers' Codes of Conduct *(see paragraph 11 below)* and terms of reference for both the Local Pension Board and Pension Committee. It is recognised that these documents aalready imposed on elected members, co-opted members and officers' requirements regarding the registration of interests and the declaration of

potential conflicts. This Policy is intended to strengthen these existing processes, recognising the specific conflicts that can arise in respect of Pension Fund matters.

*[**Note:** This policy has been developed in regard to the Public Service Pension Act 2013 Section 5, The Local Government Pension Scheme Regulations 2013 regulation 108 and 109, the Pensions Act 2004 Section 90A, Section 13, CIPFA Investment Pooling Governance Principals for LGPS Administering Authorities Guidance, the Localism Act 2011, Leicestershire County Council's Members' Code of Conduct, Employee Code of Conduct, and The Pensions Regulator General Code of Practice March 2024. Further information on the legislative background and related guidance is attached as Appendix 4.]*

To whom this Policy Applies

6. This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

7. This Conflicts of Interest Policy applies to:

7.1 **Pension Committee and Local Pension Board Members:** All members of the Pension Committee, Investment Subcommittee and the Local Pension Board, including scheme members and employer representatives, whether voting members or not.

*[**Note:** For the avoidance of doubt, all references in this Policy to the Pension Committee are to be interpreted as also including the Investment Subcommittee].*

7.2 **Officers:** Senior officers of Leicestershire County Council involved in the management and governance of the Fund, namely the Director of Corporate Resources, Assistant Director of Finance, Strategic Property and Commissioning, the Pensions Manager, the Director of Law and Governance, the Head of Law, and Finance officers giving direct advice to the Fund.

*[**Note**: The Director of Law and Corporate Governance as Leicestershire County Council's Monitoring Officer ('the Monitoring Officer') will consider potential conflicts for other officers who are either involved in the daily management of the Pension Fund, or whose role within Leicestershire County Council may have implications on the Pension Fund and highlight this Policy to them as he/she considers appropriate.]*

7.3 **External advisers:** All those contracted to support the Fund, whether advising the Pension Committee, Local Pension Board, or Fund officers, in relation to their role in advising or supplying the Fund.

*[**Note:***

- *In this Policy, reference to advisers includes all advisers, suppliers and other parties contracted to provide advice and services to Leicestershire Pension Fund in relation to Pension Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians, asset pool operators and AVC providers.*

- *Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Fund rather than the firm as a whole.]*

Leicestershire Pension Fund's General Requirements

8. In accepting any role covered by this Policy, the individuals concerned agree that they must:
   - acknowledge any potential conflict of interest they may have;
   - be open with the Fund on any conflicts of interest they may have;
   - adopt practical solutions to managing those conflicts; and
   - plan ahead and agree with the Fund how they will manage any conflicts of interest which arise in future.

The Nolan Principles

9. Such individuals must at all times have regard to the following seven Principles of Public Life (i.e. the 'Nolan Principals') which are integral to the successful implementation of this Policy. These principals are:-

   - Selflessness
   - Integrity
   - Objectivity
   - Accountability
   - Openness
   - Honesty
   - Leadership

*[**Note:** Further details of these principles are set out in Leicestershire County Council's Members' Code of Conduct.]*

10. The procedures outlined in this Policy provide a framework for each individual to meet the above requirements which are derived from these Nolan Principles.

Other Specific Requirements

11. Other requirements further to those set out within this Policy are as follows:

11.1 **Pension Committee and Local Pension Board Members** (see 7.*1 above)*
Elected and co-opted Members of the Pension Committee and Local Pensions Board are required to adhere to the Leicestershire County Council's Members' Code of Conduct which includes additional requirements in relation to disclosable pecuniary interests, personal interests and interests which might lead to bias.

11.2 **Officers** *(see 7.2 above)*
Officers of Leicestershire County Council are required to adhere to the Leicestershire County Council Employee Guide to the Code of Conduct which includes requirements in relation to personal, business, financial and other interests.

11.3 **External advisers** (see 7.3 above)
The Fund appoints its own external advisers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers. This will be managed in the usual way through compliance with the County Council's Contract Procedure Rules as set out in Part 4G of the Constitution.

11.4 **External advisers' Professional Standards**
External advisers are required to meet professional standards relating to the management of conflicts of interest. For example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries, whereas the LGPS Central Pool ("LGPS Central") are bound by the Financial Conduct Authority and their own Conflict of Interest Policy as agreed by partner funds within the Inter-Authority Agreement Any protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

What is a Conflict or Potential Conflict?

12. The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when **an individual has a responsibility or duty in relation to the management of or advice for the Fund, and at the same time has**:

12.1 **a separate personal interest (financial or otherwise)** which relates to or is likely to affect: -

- their wellbeing or financial position, or the wellbeing or financial position of a relevant person, to a greater extent than the majority of Fund Members.
- any body of which they are a member or in a position of general control or management which may impact decisions made in the best interests of the Fund.
- the interests of any person or body from whom they have received a gift or hospitality with an estimated value of at least £50 within the last 12 months.

*[**Note:***

- *A 'relevant person' has for the purposes of this Policy, the same meaning as that given in Leicestershire County Council's Member's Code of Conduct.*
- *For the purposes of this Policy, minor gifts such as t-shirts, pens, trade show bags and other promotional items obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared.*
- *Members must declare personal gifts of more than £50 received in the last 12 months in accordance with Leicestershire County Council's Members' Code of Conduct. Leicestershire County Council officers are also required to declare gifts and hospitality received in accordance with the Leicestershire County Council Gifts and Hospitality Policy for Employees.]*

12.2 **another responsibility in relation to that matter** such as: -

- Any commercial relationship between the Administering Authority, and other employers in the fund/or other parties which may impact decisions made in the best interests of the Fund. These may include where the County Council has a contractual arrangement with an advisor in respect of its own financial arrangements or shared service arrangements which impact the Fund operations directly. This will also include outsourcing relationships and companies related to or wholly owned by the Council, which do not relate to pension fund operations.

- The County Councils own financial investments.

- Contribution setting for the administering authority and other employers.

- Cross charging for services or shared resourcing between the Administering Authority and the Fund and ensuring the service quality is appropriate for the Fund.

- The dual role of Leicestershire County Council as owner and client of LGPS Central.

- Investment decisions about local infrastructure

- How the Fund appropriately responds to Council decisions or policies on global issues such as climate change.

- Other roles within the Council being carried out by elected and/or co-opted Members or officers which may result in a conflict either in the time available to dedicate to the Fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or the Cabinet should be disclosed or role as

13. It should be noted that the **Public Service Pensions Act 2013** is clear that a person **will not** have a financial or other interest merely by virtue of their membership of the Fund or any connected scheme.

14. Examples of potential conflicts for all those involved in managing the Fund, are included in Appendix 1.

15. The Fund encourages a culture of openness and transparency and will encourage individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed. This will be assisted by providing regular training to all members of the Pension Committee, Local Pension Board and officers on managing conflicts of interest.

16. Further to this Conflict of Interest Policy the Fund has agreed a number of governing strategies and policies that look to mitigate the potential for conflicts in relation to the responsibilities listed in 12.2 and the dual role of Leicestershire County Council as Administering Authority and Employer and the role it holds in relation to LGPS Central. Examples are included within Appendix 5.

Procedure for registering and declaring interests and participating in meetings

Officers and Pension Committee and Local Pension Board Members

Step 1 - Initial identification and registration of interests.

17. On appointment to their role or on the adoption of this Policy if later, all individuals (as defined under paragraphs 7.1 and 7.2) will be provided with a copy of this Policy and required to complete a Declaration of Interest (Appendix 2). This information will be provided to the Monitoring Officer who will assess the extent to which any declarations are relevant to the individual's role in relation to the Fund and collate them into the Pension Fund Register of Interests (Appendix 3). Individuals are responsible for maintaining their register of interest on a continuous basis.

Step 2 – Declaration at and participation in Meetings

18. At the beginning of any Pension Committee, Local Pension Board or other formal meeting where Pension Fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any interests and potential conflicts relating to matters which are to be considered at that meeting. All interests declared will be detailed in the minutes of the meeting.

19. Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Monitoring Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. Options for managing a potential conflict of interest from becoming an actual conflict of interest include:

- The individual concerned abstaining from discussion, decision making or providing advice relating to the relevant issue and abstention from any vote taken on the matter at the meeting.
- The individual being excluded from the meeting(s) and any related correspondence or material in connection to the relevant issue.

Ways in which conflicts of interest will be managed for Members of the Committee and Board at a meeting are detailed in [Leicestershire County Council's Code of Conduct for Members].

20. The Chairman, in consultation with the Monitoring Officer (or their representative at the meeting), will advise the individual whether they need to leave the meeting during the discussion on the relevant matter or to withdraw from voting or providing advice on the matter.

21. There may be circumstances where a representative of more than one employer or an employee representative wishes to provide a specific point of view on behalf of an employer (or group of employers) or employee (or group of employees, or union), that they are not recognised as representing by virtue of their Membership. In such cases the Fund requires that any individual wishing to so speak must state this clearly, for example, at a Board or Committee meeting, and that this is recorded in the minutes

Step 3 - Ongoing notification and management of potential or actual conflicts of interest

22. If a new conflict is identified outside of a meeting the individual must notify the Monitoring Officer and update their Register of Interest as soon as possible. The Monitoring Officer will consider any necessary action to manage the potential or actual conflict.

Step 4 - Periodic review of potential and actual conflicts

23. At least once every 12 months Democratic Services will provide to all those to whom the above procedures apply a copy of their Register of Conflicts of Interests to review and update. All individuals will confirm in writing that the information held in relation to them is correct or, if that is not the case, they will complete a new Declaration of Interest as per Step 1 and the Register will be updated.

External Advisers

24. Although this Policy applies to all external advisers, the operational procedures outlined in steps 1 and 4 above relating to completing ongoing declarations are not expected to apply to such advisers. Instead all external advisers must:

- be provided with a copy of this Policy **on appointment and whenever it is updated**;
- adhere to the principles of this Policy;

- provide, on request, information to the Administering Authority in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice to Leicestershire County Council and the Fund;
- notify the Director of Corporate Resources immediately should a potential or actual conflict of interest arise. All potential or actual conflicts notified by advisers will be reported to the Monitoring Officer and recorded in the Fund's Register of Conflicts of Interest.
- highlight at a meeting should a potential or actual conflict of interest arise in respect of an item to be considered at that meeting.

How will conflicts be managed and who is responsible?

25. It is the responsibility of each individual covered by this Policy to ensure all obligations in this Policy are met, to identify any potential instances where their personal, financial, business or other interests might come into conflict with their Pension Fund duties and to ensure these are registered and declared in accordance with the procedures above.

26. Any individual who considers that they or another member of the Committee or Board, Officer or Advisor has a potential, or actual, conflict of interest which relates to an item of business at a meeting must advise the Chairman and the Monitoring Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. Further detail is set out within Step 2 - Declaration at and Participation in Meetings.

27. Where any individual considers that they or another individual has a potential, or actual, conflict of interest outside any meeting situation they must notify the Monitoring Officer at the earliest opportunity.

28. Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, it shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest.

29. As outlined in paragraph 2 and 3, it is generally accepted that individuals subject to this Policy hold a variety of other roles such as members of the scheme, Elected Member of an Employer participating in the LGPS, or as an adviser to more than one LGPS administering authority. However, this does not necessarily preclude those involved in managing or advising the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest.

30. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Committee or Board member has an actual conflict of interest as defined in the Public Service Pensions Act, the individual will be required to resign from the Committee or the Board as appointed to.

Monitoring and Reporting

31. The Fund's Register of Conflicts of Interest, an example attached as Appendix 3, will be held and maintained by the Monitoring Officer.

32. To identify whether the objectives of this Policy are being met, the Fund will review the register on an annual basis and consider whether there have been any potential or actual conflicts that were not declared at the earliest opportunity.

33. The Fund must be satisfied that conflicts of interest are appropriately managed and for this purposes, the County Council's Monitoring Officer is the designated individual for overseeing the application of this Policy and that the procedures outlined within it are adhered to. Any person who thinks they may have a potential or actual conflict of interest should seek the advice of the Monitoring Officer at the earliest possible opportunity.

34. The Fund will further report on these matters through the Annual Governance Statement that is considered by the Local Pension Board and agreed by the Pension Committee.

Key Risks

35. The key risks to the delivery of this Policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed.

- insufficient training or poor understanding in relation to individuals' roles on Pension Fund matters;
- failure to communicate the requirements of this Policy;
- absence of the individual allocated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy;
- failure by a Chairman to take appropriate action when a conflict is highlighted at a meeting; and
- failure by a Member to make a declaration of interest resulting in an actual conflict of interest.

36. The Pensions Committee, Local Pension Board, Officers and the Administering Authority's Monitoring Officer will monitor these and other key risks and consider how to respond to them.

Approval and Review

37. The Conflicts of Interest Policy was approved by the Pension Committee on 4 June 2021. It will be formally reviewed and updated at least once every three years, or sooner if the conflict management arrangements or other matters included within it, in the opinion of the Monitoring Officer, merit reconsideration.

38. For further information about anything in or related to this Conflict of Interest Policy, please contact:

Democratic Services
Democracy@leics.gov.uk
0116 305 2583

Appendix 1 – Examples of Conflicts of Interest

The only conflict that is clearly authorised is that of a member of the scheme by virtue of his or her membership (Section 39 of the Pensions Act 1995). Each member of the Committee and Board and Officers advising the Fund has a fundamental responsibility to act on behalf of the scheme and this duty should not be compromised by acting on behalf of other groups. Some conflicts, however, are set out below**.**

- There may be situations where a member of the Committee or Board, or supporting officer who is also an officer for Leicestershire County Council, faces conflict priorities by virtue of their two roles. For example, they may be required to review a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending.
- A scheme member (employee) representative who works in the Administering Authority's internal audit department may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the Local Pension Board.
- An officer or member of the Committee accepting hospitality and/or gifts from a potential adviser or supplier could be perceived as a potential or actual conflict of interest; particularly where a procurement exercise relating to those services is imminent.
- An employer representative on the Local Pensions Board is employed by a company to which Leicestershire County Council has outsourced its pension administration services and the Local Pensions Board is reviewing the standards of service provided by that company.
- A scheme member (employee) representative, who is also a trade union representative, appointed to the Local Pensions Board or Pension Committee to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than in the interests of all scheme members.
- An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions Committee or Local Pensions Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their Employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee or Local Pensions Board.

- A Fund Officer applying to the pool operator for employment may give misleading advice to the Committee to further the aims of a prospective employer.
- An officer appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- The Pension Committee Chairman serving on the LGPS Central Joint Committee or the LGPS Central Shareholders' Forum or an Officer serving on an LGPS Central Officer group may be required to consider a matter that would disproportionately benefit or disadvantage Leicestershire Pension Fund.
- There may be situations where a Pension Committee member or an Officer:
  - Holds personal investments with a Manager which the Fund is also invested in, or has the option of investing in;
  - Uses a Fund Advisor or Manager to advise on their own personal investments;
  - Holds stocks/shares which overlap with Fund investments

[Note: While it is recognised that an individual's holding may be small (well below 1% of the total share capital of a company*) it is possible the Members' or Officers' decision making or advice could be influenced if they were of the view that, for example, use of a particular Manager or investment in a particular could increase the value of their own personal holdings. Whilst it is unlikely such actions will make any financial material difference, it is the possible influence on an individual's behaviour which is key and so such interests, however small, should always be registered and declared in line with this Policy.]*

This list is not exhaustive, nor will all of the examples necessarily give rise to significant conflict of interests. If you are in doubt about whether a conflict has arisen, please consult the Monitoring Officer.

Appendix 2 - Declaration of Interest Form

I, [insert full name], am: (Tick as Appropriate)

- a senior officer involved in the management ☐
- Pension Committee Member ☐
- Investment Subcommittee Member ☐
- Local Pension Board Member ☐

of Leicestershire Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Leicestershire Pension Fund Conflict of Interest Policy. I have put 'none' where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to your spouse's or civil partner

C) Disclosure of Gifts and Hospitality -You should reveal the name of any person from whom you have received a gift or hospitality with an estimated value of at least £50 which you have received within the last 12 months.

Date of receipt of Gift/Hospitality	Name of Donor	Reason and Nature of Gift/Hospitality

Undertaking

I declare that I understand my responsibilities under the Leicestershire Pension Fund Conflict of Interest Policy. I undertake to notify the Monitoring Officer of any changes in the information set out above.

Signed ____________________________________ Date ______________________

Name (CAPITAL LETTERS) ____

Appendix 3 – Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Leicestershire County Council, the Administering Authority.

Date Identified	**Name**	**Role**	**Details of Conflict**	**Actual/Potential/Perceived conflict**	**How Notified(1)**	**Action Taken (2)**	**Follow up required**	**Date Resolved**

(1) E.g. verbal declaration at meeting, written conflicts declaration etc

(2) E.g. withdrawing from a decision making process, left meeting

Appendix 4 – Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. While the majority of the legislation currently relates to managing conflicts of interest with respect to members of Local Pension Boards, in the interest of best practice are applied to all individuals involved in the management and governance of the Leicestershire Pension Fund.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the Administering Authority) must be satisfied that a Local Pension Board Member does not have a conflict of interest at the point of appointment and thereafter. It also requires Members to provide reasonable information to the scheme manager for this purpose. The Act defines a conflict of interest as "a financial or other interest which is likely to prejudice the person's exercise of functions as a Member of the Board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Further, the Act requires that scheme managers must have regard to any such guidance that the national Scheme Advisory Board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Board Members do not have conflicts of interest on appointment or whilst they are Members of the Board. It also requires those Board Members to provide reasonable information to the Administering Authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Local Pension Boards. Further, regulation 110 provides that the national Scheme Advisory Board has a function of providing advice to Administering Authorities and Local Pension Boards. The LGPS National Scheme Advisory Board issued guidance relating to the establishment of Local Pension Boards including a section on conflicts of interest.

The Pensions Act 2004

Section 90A of the Pension Act 2004 requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for Members. The Pensions Regulator has issued such a code and this Conflict of Interest Policy has been developed having regard to that code. Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Members are not being adhered to.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have." It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for Administering Authorities to:

• update their conflicts policies to have regard to asset pooling;

• remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and

• ensure declarations are updated appropriately. This Conflict of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Information about these requirements can be viewed at:
www.actuaries.org.uk/regulation/pages/conflicts_of_interest

Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Appendix 5 – Leicestershire Pension Fund Governing Policies

Leicestershire County Council recognises its dual role as employer participating in the Fund and the Administering Authority legally tasked with the management of the Fund can create the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived Conflict arises and that all of the Fund's employers are treated fairly and equitably. The Fund manages this risk through strategies and policies such as the following:-

- The **Funding Strategy Statement** sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund's Actuary and is opened to consultation with all Fund employers and the Pensions Board prior to formal approval by the Pension Committee. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

- The **Administration and Communication Strategy** sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. Where a scheme employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy provides for that cost to be recovered from the employer. Major changes are consulted with Fund Employers and the Local Pension Board before it is formally approved by the Pension Committee.

- The **Investment Strategy Statement** sets out the Fund's objectives with the aim to maximise returns whilst maintaining an acceptable level of risk and addresses areas of governance, management, asset allocation, pooling and responsible investment. The Investment Strategy Statement is written independently from any positions the County Council may hold to ensure the Fund meets its fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Decisions affecting the Funds strategy are taken by the Pension Committee with appropriate advice from the Fund's advisors.

- Furthermore, the Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's **Budget and Business Plan** are managed independently from Leicestershire County Council. The LGPS Senior Officer reviews the budget independently taking into account the full need of the service.

The Budget and Business Plan is then considered by the Board before seeking approval by the Committee. Any spending controls in place for the County Council do not apply to the Fund, though the Fund is mindful of the need to manage costs to minimise the financial burden on scheme employers.

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*The **Net Zero Climate Strategy** (NZCS) sets out the Fund's target to become net zero by 2050, with an ambition for sooner. The NZCS is independent of the Administering Authorities own net zero targets and strategy, and aligns with the Fund fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries.* Decisions affecting the NZCS are taken by the Pension Committee with appropriate advice from the Fund's advisors.

LGPS Central Investment Pool

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

- The **Shareholder Forum** – The purpose is to oversee operation and performance of LGPS Central and to represent the ownership rights and interests of the shareholding Councils. The Forum is independent of LGPS Central and its meetings are separate from Company Meetings and is enshrined within the Shareholders' Agreement.
- The **Joint Committee** – A public forum for councils to provide oversight of the delivery of the objectives of the Pool, the delivery of client services, the delivery against its Business Case and to deal with common investor issues.

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

APPENDIX F

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 on the pension fund's website.

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

The policy was reviewed in December 2024, approved by the Local Pension Committee and this version became effective from XX XXX 2025.

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 its 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 resume operations swiftly and safely. 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 on their website.

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 version was approved by the Pensions Committee on DATE.

The policy will be reviewed by officers biennially 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.

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.

Further Information

System Backup Process

Database and full server backups are taken nightly on each hosted Altair server.

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.

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.

New staff will also receive a basic overview on Altair before being issued with a username and password.

7b. Emails

Emails must be sent safely in accordance with LCC guidance. Sensitive data must be encrypted, typically using Egress before sending to external recipients.

7c. **Passwords**

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

<u>Altair Roles</u>

Altair allows for the creation of specific roles within its 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.

Any requests to change a user's role must be submitted by email to the Continuous Improvements and Systems Team.

In addition, a System Audit is also conducted by Internal Audit on an annual basis as part of their key ICT controls work.

System Restrictions

Users are forbidden from accessing their own Altair records.

8. 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.

9. Cyber 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

10 Further information

The Fund complies with LCC policies in respect of use of mobile devices (Personal Use of Work Mobile Phones Policy and Bring Your Own Phone policy) and working from home (Smarter Working Policy).

11 Officers to Contact

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

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

Pensions Complaint Process

Initial Informal Stage – Complaint against the Pension Section

If you are not satisfied with any aspect of the processing of your Local Government Pension Scheme (LGPS) benefits, or any decision given by the Pension Section, in the first instance please contact the Pension Officer dealing with your case. Their name and number should be found on correspondence provided by the Pension Section. Please ask the Pension Officer to refer your case to a Pension Team Manager who will review your case informally.

This will be done within 10 working days, or if longer is needed, you will be notified.

Usually, issues can be resolved at this informal stage.

Initial Informal Stage – Complaint against your Employer or Former Employer

If you are not satisfied with any aspect of the processing of your Local Government Pension Scheme (LGPS) benefits, by your employer (or former employer), please contact them in the first instance.

If this does not resolve the situation, please contact the Pension Section Helpline Tel 0116 305 7886 who will try and help resolve the situation informally.

Usually, issues can be resolved at this informal stage.

Initial Informal Stage – Complaint against the Fund's In-House Additional Voluntary Contribution (AVC) Provider

If you are not satisfied with any aspect of the processing of your in-house AVCs, please contact the AVC provider in the first instance.

If this does not resolve the situation, please contact the Pension Section Helpline Tel 0116 305 7886 who will try and help resolve the situation informally.

Usually, issues can be resolved at this informal stage.

Stage One - IDRP

If you remain unsatisfied with any decision given by either the Pension Section or your employer/ former employer, relating to your Local Government Pension Scheme (LGPS) benefits, you may appeal in writing under the Internal Disputes Resolution Procedure (IDRP). You must write within 6 months of receiving the decision.

You can request an IDRP information pack from the Pension Section by either phoning the Pension Section Helpline Tel 0116 305 7886, or by emailing; pensions@leics.gov.uk

or in writing;

Leicestershire County Council

Pension Section

County Hall

Glenfield

Leicester, LE3 8RB

The Pension Section will provide you with the IDRP information pack, including who you should return the completed form to. This person is referred to as the "Specified Person" nominated by your employer or former employer, who will formally investigate your complaint.

The specified person will not have been involved in your case previously.

The specified person will confirm in writing their decision within the timescales of the IDRP process. If more time is needed to fully investigate your case, you will be informed in writing.

Stage Two - IDRP

If you are dissatisfied with the IDRP Stage 1 decision, a 'second stage' of IDRP complaint process can be requested.

Stage 2 of the IDRP, will usually involve a colleague from the Legal Services Team at Leicestershire County Council reviewing your case.

The person considering stage 2 of the IDRP will not have been involved in the case previously and will look afresh at the process and decision.

You will receive the stage 2 decision in writing within the timescales of the IDRP process, or if longer is needed, you will be informed.

Ombudsman

Should you remain dissatisfied with the outcome of the IDRP stage 2, you can refer your case to the Pension Ombudsman.

The Pension Ombudsman's contact details;

Email enquiries@pensions-ombudsman.org.uk

Website www.pensions-ombudsman.org.uk

The Ombudsman usually expects LGPS complaints to have been through the IDRP process before they consider it.

Monitoring Contributions Process

Background

Governing bodies should have processes in place to check contributions due to the scheme and to reconcile them with what is actually paid to confirm agreement, or conversely to identify payment failures.

Procedures also need to include measures to identify payment failures which are likely to be of material significance to The Pensions Regulator when exercising their functions.

Under section 249A of the Pensions Act 2004, governing bodies of certain schemes must establish and operate an effective system of governance including internal controls. The system of governance must be proportionate to the size, nature, scale and complexity of the activities of the scheme.

Under section 249B of the Pensions Act 2004, scheme managers of public service pension schemes are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law.

Payment schedules or direct payment arrangements must be administered, monitored and managed according to any scheme rules, regulations and legal requirements.

Process

Monitoring of contributions is primarily dealt with by Investment officers within Leicestershire County Council, acting as Scheme Administrator.

It is recommended to scheme employers that they make payment of their contributions to the Fund by 9th of the month after when the deduction was taken, although the regulations allow for payment to be made by 22nd. The earlier date allows time for the Investments team to check and raise any issues prior to the statutory deadline.

Details of contributions paid are stored and monitored using EPIC, the database system and also Altair, which is used to record employee contributions paid each month by individual scheme members.

Contributions are split between employee contributions (and also split between main scheme, 50:50 and additional contributions) and employer contributions. EPIC also records the dates the payments were received.

EPIC calculates the percentage of employer contributions that have been paid based on the amounts received each month. Where there are any unexpected differences from previous months, these are queried with the employer.

New Employers

The Pensions Employers and i-Connect team will notify the Investments team by email of any new employers that join the fund. The email includes details of the bank account to pay the contributions to and details of the deadline by which they must be paid.

In addition, they will add the new employer to EPIC, which includes details of the employer contribution rates, and Altair to allow contributions to be recorded.

Late Payments

Officers also check for any late payments or overdue contribution schedules in a monthly reconciliation exercise. Reminders are then issued to the employer. In practice, it is very rare that contributions are late.

Note that the Fund does not usually charge interest for late payment of contributions nor does it write-off outstanding contributions. However, cases are assessed individually.

Examples include where interest is more likely to be considered, a regular ongoing failure by a single employer, or a late payment from a large fund employer.

Breaches of Law

If contributions are over 90 days late, this is a breach of law and officers will report these to the Employers and i-Connect team within the Pension Section. These cases will also be reported to the Pensions Manager who will then assess whether the breach is deemed material, in accordance with the Fund's "Procedure for Reporting Breaches of the Law to the Pensions Regulator" document. The Pensions Manager will consider if interest should be charged.

Meanwhile, the Employers and i-Connect team will then chase for payment on a priority basis, at least weekly.

In the event that non-payment of contributions continues, the Pension Fund Admin and Comms strategy allows the Fund to charge for any extra work carried out by officers at a rate of £100 per hour to encourage resolution. The Pensions Manager may also decide to send a formal letter to the employer on behalf of the Local Pensions Board to emphasise the importance of the issue and to encourage swift resolution.

Appendix I

A Procedure for Reporting Breaches of the Law to the Pensions Regulator

Leicestershire Pension Fund

Updated September 2024

Introduction

1 In March 2024 the Pensions Regulator (the Regulator) published its new General Code of Practice (the Code). This collated information from previous codes, the main one being the April 2015 Code of Practice no 14. The new Code is not a statement of law of itself, but nonetheless it carries weight.

2 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. The Fund should monitor, record and report breaches.

3 This document provides the procedure for the Leicestershire Pension Fund, which relates to the Fund's areas of operation.

4 Much of the text herein is drawn from the Code itself. Where it has been, the Regulator's copyright applies.

Legal requirements

5 Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and;
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

6 People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers.
- members of the local pension board.
- any person who is otherwise involved in the administration of the Fund (and thus members of the pension board and all the Fund's officers).
- employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers.
- professional advisers including auditors, actuaries, legal advisers and fund managers; and
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

Training

7 Officers and Board Members should have sufficient knowledge and training about the Code, the requirements, and reporting breaches.

Decision to Report

8 There are two key judgements required when deciding to report a breach of the law.

- Is there reasonable cause to believe there has been a breach of the law?
- Is the breach likely to be of material significance?

Reasonable cause to believe

9 Having “reasonable cause to believe” that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

10 Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme’s assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

11 Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the appropriate Officer regarding what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the Regulator without delay.

12 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

13 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Material significance

14 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the **cause, effect, reaction, and wider implications of the breach.**

Cause

15 A breach is likely to be of material significance if it was caused by;

- Dishonesty, negligence, or reckless behaviour

- Poor governance, ineffective controls resulting in deficient administration, or slow or inappropriate decision making practices
- Incomplete or inaccurate advice
- A deliberate act or failure to act

Effect

16 The Regulator considers a breach to be materially significant where the effects include any of the following;

- A significant proportion of members, or a significant proportion of a particular category of members, are affected by the breach.
    - For example; if annual benefit statements are not provided to a large number of members.
- The breach has a significant effect on the benefits being paid, to be paid, or being notified to members.
    - For example; if annual benefits were incorrectly calculated for a large number of members.
- The breach, or serious of unrelated breaches, have a pattern of recurrence in relation to participating employers, certain members, or groups of members.
    - For example; if one of the scheme employers continually failed to provide accurate and timely year-end data, causing annual failures to provide members with their annual benefit statements.
- Governing bodies that do not have the appropriate degree of knowledge and understanding, preventing them from fulfilling their roles and resulting in the scheme not being properly governed and administered and/or breaching other legal requirements.
- Unmanaged conflicts or interest within the governing body, making it prejudiced in the way it carries out the role, ineffective governance and scheme administration, and/or breaches of legal requirements.
- Systems of governance (where applicable) and/or internal controls are not established or operated. This leads to schemes not being run in line with their governing documents and other legal requirements.
- Risks not being properly identified and manged and/or the right money is not being paid to or by the scheme at the right time.
- Accurate information about benefits and scheme administration is not being provided to scheme members and others meaning members are unable to effectively plan or make decisions about their retirement.
- Records are not being maintained. This results in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Governing bodies or anyone associated with the scheme misappropriate scheme assets or are likely to do so.
- Trustees of defined benefit scheme not complying with requirements of the Pension Protection Fund during an assessment period.

Reaction

17 **The Regulator will not normally consider a breach to be materially significant if prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, all affected members have been notified.**

18 A breach is likely to be of concern and material significance to the Regulator, if a breach has been identified that;

- Does not receive prompt and effective action to remedy the breach and identify and tackle its cause to minimise risk or recurrence.
- Is not being given the right priority by the governing body or relevant service providers.
- Has not been communicated to affected scheme members where it would have been appropriate to do so.
- Forms part of a series of breaches indicating poor governance.
- It was caused by dishonesty, even when action has been taken to resolve the matter quickly and effectively.

Wider implications

19 These should be considered when assessing whether it is likely to be materially significant to the Regulator. For example; a breach is likely to be of material significance where;

- The fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future (the reason could be that the governing body lacks the appropriate knowledge and understanding to fulfil their responsibilities).
- Other schemes may be affected, for example schemes administered by the same organisation where a system failure has caused the breach.

20 Those reporting a breach should consider general risk factors, such as the level of funding, or how well-run the scheme appears to be. Some breaches that occur in a poorly funded and/or poorly administered scheme will be more significant to the Regulator than if they occurred in a well-funded, well-administered scheme.

21 Reporters should consider other reported and unreported breaches that they are aware of. However, reporters should use historical information with care, particularly where changes have been made to address breaches already identified.

22 **The Regulator will not usually regard a breach arising from an isolated incident as materially significant. For example, breaches resulting from teething problems with a new system, or from an unpredictable combination of circumstances**. However, in such circumstances reporters

should consider other aspects of the breach, such as the severity of the effect it has had that make it materially significant.

Payment Failures

23 Payment failures that are likely to be of material significance include;

- Where governing bodies have reasonable cause to believe that the employer is neither willing nor able to pay contributions.
- Where there is a payment failure involving dishonesty or a misuse of assets or contributions.
- Where the information available to the governing body indicates that the employer is knowingly concerned with fraudulently evading their obligation to pay employee contributions.
- Where the governing body becomes aware that the employer does not have adequate procedures or systems in place to ensure the correct and timely payment of contributions due and the employer does not appear to be taking adequate steps to remedy the situation.
- Any event where contributions have been outstanding for 90 days from the due date.

Remaining Uncertainty

24 If, after taking into consideration all of the above, uncertainty remains regarding whether an incident is material or not, the prudent approach would be to make a referral to the Regulator.

The Leicestershire Pension Fund Process

25 If a breach takes place, the “reporter” should obtain clarification of the facts of the case, and the law (Regulations) around the suspected breach and inform the Pensions Manager.

26 Using the information detailed in this document, the Pensions Manager will consider whether the Regulator would regard the breach as being material. (S)he will also clarify any facts, if required. If the case requires input from others, including a Legal view, (s)he will seek advice, as required.

27 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded (see later).

28 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund.

29 **The Code does not define what does or does not constitute a breach, so each occasion will be considered on a case-by-case basis, using the four specific areas; cause, effect, the reaction to it, and its wider implication, including dialogue with the relevant parties where necessary.**

30 The Pensions Manager will **monitor and record** breaches on the Fund's breaches log.

31 If the P**ension Manager considers the breach as material, the breach will be reported to the Pension Board and the Regulator.**

32 An annual summary of breaches will be provided to the Board annually.

33 Whilst it is preferred that breaches are managed using the process above, it's recognised that if a reporter so chooses, they may decide to report directly to the Regulator.

Making a Report

34 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- full name of the Fund
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position, and contact details of the reporter
- role of the reporter in relation to the Fund
- the reason the breach is thought to be of material significance to the Regulator
- the address of the Fund
- the pension scheme's registry number (if available)

35 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

36 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

37 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

38 The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

39 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

40 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Consistency

41 The Code is written in such a way; each breach is considered on its own merit. Whilst they will be areas of consistency between Funds, for example, failure to calculate and provide annual benefit statements is consistent across LGPS Funds, others may not be.

Ian Howe Pensions Manager
September 2024

APPENDIX J

Leicestershire County Council PENSION FUND

Leicestershire Local Government Pension Scheme

Data Improvement Plan 2025/26

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 on the pension fund's website.

This plan was approved by the Pension Committee on 14 March 2025.

1 Introduction

The Pension Regulator's Code of Practice requires funds to have a plan detailing the steps officers will take to improve their quality of data in the year ahead. Going forward, officers will submit a report to the Board annually detailing plans for data improvement in the year ahead.

The overall quality of pensions data remains high. The data quality scores as submitted to The Pension Regulator annually are shown in the appendix and are currently both over 97%.

The Fund actuary recently commented "The data provided by the Leicestershire Fund is of a high standard and has been for several years. From my experience working with the Fund for over 10 years, this is a result of hard work, quality administration staff and rigorous process".

Officers will continue to strive to keep the overall quality high whilst focussing on any areas that need particular attention.

2 Business as Usual

The Pension Section already follows a significant number of processes to maintain high quality pension member records and this work will continue throughout 2025-2026. Further details are included in the appendix.

3 Plans for 2025-2026

In addition to 'Business as Usual' actions there will be three areas addressed in 2025-26: the 2025 Valuation, Pension Dashboards Programme and the McCloud exercise. These areas will all be included in the Pensions Administration Business Plan 2025-26.

4 2025 Valuation

The most significant event of 2025-26 will be the work undertaken in respect of the fund valuation. In addition to the usual annual processes used to ensure that data is of the required standard, Officers will take the following steps.

<u>Focus on non-stabilised employer record casework</u>

Data for the fund's stabilised employers has already been submitted to Hymans Robertson, the fund actuary, leaving officers to focus on the remaining employers. Team Managers will closely monitor casework in respect of lower priority cases (e.g. deferred benefits and aggregation work) and identify cases that are likely to have the largest impact on the valuation. This would generally be members with the highest level of pension benefits. However, a balance will need to be struck to ensure that other cases are also processed.

<u>Data Portal</u>

Officers will utilise Hymans' online 'Data Portal' to highlight issues with individual records. The portal is available for use, free of charge at any time and regular use will reduce the number of queries to resolve immediately prior to the submission of the final data. Officers extract data from Altair, which is uploaded to the portal and any issues are highlighted.

Advanced Data Review

Officers have arranged for Hymans to conduct an ‘Advanced Data Review’. This is an exercise designed to assess how ‘valuation ready’ the fund’s data is and Hymans will provide a plan to help improve any areas where this may be required. The review will also provide employer-level data quality ratings, which will allow officers to work closer with any employers that require more attention and this may also feed into prioritising casework for the non-stabilised employers. Results from the review will be provided to the Board in a future report.

5 Pension Dashboard Programme (PDP)

As the deadline for the introduction of the PDP edges closer, officers are taking steps to check data to ensure it is fit for purpose.

The initial focus relates to analysis of approximately 600 member records that have been rejected by the data upload process that feeds relevant information to the Dashboard ISP. These errors will need to be cleared ahead of Dashboards going live.

Officers have requested a ‘Pensions Dashboards Readiness Assessment’ from our systems supplier, Heywood. This is a free report that summarises the quality of our data and what actions may be needed to prepare for Dashboards. The summary results will include a score for the following areas:

- Checks on fields that may be used for matching as part of the Dashboard process (name, date of birth, address) to determine whether the data held is present, valid and accurate
- Checking for member which would currently be duplicate matches
- Check that there is data available to be returned to the Dashboards for each member employment

The report will be analysed and will be taken into consideration when planning the most effective way to resolve any issues highlighted.

Officers will also work to ensure that AVC data held by Prudential matches member data held on Altair. Prior to Dashboards going live a new process will be introduced that will upload monthly data from Prudential into Altair, so matching data will be crucial to this running smoothly. Further details regarding this new process will be included in a future report.

6 McCloud Exercise

As the initial work in relation to updating data for members in-scope for the McCloud exercise reaches its conclusion, officers will process bulk uploads of data to these records in respect of the calculation of the McCloud ‘underpin’. There is a statutory requirement for underpin information to be included in the 2025 Annual Benefit Statements which must be produced by 31 August 2025.

7 Officers to Contact

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

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

Appendix: Pension Fund 'Business as Usual' Data Cleansing Actions (February 2025)

Data Quality Insights Reports

Maintain The Pension Regulator's 'Common' and 'Scheme Specific' data scores through Insights reporting tool.

The data scores on **31 December 2024** were:

Common Data: **97.3%**

Scheme Specific: **97.0%**

Data Correction Alerts

A series of data checks have been set up so that when an issue occurs an email is generated that advises an officer of the case that needs to be corrected.

The current checks are:

- Irregular characters in Surname, Job Title, Address
- Invalid characters within email addresses
- Pensioner records with a "Pay-ID" field but no address (meaning this could prevent payment of a pension)
- Payroll cost code does not start with L or P
- Current scheme member records without an address
- Validation of Reference held on AVC screen
- Missing "No PI Ind" field on record for any Pensioner aged under 55 (legacy regs)
- "Retirement Basic Details" displayed on pensioner record but member not on payroll
- Active members over 75 still paying into LGPS

Address Checks

We check with the Fund's address tracing provider for the last known address in respect of the following categories:

- Deferred members where their pension is due to be paid unreduced
- Deferred members who have reached the age of 55
- Pensions that have been suspended (for a variety of reasons)
- Members who left 5 years ago with an entitlement to a refund
- Deferred members

Where a letter has been issued and returned, marked 'not known at this address', or in the case of a deferred member where their pension is due to be paid unreduced, a letter and a reminder have not been responded to, a check on the current address is performed.

Checks are carried out in bulk every other month.

Pensioner to payroll monthly reconciliation

A report is produced each month for officers to check cases where pension values held on Administration and Payroll records differ.

Mortality Screening Processes

Monthly Report provided by Mortality Screening Provider. This is matched against our records on a monthly basis to identify members who have recently died.

National Fraud Initiative exercise: A standard 'NFI' report is provided to the Fund every two years. In addition, NFI also provide an additional report every six months (as requested by the Fund). These are used for further checks on any deceased members that officers may not have been notified of.

National Insurance Database

The National Insurance database is utilised to identify members who have previous LGPS membership in other funds. This allows officers to:

- Prevent refunds being paid if member isn't entitled
- Inward transfers from other LGPS funds to be investigated where members haven't declared previous membership
- Check the database for previous membership as this can impact on the calculation of a Death Grant in some circumstances

i-Connect

Monthly submissions of data from all employers through the Heywood i-Connect portal.

Daily/Weekly/Monthly Checks:

Balancing: Comparing amounts paid over to i-Connect figures.

i-Connect Starters warnings: Records displaying start dates outside of the relevant period are highlighted and if necessary queried with employers.

i-Leaver tasks: An i-leaver task is created when a leaving date or where applicable an opt out date has been applied to the record.

Officers are automatically notified of all error events and these are investigated and followed up.

Deceased records checks: A report is regularly run to identify changes made to deceased records following an i-Connect submission.

When submission are overdue these are chased up with the relevant employer.

In addition, the following checks are built into i-Connect as standard:

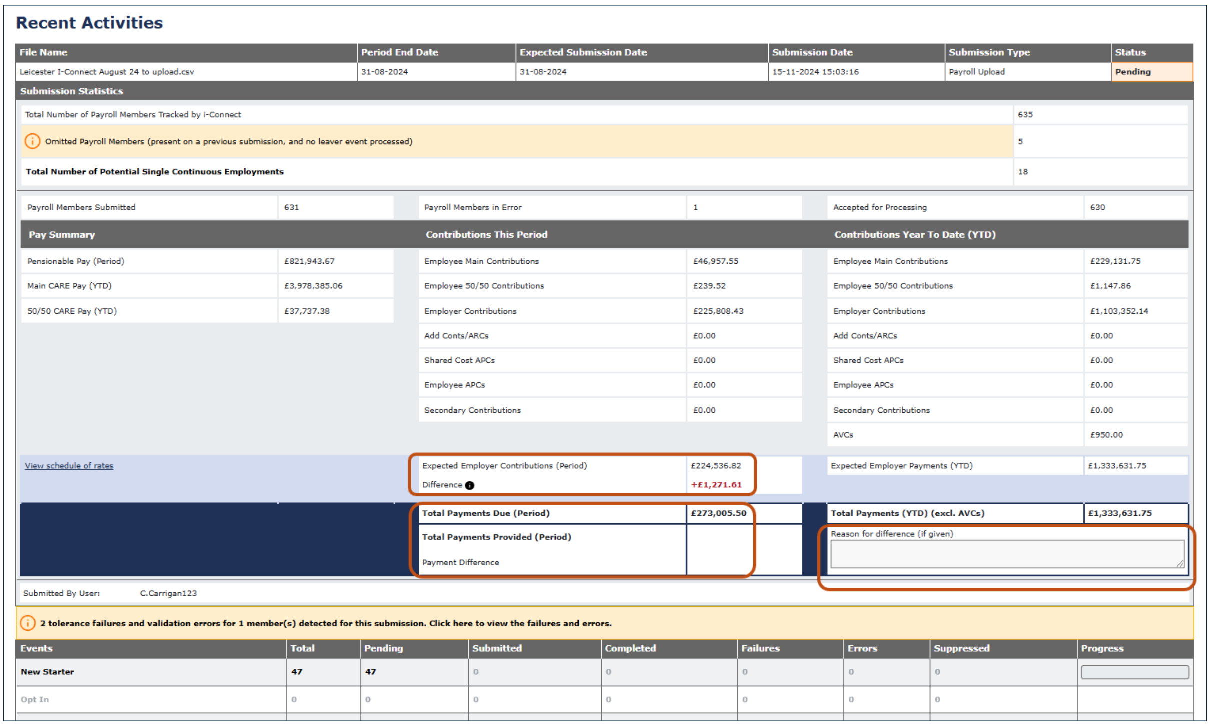
Validation errors: Submissions with validation error cannot be processed without being authorised and so now errors need to be clarified before being processed. This should pick-up new starters missing a start date or members over age 75 for example.

Tolerance failures: Submissions with data displayed outside of system 'tolerances' cannot be processed without being authorised and so now errors need to be clarified before being processed. This can identify issues with employer rates and overinflated figures.

Balancing: Payments made must balance with i-Connect period figures or if not a reason must be provided (see screenshot below)

Employer rate discrepancies: Employer rate is stored in i-Connect, rate is applied to the pay figure and if there is a discrepancy it is flagged in red (see screenshot below)

Omitted members list: This can be processed without authorisation but when there are validation errors or a balancing discrepancy we can query the case.



Recent Activities

File Name	Period End Date	Expected Submission Date	Submission Date	Submission Type	Status
Leicester I-Connect August 24 to upload.csv	31-08-2024	31-08-2024	15-11-2024 15:03:16	Payroll Upload	Pending

Submission Statistics

Total Number of Payroll Members Tracked by i-Connect	635
Omitted Payroll Members (present on a previous submission, and no leaver event processed)	5
Total Number of Potential Single Continuous Employments	18

Payroll Members Submitted	631	Payroll Members in Error	1	Accepted for Processing	630
Pay Summary		**Contributions This Period**		**Contributions Year To Date (YTD)**	
Pensionable Pay (Period)	£821,943.67	Employee Main Contributions	£46,957.55	Employee Main Contributions	£229,131.75
Main CARE Pay (YTD)	£3,978,385.06	Employee 50/50 Contributions	£239.52	Employee 50/50 Contributions	£1,147.86
50/50 CARE Pay (YTD)	£37,737.38	Employer Contributions	£225,808.43	Employer Contributions	£1,103,352.14
		Add Conts/ARCs	£0.00	Add Conts/ARCs	£0.00
		Shared Cost APCs	£0.00	Shared Cost APCs	£0.00
		Employee APCs	£0.00	Employee APCs	£0.00
		Secondary Contributions	£0.00	Secondary Contributions	£0.00
				AVCs	£950.00
View schedule of rates		Expected Employer Contributions (Period)	£224,536.82	Expected Employer Payments (YTD)	£1,333,631.75
		Difference	+£1,271.61		
		Total Payments Due (Period)	**£273,005.50**	**Total Payments (YTD) (excl. AVCs)**	**£1,333,631.75**
		Total Payments Provided (Period)		Reason for difference (if given)	
		Payment Difference			

Submitted By User: C.Carrigan123

2 tolerance failures and validation errors for 1 member(s) detected for this submission. Click here to view the failures and errors.

Events	Total	Pending	Submitted	Completed	Failures	Errors	Suppressed	Progress
New Starter	**47**	**47**	0	0	0	0	0	
Opt In	0	0	0	0	0	0	0	

<u>Year End Work / Annual Benefit Statements</u>

Final Pay tolerance checks (for post 2014 service members only)

Period total matches March Year to Date

Cases missing March 202* CARE data are queried

Pension Section

Internal Controls Document February 2025

Contents

Introduction

In March 2024 The Pensions Regulator (TPR) combined various codes of practice into a single General Code of Practice (the code) which is applicable to most public and private occupational pension schemes, including the Local Government Pension Scheme.

References to internal controls occur throughout the code in slightly different contexts. The document aims to collate these references into one document to demonstrate that Fund is fully compliant in these areas and has all required controls in place.

The code can be found on The Pension Regulator website.

Internal Controls

Under section 249a of the Pensions Act 2004, scheme managers of public service schemes, including the Local Government Pension Scheme, are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law.

Internal controls refer to all the following:

- The arrangements and procedures to be followed in the administration and management of the scheme.
- The systems and arrangements for monitoring that administration and management and
- Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Before designing internal controls, the governing body should identify risks, record them, review them regularly, and evaluate them. The evaluation of risks will help the governing body to determine which risks require internal controls to be put in place to reduce their incidence and impact.

Casework Controls

Procedure Notes

Notes are held centrally within LCC Sharepoint and are reviewed regularly in respect of each casework area. Further information relating to GAD guidance and factors are located on the LGA website.

Career Grade/Training

Full training is given to officers in respect each area of work allocated to them. Training records are stored centrally.

Job Descriptions for Pension Assistants and Pension Officers and the Pension Career Grade documents provide more information on this, including the assessments that are required to enable officers to progress along their career path.

Recommendations for Career Grade progressions are sent to the Pensions Manager for approval.

Checking and authorisation of payments

Officers that check the accuracy of calculations are experienced in dealing with the process that they are tasked with and tread the same path they follow when processing a case of that type.

They will be assigned checking when the Team Manager uses their judgment to decide that they are experienced and skilled enough to do this. Initially, their checking will be spot checked until the Team Manager is confident that this is no longer required.

All casework listed below is checked without exception.

Below is a summary of the main areas of work and the level of the officers involved. This is all detailed on the relevant job description documents for each grade.

If an issue is raised that the checker requires further clarification, they will initially raise this with their own line manager, who may also need to escalate. External advice may also be sought, for example from the system supplier, LGA or legal services, depending on the issue.

If an error is spotted, this is usually returned to the processor for correction, but also raised with the system supplier dependant on the nature of the issue.

Area of work	**Processed by Grade**	**Checked by Grade**
Additional Pension Contributions (Quotes and Actuals)	6	7 or higher
Refunds and Frozen Refunds	6	7 or higher
CARE-only ‘aggregations’ and ‘concurrents’ cases	6	7 or higher
Deferred Benefits	6	7 or higher
Interfund Adjustments ins/out (Quotes and Actuals)	7	8 or higher
Retirement Estimates	7	8 or higher
All types of ‘aggregations’ and ‘concurrents’ cases	7	8 or higher
Retirement Benefits (option stage only: from deferred status; except ill health retirements or where a member has an AVC)	8	8 or higher
Retirement Benefits (Option and Payment stages, but see above)	8	ATM or higher
Transfers in/out (Quotes)	8	9
Death cases (no survivor benefits or death grants)	8	9
Divorce (Quotes)	8	9
Transfers in/out (Actuals)	8	ATM or higher

Death cases (survivor benefits and or death grant payable)	9	ATM or higher
Divorce (Actuals)	9	ATM or higher

Authorisation of Payments

The authorisation of payments is processed in accordance with the following values. This includes the payment of transfers and retirement lump sums.

There is also an additional check with Legal for transfers out of the fund to a private sector pension scheme. Further information can be found in the Transfers process document.

Assistant Team Managers: Grade 10

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	No	No
£100,000- £499,999.99	Yes	No	No
£500,000+	Yes	No	No

Team Managers: Grade 12

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	Yes	Yes
£100,000- £499,999.99	Yes	No	No
£500,000+	Yes	No	No

If TM unavailable, PPM can authorise up to £99,999.99 and will sign the payment
If PPM unavailable, PM can authorise

Pensions Manager or Pensions Project Manager: Grade 14+

Value of Payment	Check	Authorise	Check and Authorise
£0 - £59,999.99	Yes	Yes	Yes
£60,000 - £99,999.99	Yes	Yes	Yes
£100,000- £499,999.99	Yes	Yes	Yes
£500,000+	Yes	Yes, subject to Assistant Director approval	Yes, subject to Assistant Director approval

If Pension Manager or Pensions Project Manager unavailable, Team Manager to email Assistant Director to authorise sign off. Team Managers to then sign initial 'Authorise Payment' form as Assistant Director and attach email to Altair record.

Whilst there is no technical solution in place to prevent officers from authorising a payment higher than their limit, officers have developed a report which will highlight any cases where the authorisation level exceeds the agreed limits and these will be investigated on a monthly basis.

Checklists

The following are checklists of areas for officers must cover when checking.

Checking of Deferred Benefits

Action	Checked?
Is the member under 55	
Check ePen3 form – DOL/Reason for leaving/Pay figures/address	
Do conts balance with CARE figures	
If FS service is pay higher than pays on Pen Rem screen or could be a previous year	
Is CARE pay screen up to date	
Is there an AVC	
Is the member in-scope for McCloud	
Is the service reasonable	
Have we re-calculated the employers Pen Pay	
Letter – does content look reasonable and address correct	
Check if member is registered for MSS – Publish letter otherwise post	
Complete task	

Checking of Retirement Options (from active status)

Action	Checked?
Is the member over 55 (not ill-health)	
Do figures compare to recent estimates	
Check ePen3 form – DOL/Reason for leaving/Pay figures/address	
Have we re-calculated the employers Pen Pay [PENCALCS}	
Do conts balance with CARE figures	
Is FS higher than pays on Pen Rem screen or could be a previous year	
Reason for leaving – if not age retirement do we have documentary evidence	
Is CARE pay screen up to date	
Is there transferred in service – is this recorded correctly?	
Is there a GMP	
Is there an AVC – check factors if annuity applies	
Is there an APC / Added years	
Is the member in-scope for McCloud	
Is the service reasonable	
Is there a Triv Comm – check factors	
Letter – check all manual input on letters: Pen/LS/Unreduced Date/Unreduced figures/LTA	
Letter – has bank account info been removed if we already have this	
Check if member is registered for MSS – Publish letter otherwise post	
Input data for KPIs on UDS	
Update task to RD stage, plus add any relevant comments	

Checking of Retirement Options (from deferred status)

Action	Checked?
Is the member over 55 (not ill-health)	
If ill- health ensure relevant documentation has been provided and signed by authorised officer	
Do figures compare with data on deferred details screen	
Is there a GMP	
Is there an AVC	
Is the member in-scope for McCloud	
Letter – check all manual input on letters: Pen/LS/Unreduced Date/Unreduced figures/LTA	
Letter – has bank account info been removed if we already have this	
Check if member is registered for MSS – Publish letter otherwise post	
Input data for KPIs on UDS	
Update task to RD stage, plus add any relevant comments	

Checking of Retirement Benefits (Payment stage)

Action	Checked?
Is a GMP due for payment	
Date pension due to be paid	
Is there an AVC	
Have bank account details been verified	
Check address	
Two forms of ID	
Do calculation figures match figures on option form	
Is there interest due on lump sum	
Is Annual Allowance screen up to date	
Is Pension details up to date	
Spouses details correct?	
LTA correct?	
Is there a Retirement Basic Details screen and is the data accurate	
Check split of pension between CARE and Final Salary	
Check EA2P	
Authorise	
Update User Defined Screen	
Check pension memo	
Check Lump sum on Imm Payments Form	
Letter – check all manual input on letters	
Check if member is registered for MSS – Publish letter otherwise post	

Checking of Death cases

Action	Checked?
DOD / 'Tell us Once' / Certs	
Are BOP figures are correct	
Status of record i.e. If from active, then follow retirement process if 4, 5 or 6 continue	
Marital status / co-hab check eligibility	
Children (Full birth certs & NI required)	
Children's education documents	
NI Database	
Executor or NOK	
Bank details	
Spouses DOB	
Spouses NI	
Marriage cert	
BOP Gross Tax - Small Estates form or Grant of Probate?	
Prev & current pensions match	
DG is calculated correctly look out for E115B cases	
GMP	
DG nom form or request a Will or beneficiaries	
Long - Term / Short -Term pensions	
Compounded Factors	
Check all manually entered data within letter, i.e. figures for pension BOP etc	
Check Letter to solicitor if applicable	
User defined screen	
Complete Task – Has one been created for BOP or DG	
BOP owing to LCC invoice task to be Reply Rec'd	
Memo's and Immpay forms	
Check EA2P/Manually	

Appendix A details how the different aspects of casework are kept separate.

Pensioner Payroll

Running of monthly pensioner payroll

Prior to the final "Gross to Net" run that creates the BACS file and sends payments over to pensioners, the following checks are performed by the Control Team which is based in the Payroll Section:

- Send payroll a list of suspended records
- Send payroll a list of people and their payment methods to ensure everyone has one in place
- Check for any errors on the arrears calcs
- Print file the calculation highlighting to payroll anyone with less than £0 net pay, anyone with net pay over £5000 and any tax refunds over £500
- Send 60% report (earning 60% more or less) to Payroll to check

Once that final "Gross to Net" is processed, the following further checks are also performed by the Control Team:

- Ensure everyone has a "run" in place (if not suspended or otherwise) and also ensure no errors are outstanding
- Ensure that no-one is over the employee BACS limit (if so wait for authorisation, then uplift etc)
- Ensure that the total file isn't over the total BACS file limit (if so wait for authorisation, then uplift etc)
- Ensure there is no cheque payments
- Check BACS total to previous months amount
- Check BACS total to reports ran prior (Rec reports)

Other Checks

Monthly Payroll/Admin Reconciliation Report

A report is produced each month to highlight discrepancies between pensioner amounts held on payroll and Altair. If there is a difference of over £12 per annum, these cases are investigated and corrected. Where an underpayment has occurred, arrears due are paid. In the event of an overpayment, cases are processed in accordance with the "Overpayment of Pension Internal Process Document".

Suspended Pensions

A report is produced each month to detail current pensioners that are shown as 'suspended', i.e. not currently in payment. This could be for a number of reasons, but often is where a payment was returned from their bank or there is a possibility (but not confirmed) that the member has died. These cases are investigated and payment will be re-introduced and backdated if required.

Local Pension Committee and Local Pension Board

The Local Pension Committee is responsible for the governance of the Fund. The Committee Terms of Reference can be found here.

The Local Pension Board is responsible for assisting the scheme manager (also known as the administering authority) in securing compliance with Local Government Pension Scheme regulations and other pension legislation and the requirements of The Pensions Regulator, including the Code of Practice. The Board Terms of Reference can be found here.

Fund officers keep both the Committee and Board regularly informed of issues in respect of internal controls.

Local Pension Board

An annual 'Pension Fund Policy Report' is presented to the Board detailing all policies that are due for review. The Board are invited to comment on the policies before they are submitted to the Committee for approval.

A quarterly admin report is presented to the Board that details:

Details of new, on-going and completed Internal Disputes Resolution Procedures that have reached stage two of the process.

An updated breach log, detailing any new breaches of law that occurred within the quarter and whether they are considered material.

Details of any audits conducted within the quarter including any recommendations made. (An annual Internal Audit report is also presented to the Board each April detailing their work carried out in the previous year with the schedule for Audit to be conducted in the year ahead).

Details of any changes to 'employer risk', charting progress in respect of outstanding admission agreements or bonds and the Board may recommend specific actions, e.g. a letter from the Board to the employer. Any concerns are subsequently presented to the Committee.

A 'Risk Management and Internal Controls Report' details any changes made to the risk register in the last quarter.

The Fund Annual Report is also presented to the Board which contains summaries of many of the elements submitted throughout the year.

Local Pension Committee

An annual 'Pension Fund Policy and Breaches Report' is presented to the Committee detailing all policies that are due for review. The Committee are given a recommendation to approve the policies. This report is presented to the Local Pension Board first and the committee must have regard of any comments that the Local Pension Board may have made.

A 'Risk Management and Internal Controls Report' details any changes made to the risk register in the last quarter and is presented to the Committee for approval.

An annual Internal Audit report is presented to the Committee each April detailing audits carried out in the previous year with the schedule for audits to be conducted in the year ahead.

The Fund Annual Report is also presented to the Committee which contains summaries of many of the elements submitted throughout the year.

Other Areas

Data Improvement

There are multiple controls/processes in place to maintain data quality. Details of BAU processes can be found in Appendix D.

An annual Data Improvement report is presented to the Board in February detailing specific plans or projects for the year ahead, along with the latest version of the BAU processes as an appendix.

Substantial Changes to the Scheme

In the event of substantial changes to the scheme, officers will:

- Establish what changes are required and the creation of processes for the teams
- Work with system suppliers to ensure necessary changes are made. This would include attending meetings with suppliers and other funds and participation in testing working groups
- Updating of process notes to include new requirements
- Present a report to the Local Pensions Board detailing the changes
- Develop comms for website and members
- Inform employers of changes via an Employer Bulletin
- Make changes where required to Admin and Comms Strategy
- Once changes are in place, work with audit to obtain assurance that the new process is satisfactory

The actions above related to comms are also detailed in the Fund Admin and Comms strategy.

Issues with existing controls

If an issue arises with an existing control, then officers will revisit the process, establish how this may be improved and implement changes as soon as is practical. Process notes would be updated to reflect the new approach.

Where a change was deemed to be material, then officers would contact Audit for advice before implementation.

Audit and Assurance Reports

The Internal Audit and Assurance Service work with the Pension Section to agree a timetable of audits each year which is shared with the Local Pension Committee and Local Pension Board. A sample plan is available in the appendices.

External Audit also conduct their own plan of work that includes the Fund. Some of the audits conducted by Internal Audit is used to inform External Audit's risk assessment.

Assurance reports are used to help establish if the internal controls in place are adequate. Any recommendations are shared with the Local Pension Board.

The following audits are conducted annually:

Audit Title	Audit Objective
Contribution Banding Changes	To ensure pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April.
Contribution Collections	To ensure contributions to the Pension Fund have been correctly applied from April 2024 from LCC and other employers where LCC does not administer the payroll on their behalf.
Pension Increase	To ensure the validity and accuracy of the annual pensions increase is applied correctly and on time.
National Fraud Initiative	To ensure pensions do not continue to be paid after death.

The following audits are conducted on a bi-annual basis:

Audit Title	Audit Objective
Pension Creation	To ensure payments for new pensioners, including lump sum payments and death grants are valid and accurate.
Pension Transfers	To ensure transfers in and out of the LGPS are valid and accurate

In addition, other audits in respect of other areas will be conducted as and when required.

Audit reports for all of the above are used by the External Auditor to inform their audit risk assessment.

Risk Register

The Fund Risk Register is reviewed and presented to the Local Pension Committee and Local Pension Board at each meeting as a standing item, including an update on supporting activity.

Late payment of Pension Contributions

Processes in respect of the late payment of pension contributions by employers are detailed in the Fund 'Monitoring Contributions Process' document. This also links to the Fund 'Reporting Breaches of Law' document.

Business Continuity Plan

The fund's BC plan is reviewed every two years by officers and the LCC BC team. Updates are then made as part of the review.

Safe custody and Security of the Assets of the Scheme

The Fund Investment Strategy Statement (section 6.3) details the controls in place in regard to custody risk, which includes monitoring and managing risks through a process of regular scrutiny of the Fund's investment managers and audit of the operations conducted for the Fund.

Appendices

Appendix A: Separation of Duties

Appendix B: Career Grade

Appendix C: Job Descriptions

Appendix D: Data Improvement Processes

Other Policies

The policies referenced in this document are stated below and can be found here.

Overpayment of Pensions

Cyber

Administration and Communication Strategy

Overpayment of Pensions

Investment Strategy Statement

Reporting Breaches of Law

Monitoring Contributions Process

Overview of Payment of Transfers Out Process: December 2024

This document provides an overview of the process in place following a positive election from a scheme member to transfer their LGPS benefits to their new pension scheme. **Much of the information in this section is taken directly from the Non-club Technical Guide which can be found on the LGA website. The guide itself contains more detailed notes that you will need to refer to from time to time.**

Background

Members have a statutory right to transfer if certain conditions are met. When deciding to grant statutory transfers, we must carry out appropriate checks to decide if the conditions for transfer are met.

We should also be aware of the risks of pension scams.

Before making payment of a transfer, we:

- Must check the receiving scheme to ensure it is able and willing to accept the transfer, and also a scheme to which a transfer can be made under the relevant legislation.

- Must check one of the conditions for transfer are met to grant a statutory right to transfer

- Where neither condition is met, and they suspect the receiving scheme to be an illegitimate arrangement, we may refuse the transfer.

- If we suspect the receiving scheme is an illegitimate arrangement, we should report it to Action Fraud.

- If we believe that we will not meet the legislative deadlines, make an application to The Pension Regulator (TPR) before the deadline.

Due Diligence: The Conditions

Before a transfer can be paid, due diligence must be conducted. On 30 November 2021, "The Conditions" were introduced, as part of the Occupational and Personal Pension Schemes (Conditions for Transfer) Regulations 2021. These apply to:

Deferred members, AVC members and Pension Credit members who apply for a transfer on or after 30 November 2021. They do not apply to pensions on divorce transfers. Whilst technically the process does not apply to the payment of "Cash Transfer Sums" (deferred refund members) either, for ease, this process will also be generally adopted for those cases.

We have incorporated The Conditions into our processes.

The First Condition

This allows you to proceed with transfers to certain types of schemes with no additional checks. These are:

- Public Service Pension Schemes
- Master Trust Schemes (a list is available of the TPR website)
- A Collective Defined Contribution Scheme (CDC) – again a list is available on the TPR website

The Second Condition

The second condition applies to all other transfers but differs slightly depending on the type of transfer.

Occupational Schemes

If the member wishes to transfer to an occupational pension scheme, before the transfer can proceed we must ask for evidence that the member is employed by the scheme's sponsoring employer.

Employment Link

To establish this link, we must request the following evidence from the member to determine whether a statutory transfer can proceed:

- A letter from the member's employer confirming the member's continuous employment. This should include the date that the member's continuous employment began, that they are a sponsoring employer of the receiving scheme and confirmation that contributions on the schedule of contributions have been paid and the dates of those payments.

- A schedule of contributions or payment schedule showing the contributions due to be paid by the employer and by or on behalf of the member in the last three months and the due dates.

- Payslips for three months, or other evidence in writing, confirming the member's salary (including any commission, bonuses or other amounts paid) is above the lower earnings limit for National Insurance.

- Copies of bank or building society statements or passbook showing the deposit of salary from the employer for the last three months.

If, based on copies of the documents referred to above, you have reason to believe that there is no employment link, this will be a red flag (see appendix). If you decide there is an employment link and no other red or amber flags are present, you may proceed with the transfer.

Overseas Schemes

Transfers paid overseas can only be paid to a qualified recognised overseas pension scheme (QROPS). However, like any other transfer you must also be satisfied that the second condition is met. For overseas cases this will mean either the employment link (see occupational schemes) or proof of residency.

Proof of Residency

This only applies where the transfer is being made to a qualifying recognised overseas pension scheme and where the member has not provided evidence that satisfies you that an employment link exists.

In these cases, you must check that the member is resident in the same country that the receiving scheme is based by obtaining a copy of the member's formal residency documentation and at least two other items of evidence that demonstrate they are resident on the date you received the transfer application. This evidence will vary depending on the country of residence but could include:

- utility bills
- TV subscriptions
- insurance documents relating to their overseas home
- the address registered on their driving licence
- bank account and credit card statements
- evidence of local tax being paid
- registration at that address with local doctors

If you have reason to believe that overseas residency is not demonstrated, this is a red flag. If you decide that overseas residency is demonstrated, and no other red or amber flags are present, the transfer can proceed without any further checks. Further details on red and amber flags are in the appendix.

Other Pension Schemes

Transfers to personal pension schemes will only be paid where our checks do not show any red or amber flags. Details on Red and Amber Flags can be found in the appendix, but the areas of concern for transfers to personal pension schemes are:

Has there been an increase in transfers from the same advisor or provider?
Are scheme charges high or unclear?
Has Independent Financial Advice been obtained from someone with the appropriate credentials?
Was the member "cold called" by the new scheme?
Was the member given incentives or pressured to transfer to the new scheme?

The Second Condition: Further information

If you decide that an amber flag is present you must direct the member to take part in a safeguarding guidance session from MoneyHelper. The member must prove to you they have attended this session before the transfer can proceed.

You may need to contact the member to obtain further information to decide the presence of any red or amber flags. The information you request must be reasonable and proportionate to the level of risk you believe may be present.

To help you decide whether red or amber flags are present, you or your Team Manager must speak to the member and work through the list of questions that have been provided in Altair doc TVOCALLLOG (copy in appendix) which can be generated and attached to the member record.

If you have concerns about any of the answers given you will need to speak to your Team Manager and decide if there are any Amber or Red flags.

MoneyHelper

Where one or more amber flags are present members must be directed to obtain guidance from MoneyHelper.

The purpose of MoneyHelper is to help identify common risks involved in transfers, highlight the dangers of pension scams and allow the member whether to proceed with their transfer. Note that this is not to be used as a substitute for our own due diligence.

Once the member has attended their session with MoneyHelper they must provide us with a six-digit reference that they will have been given. This must be given to us before we can proceed with the transfer.

In addition, we will advise our legal colleague (Jaishika) to conduct their own due diligence in respect of the receiving scheme and any financial advisors that are involved in the case.

Refusing a Transfer

Having completed our diligence check, you decide to refuse a transfer, we will need to clearly communicate the reasons why to the member and this must be done within seven days of the decision. **A letter will be sent from the Pensions Manager for these cases**. You will need to speak with your Team Manager prior to making the decision and this must all be recorded on the record.

Other Information

Payment Timelines

Where a valid election to receive a transfer is received, payment must be made within six months beginning with the guarantee date that was used in the original transfer quote. The election must have been received within three months of the guarantee date.

If the CETV is not paid within six months of the guarantee date and an extension has not been granted by TPR, then they must be notified within 21 days after the end of the six months and we may be subject to a penalty of up to £10,000.

Delays

If you need more time to assess whether the second condition is met and you consider that the case meets the criteria for an extension you may apply to TPR for an extension to the normal six month time period (within the statutory deadline for six months from the guarantee date). Speak to your team manager if you think that you need to do this.

Transfers valued over £30,000

If the transfer is valued at over £30,000 then officers must check that independent financial advice has been received. This is covered in the transfer forms that are issued to members (Advice Confirmation Form). This is signed by both the member and the adviser, who must also add their FCA reference number.

A transfer cannot proceed without this taking place.

Scam Prevention

We take the following steps to satisfy that the possibility of a scam has been considered and checked prior to the payment of a transfer.

- Issue the “Don’t let a scammer enjoy your retirement” warning leaflet and the “Transfer warning letter” to the member who has expressed an interest in transferring their benefits. These documents are automatically included in the LETTAUTH22 document that is issued at the beginning of the process.

- Work through “The Conditions” as set out elsewhere in this document.

- The Fund must have a Scam Prevention page on their website. This has been included on our website for a number of years.

- Reference to scams must also be included in supporting documentation on Annual Benefit Statements. A section relating to scams is already included in on our ABS webpage.

Becoming Aware of a Scam

If you believe that

- a scam has occurred, or
- a red flag has been raised as part of your due diligence, or
- you suspect that a scam could be taking place or are suspicious of those involved

then you must raise this with your Team Manager and report this to Action Fraud.

Appendix A: Our Payment Process in a nutshell:

Check all forms that were issued have been completed correctly, including the “Yes/No” questionnaire (and raise with your team manager if any “Yes” answers are present)

If Club/Master Trust/CDC arrange for payment of transfer to be made

Otherwise:

- If the transfer value is over £30,000 has both member and adviser completed the Advice Confirmation Form. Ensure all information is checked and you are satisfied that the advisor is correctly registered with FCA

Transfers to non-club occupational schemes:

- Do we have evidence of an employment link (establish this in all cases)
- Establish whether there are any red or amber flags present

Transfers to an overseas schemes:

- Has the member confirmed the new scheme is QROPS and have they provided proof of an employment link or residency?

Transfers to other schemes:

- Establish if there are any red or amber flags present

If amber flags present:

- Speak to member (using TVOCALLLOG) and if still concerned direct to MoneyHelper. Also arrange for further diligence checks by legal colleague (Jaishika) to be conducted
- If still not satisfied speak with Team Manager about refusing the transfer

If red flags present:

- Speak with Team Manager about refusing the transfer

If satisfied transfer can be paid, but if transferring to a personal pension scheme and the value is over £100,000 ensure the case been passed to legal colleague (Jaishika) for final diligence checks before making payment. Jaishika will report back to officers on her findings and also write to the member detailing those findings and a further final declaration will be enclosed for the member to complete.

Appendix B: Transfer Decision Making Process

1. Is condition one met?

Yes – Proceed with the transfer.

No – Go to 2.

2. Is the receiving scheme occupational?

Yes – Go to 3.

No – Go to 4.

3. Is there sufficient evidence of an employment link or overseas residency?

Yes – Go to 6.

No, failed to provide evidence – Refuse the transfer.

No, insufficient evidence – Direct member to MoneyHelper.

4. Is the transfer to an overseas scheme?

Yes – Go to 5.

No – Go to 6.

5. Is there sufficient evidence of overseas residency?

Yes – Go to 6.

No, failed to provide evidence – Refuse the transfer.

No, insufficient evidence – Direct member to MoneyHelper.

6. Are there any red flags?

Yes – Refuse the transfer.

No – Go to 7.

7. Are there any amber flags?

Yes – Direct member to MoneyHelper.

No – Proceed with the transfer.

Appendix C: Red and Amber Flags

Amber Flag 1: The member hasn't shown an employment link or overseas residency

This applies where you decide that the member's response to a request for evidence has not fully demonstrated the employment link or overseas residency because the member has not been able to provide all the evidence requested. This might be for reasons such as the member's earnings are lower than the lower earnings limit, they have been in employment for less than three months or there are no employer contributions.

Amber Flag 2: The member can't show an employment link or overseas residency

This applies where the member provides all of the evidence requested but they have not been able to fully demonstrate the employment link or overseas residency. This may also apply if you have concerns that the evidence provided may not be genuine or that it has been provided by someone other than the member (except in cases where the member is being represented by someone with the power to make a request for a transfer).

Amber Flag 3: High risk or unregulated investments are included in the scheme

You may decide that this flag is present if you have reason to believe that the investments in the scheme which, based on your reasonable judgement of the current market at the time of the transfer request, are beyond the normal range of investment risk, or contain a higher concentration or proportion of those investments than you'd expect to see in a balanced portfolio for an average member.

You may find high-risk investment information from the FCA useful when carrying out your due diligence.

The FCA has told us that these general examples may help you to identify a high-risk investment:

- investments that promise significant returns at a point in the future
- investments that would only normally be offered to high-net worth, sophisticated or professional investors
- investments that are unorthodox, speculative or would not feature in an investment portfolio appropriate for an average member

This flag also captures situations where the receiving scheme allows investments that are not regulated by the FCA and therefore will not provide access to services from the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS).

Amber Flag 4: The scheme charges are unclear or high

This does not include all situations where a member is unaware of the charges on their product. You should use your judgement and knowledge of the market to assess whether the charges are not in line with norms for comparable products.

There may be additional charges for which the purpose is unclear, exit penalties associated with lock-in periods or performance bonuses that start at low levels of return. Charges may also be unclear if they are layered so that the member is paying several charges to associated parties which together add up to an excessive amount.

Amber Flag 5: The scheme's investment structure is unclear, complex or unorthodox

You may decide that this flag is present, for example, where:

- there is direct investment into a specific asset or assets such as the unregulated investments listed in amber flag 3
- there is no clear fund wrapper or regulatory body involved in the investment
- the receiving scheme or investments in it appear to be designed to avoid regulation or exploit loopholes

Amber Flag 6: Overseas investments are included in the scheme

The specific concern here is not whether the investment is in, for example, a global equity fund but whether the investment is in assets or funds where there is a lax, or non-existent, regulatory environment or in jurisdictions which allow opaque corporate structures. After carrying out due diligence you may consider the transfer is at a low risk of a scam and, where your scheme rules allow, you may consider granting a discretionary transfer.

Some overseas advisers recommend members invest their pension funds in an offshore investment bond in an international self-invested personal pension. The FCA has warned that this may expose members to high or unnecessary charges and has stated that the tax benefits of such arrangements are redundant for a member investing in a UK personal pension.

Amber Flag 7: A sharp, unusual rise in transfers involving the same scheme or adviser

The risk of 'factory gating' (the practice of targeting specific workers where events occur that may lead to greater interest in transferring their pension) is significant in large or concentrated workforces. It is also common for victims of scams to unknowingly persuade family, friends and colleagues to become involved in a pension or investment scam, believing it to be a good deal. This can cause clusters of transfer requests to a particular scheme or using a particular adviser over a short period of time.

Transfers to a receiving scheme linked to a new employer following a corporate or TUPE (Transfer of Undertakings (Protection of Employment)) transaction are not necessarily a cause for concern. It is therefore important that you are aware of activity affecting sections of the workforce and whether these might trigger concerns.

Where you identify a sharp or unusual rise in transfer requests involving the same adviser, you should report this to the FCA via email to **DBTransferSchemeInformation@fca.org.uk**.

You may request additional information to help you decide if any of these flags are present.

If you reasonably believe that one or more of these flags exists, you should contact the member as soon as possible to explain that they are required to obtain guidance from MoneyHelper and why.

Red Flags

Red Flag 1: The member has failed to provide the required information

This is where the member refuses or fails to respond or provides only partial information which is insufficient to decide if the employment link or overseas residency can be demonstrated or if any red or amber flags are present.

You may decide that this red flag is present if the member does not respond after one month of the second request for information. You should inform the member of the last date that you will accept information and how they can ask for extra time.

Red Flag 2: The member has not provided evidence of receiving MoneyHelper guidance

When providing information about the need to obtain MoneyHelper guidance you should allow a reasonable period for the appointment to take place and to receive the specified confirmation details. If the reasonable time elapses without contact from the member you can proceed to refuse the transfer.

Red Flag 3: Someone carried out a regulated activity without the right regulatory status

This is where you have reason to believe that the member has been in contact with someone who agreed to or who has carried out any of the following regulated activities without the appropriate regulatory permissions from the FCA:

- providing pension transfer advice
- providing advice about where to invest their pension
- making arrangements for the member to buy or sell investments or making arrangements with a view to the member buying or selling investments

If you find yourself in the position of having to consider whether somebody has strayed into carrying out one of the specified regulated activities in circumstances where they do not have the appropriate FCA permission, you might find it helpful to consider the following information provided by the FCA to TPR; however, as financial services legislation falls outside TPR's scope, you may also need to obtain your own advice:

- In practice, the FCA expects that a person advising on a pension transfer will also be advising on where to invest the transferred benefits.
- In some circumstances, a member has been in contact with an unregulated introducer. If that introducer has been involved in the transfer process and has influenced or been instrumental in the member's decision to transfer or buy investments, depending on the particular circumstances, the introducer may have been carrying out regulated activities without the appropriate regulatory permissions.
- If the member lives abroad and wants to transfer their benefits overseas, a regulated adviser in the UK who is advising on a pension transfer may work with an overseas adviser who is advising on investing the transferred benefits in overseas investments. Depending on the particular circumstances, this may not in itself be a cause for concern.
- If there is not a regulated adviser in the UK giving advice to a UK based member about leaving the UK scheme, and an overseas adviser has advised on overseas investments that would only be possible for the member to buy if they transfer out of the UK scheme, there may be cause for concern. In such circumstances there may be scope for you to have reason to believe that the overseas advisor has implicitly advised on the transfer without the appropriate regulatory permissions.

Red Flag 4: The member requested a transfer after unsolicited contact

You may decide this red flag is present if the member has received unsolicited contact such as cold calling, texts and emails about pensions. This unsolicited contact is against the law, but it may still originate from inside or outside the UK.

This flag should not capture contact from those previously unknown to the member where they have agreed to a trustee or employer passing on their details to an adviser to support the member in making financial decisions. It also should not capture calls from authorised firms and advisers where the member has an existing relationship and might reasonably receive unsolicited calls from them in connection with their pension.

Red Flag 5: The member has been offered an incentive to make the transfer

You may decide that this flag is present if the member was incentivised to make the transfer. The regulations provide examples of what is and is not an "incentive" for the purpose of the regulations. These examples are non-exhaustive lists, and where a particular incentive is not included in either of these lists, we expect trustees to assess whether the type of incentive offered is one which indicates there is a heightened risk that the transfer might lead to a member being scammed.

As the examples are not exhaustive, it is important that you keep up to date with current and evolving scam tactics and consider industry good practice.

You may be faced with other examples of incentives being offered. Some could be considered normal industry practices. After carrying out due diligence you may consider the transfer is at a low risk of a scam and, where your scheme rules allow, you may consider granting a discretionary transfer.

The regulations specifically exclude situations where the member is being incentivised to transfer as part of an employer-sponsored transfer exercise. See our guidance on employer-sponsored transfer incentive exercises.

Red Flag 6: The member has been pressured to make the transfer

You may decide this flag is present if the member was under pressure, or indicated to you that they felt under pressure, to transfer. Pressure may be direct coercion or passive such as having a courier wait for forms to be completed.

A member may not be aware that they had been pressured. It is the behaviour of the individuals involved in the transfer that is being assessed as well as any indication by the member that they felt pressured.

Appendix D: Clean List

A clean list is a record of low-risk occupational and personal pension schemes and should be used as part of our process. The list allows us to maintain a smooth transfer process where our due diligence analysis shows little or no risk. Although, the use of a clean list is voluntary, its use is supported by TPR. The list should be reviewed regularly to make sure schemes continue to present low risk.

We will review our clean list annually and present to the Local Pension Board.

Our current clean list (3 January 2025)

Aviva Personal Pensions (Personal Pension Scheme)

Legal and General (Personal Pension Scheme)

NEST (Occupational Pension Scheme)

Royal London (Personal Pension Scheme)

Scottish Widows (Personal Pension Scheme)

Standard Life (Personal Pension Scheme)

We are satisfied that payments to the schemes stated on the clean list are low risk and will not trigger any amber or red flags. These are all long established schemes that the fund has paid numerous transfers to without issue. Therefore, we will pay transfers to these schemes without additional checks including where payment exceeds £100,000.

Appendix E: TVOCALLLOG

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TV OUT CALL LOG

Name: «TITLE» «FORENAMES» «SURNAME»

Ni: «NI_NUMBER»

Date and Time of call: Fill-in Example

Questions

1 What is reason you are looking at transferring out?

2 Where you approached out of the blue about a transfer?

3 Where you offered a free pension review, loan or early access to cash?

4 Where you told that you could take advantage of a loophole, a "time limited offer or receive a higher tax-free lump sum as a result of transferring?

5 Who first made contact?

6 Which firm do they work for?

7 What is the address of the firm?

8 Is the firm authorised by the FCA?

9 Who recommended that you proceed with the transfer?

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Leicestershire County Council

LOCAL PENSION COMMITTEE – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – BUSINESS PLAN AND BUDGET 2025/26

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's (LPC) 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 2025/26.

2. Following completion of training needs assessments by Members of the LPC and Local Pension Board (LPB), 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 LPB for consideration on 5 February 2025. The Business Plan is formed of two documents; one covers administration, the other covers investments.

4. The 2025/26 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 LPB supported both the Business Plan and the Pension Fund budget for 2025/26.

Business Plan

6. The Pension Section's Administration Business Plan details the main changes that impact on the Pension Fund in 2025/26. The most significant are continued implementation of a solution for the national Pensions Dashboards programme, phase two of the McCloud implementation, implementation of a replacement Member Self-Service solution and website, implementation of the Fund valuation.

7. The key points are detailed in points 1, 3, 5 and 6. The Business Plan is attached as Appendix A.

8. The investments business plan covers five main areas, training, policies, asset allocation, fund valuation and reporting. One area of focus during the year will be the implementation of Fund's first Net Zero Climate Strategy and ensuring it aligns with the Strategic Asset Allocation. Full details of individual work and deliverables are included within Appendix B.

Pension Fund Budget

9. 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 need of the service. Whilst the Good Governance/Fit for the Future project has not been finalised, Phase 3 of an earlier Good Governance report includes the following proposal;

   - Each administering authority must ensure their committee is included in the business planning process. Both 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.

10. The current budget covers the financial year 2024/25 with projected estimates out to 2026/27. A summary of the budget is shown below including current forecasts for 2024/25 to 2026/27. The 2025/26 forecast budget is expected to be sufficient to meet the Fund's statutory requirements. Year on year changes to costs is explained further at points 12 to 17.

Budget Heading	**2023/24 Actual £'000s**	**2024/25 Budget £'000s**	**2024/25 Forecast £'000s**	**2025/26 Forecast £'000s**	**2026/27 Forecast £'000s**
Investment Management Expenses (split into three areas)					
○ Management	27,968	27,518	28,503	31,706	34,315
○ Transaction	13,251	7,087	13,395	14,257	15,103
○ Performance	9,268	10,000	10,000	10,500	11,000
Sub Total	**50,487**	**44,605**	**51,898**	**56,463**	**60,418**
LGPS Central costs (Governance, operator running costs, product development)	1292	1298	1160	1231	1324
Staffing	1,776	1,848	1,848	2,116	2,190
IT costs	476	530	470	530	540
Actuarial costs	97	150	200	350	150
Support Services / other	690	650	778	820	840
Total	**54,818**	**49,081**	**56,353**	**61,510**	**65,461**
% of assets under management	**0.92%**	**0.78%**	**0.88%**	**0.90%**	**0.90%**
Average assets under management in year	**5,939,220**	**6,265,488**	**6,436,750**	**6,850,771**	**7,257,564**

11. The LGPS Central budget is agreed by shareholders before the start of the new financial year. A meeting was held on the 25 February 2025. It should be noted that, with the ongoing pooling consultation, there is a possibility that the currently forecasted budget for 2025/26 may need to be increased in year if Government proposals are actioned within the financial year.

Investments

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

13. The total budget being forecasted for approval is £61.6million for 2025/26. A breakdown of the expenses is set out below.

Investment Management Expenses

14. 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 investment returns are ahead of the hurdles required.

15. Transaction costs can be variable year on year due to mandates being invested into or out of, both of which can impact transaction costs, for example, adding capital to a property mandate will incur stamp duty costs which can be material.

16. The 2024/25 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 based on prior year actuals incurred. In addition, an allowance has been made to reflect an increase in private market investments which have a higher management cost than, for example, passive listed equity investments or cash held in money market funds given the increased management resource required to source, conduct due diligence and oversee investments. The estimated effect of this increase in private markets investments is seen in the 2025/26 and 2026/27 forecast.

17. The performance fees estimate can be highly variable given the Fund would not expect meaningful performance fees when general market returns are depressed. The Fund is, however, investing more into private markets which usually have performance fees associated once a predetermined hurdle is reached and, therefore, the Fund should expect performance fees to be on the rise if investments are meeting their targets.

18. 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. The estimate for net contributions in future years has been reviewed lower given the increases in pensions payable as a result of higher inflationary pension payment increases. As the AUM increases, the pounds value of investment managers fees will increase given investment management fees are paid based on a percentage of asset values. The investment management expenses as a

percentage of the Fund should reduce all other things being equal as fixed costs are spread over a larger AUM.

19. In reality, AUM will not increase each year in a uniform manner and, therefore, variability should be expected.

LGPS Central costs oversight, governance and product development

20. The budget for LGPS Central and costs borne to the Fund, concerning oversight, governance and product development were presented at the Shareholder meeting held on the 25 February 2025 when resolutions were presented for vote. All proposals presented including the business plan and budget were approved.

21. The Fund's expected share of costs has been estimated at £1.2 million. The governance costs are split equally between the eight-member local authorities. Operator running costs are split based on AUM and product development costs are allocated based on products that the Fund has expressed an interest in. As time has passed the level of product development fees has reduced as the majority of Central products have been delivered. It is likely that product development will continue as Partner Funds currently have their own investment advisors with differing allocations and strategies being approved each year.

Staffing

22. The 2025/26 Pensions Administration staffing budget covers staffing related costs for 42.5 full time equivalent staff. This is a proposed increase of 2.5 full time equivalent Pension Officers, compared to 2024/25.

23. The increase of 2.5 Pension Officers is primarily to target preserved benefits and interfund transfers that have built up since the introduction of McCloud. Case work now takes longer, due to the increased complexity of the calculations, and these areas are assessed in the calculation of the Fund's total funding rate and employer contribution rates, as part of the Fund Valuation. In addition, the increased resource will assist with some of the large projects in the Pension Section including implementation of dashboards and the new Member Self-Service and website.

24. As well as the ongoing McCloud complexity during 2025/26, the Pension Section will be working on recalculating all in-scope McCloud cases backdated to April 2014, and paying any necessary arrears.

25. The proposed additional 2.5 Pension Officers, alongside salary progression and inflationary increases, increase the 2025/26 salary budget to £2,116,000. Officers have assumed 5.0% inflation in 2025/26 then 3.5% in the following year.

26. Staffing costs for 2024/25 are expected to be in line with the £1,848,000 budget.

27. In 2025/26 officers will be offered the opportunity to further enhance their pension knowledge and experience by completing external training provided by Barnett Waddingham. There are initially two separate levels of pension qualification being offered

(equivalent to GCSE and A levels) with two higher level qualifications to follow in future years.

28. The Pensions Manager is keen for officers to have opportunity to expand their training, to compliment future succession planning within the Pension Section.

IT Costs

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. The cost of the system was detailed in the tender and set at £500,000 per year, plus a level of increase for inflation.

31. The 2024/25 budget was £530,000, although the expected spend is likely to be £60,000 less.

32. The 2025/26 budget is set to remain at £530,000 to account for expected system changes for dashboards.

Actuarial Charges

33. 2025/26 is a Fund valuation year so the actuarial budget for the year is £400,000.

34. This is greater than the annual £150,000 actuarial budget, but Fund valuation creates additional actuarial work, including calculation of the Fund's funding level, and all individual employer contribution rates for the following three years.

35. During 2024/25 the actuarial budget was £150,000 but there is an expected overspend of approximately £50,000. This is because elements of the valuation work originally planned for 2025/26 have been brought forward into 2024/25. The 2025/26 budget has been reduced accordingly.

Support Services/Other

36. Support Services were made up of Strategic Financial and Operational Finance charges, East Midlands Shared Services, Internal Audit, Legal Services, Insurance, Central Print and Democratic Services. Other costs include annual subscriptions, tracing service charges, and training for officers.

37. The 2024/25 budget was £650,000 but there is an expected overspend of approximately £128,000. The main reason was an £83,000 increase from Strategic Finance, primarily to deal with unexpected regulation changes and increased work on pension investments.

38. The proposed budget for 2025/26 has been increased to £820,000 to account for the increased volume of work as more is brought in-house.

Budget Summary

39. Around 80% 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 returns, will result in higher management fees paid in total.

40. 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.

Training Plan for 2025

41. Attached as Appendix C sets out the Training Plan for 2025, following the Training Needs Assessment results, and Fund priorities as set out within the attached business plans. Individual training recommendations and materials will be circulated as needed.

Recommendation

42. It is recommended that the Local Pension Committee approves the Pension Fund's Administration and Investment Business Plans and Pension Fund budget for 2025/26 and notes the Training Plan.

Equality and Human Rights Implications

None

Appendix

Appendix A: The Pension Section's Administration Business Plan 2025/26
Appendix B: Pension Fund Investment Business Plan 2025/26
Appendix C: Training Plan 2025

Officers to Contact

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Appendix A

Pensions Administration

Business Plan

2025-2026

Level One – Changes that impact on the Pension Section							
	Priority (Not 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 • Communicate dashboards to employers and fund members	• Monitor the internal KPI measuring improved take up of the Fund's new 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 • Increased sign up to the Fund's new member self-service solution • Review and amend communications and letters to include the national pensions dashboard	• Heywood (system provider) • Prudential for member's AVCs • Fund employers • LGA	• Pension Sections 107,000 scheme members	• Project work – phased development and improvement • AVC data to the Fund – April 2025 • Ongoing data cleansing reports and checks – September 2025 • Reduce backlogs – ongoing • LGPS onboarding deadline (via the Heywood IS) – October 2025 • Communication – to align with national exercise

							• Dashboard proposed live date for all schemes - October 2026
2	SAB – Good Governance Project (included in the Fit for the Future consultation exercise)	• Implement the administrative final areas of recommendation (e.g. the expected peer reviews) • Monitor Government's decision on Fit for the Future and implement any required changes	• Await the outcome of the Fit for the Future consultation (closes 16th January 2025) • Hymans guide • Report progress to Board/Committee	• Potential increase in administration changes from Fit for the Future • Improve the governance of the Fund • Reduce risk	• Hymans • Pensions Investment Team • Legal (potentially) • Pensions Board, Committee and Democratic Services • SAB/LGA – peer reviews	• Scheme members	• No deadline set by SAB but an internal target - complete the administrative elements within 3 months of the final decisions
3	Implement "phase two" of the McCloud remedy – the retrospective recalculation of in scope member benefits with the McCloud period (1 April 2014 to 31 March 2022)	• Recalculate pension benefits for in scope members since April 2014 • Calculate LG benefits for in scope Teachers	• Revise benefits and adjust payments where necessary • Implement a measure for tracking recalculated in scope cases • Regular reports detailing progress and risk to the Pension Board	• Additional time to recalculate leavers and retirements • Additional time to pay any arrears due	• Pension colleagues (internal) • Pensioner payroll colleagues • Heywood (system changes) • LGA • Legal Services (potential for legal appeals) • Teachers (multiple	• All scheme members and their dependants	• Upload remedy data in bulk, for all in scope members – Spring 2025 • Deadline for completion of 31 March 2025 annual benefit statements – August 2025 • Recalculate and pay arrears due to

					employment cases) • Other public sector schemes for non-aggregations		existing leavers and pensioners March 2026
4	Review the Fund's contractual arrangements in five areas. 1. Member tracing service 2. Mortality screening 3. Overseas pensions tracing 4. Overseas proof of life 5. Data quality reporting for Pension dashboard readiness	• Review the market using one national tender Framework that covers the five areas • Procure contract provider/s via the Framework • Implement the five key strands	• Reports to the Board • Greater data matching to reduce national dashboard partial matches • Measure overseas pensioner overpayments	• Reduce risk • Improve data quality • Improve the customer experience • Reduce potential fraud to deceased pensioners and overseas payments • Improve operational efficiency	• Pension colleagues (internal) • The successful provider/s • Legal services on the contractual arrangements • ICT • National Framework • Internal Audit	• Scheme members and their dependants • Overseas pensioners • People using the national dashboards	• Target date for completion of the five separate areas - March 2026 • Within the five areas – the greatest priority area is data quality reporting for Pension dashboard readiness – September 2025 • The second and third priorities are overseas tracing and proof of life – December 2025

5	Implement the Fund system provider's replacement Member Self-Service (MSS) solution and develop a new Fund website	• Migrate the existing 30,000 scheme members from the current MSS to the new MSS • Develop the new MSS content • Develop a new Fund website • Liaise with a selection of Fund employers on the employer area content	• Scheme members sign up rate • Ensuring scheme members can model their own retirement estimates • Reports to the Board	• Increased administration during the set up • Resource required to write the new website content • Maintaining the accuracy of the new content	• Pension colleagues (internal) • LCC's internal web team • Heywood – the system provider • Fund employers	• Scheme members • Fund employers	• December 2025
6	Implement the Fund's triennial fund valuation	• Agree the Fund valuation assumptions • Assess the indicative fund and employer rates • Assess employer risk • Target casework • Consult with employers on changes to the Funds Investment Strategy Statement (ISS) and Funding	• Meet the required timetable for implementation by the statutory deadline of 31 March 2026 • Hymans to calculate the indicative rates • Reports to Board and Committee	• Increased administration • Reports to Board and Committee • Pressure from employers to maintain or reduce their employer rates • Challenge from employers on the ISS, FSS and risk categories	• Hymans (The Fund Actuary) • Pension Board and Committee • Pension colleagues (internal) • Fund employers and their advisers	• All the Fund employers	• Agree assumptions June 2025 • Draft changes to the ISS and FSS – Summer 2025 • Final whole fund results – September 2025 • Provide employers with indicative rates – October 2025

		Strategy Statement (FSS) • Liaise with the employers on their indicative rates					• Consult with the Fund employers on the ISS and FSS changes - November 2025 • Final FSS and ISA approval – February 2026 • Completion of the valuation exercise 31 March 2026

Level Two – Changes that impact on or from Corporate Resources

	Priority (<u>Not</u> business as usual)	Key Actions	Performance measures / KPIs	Impact	Support required from another service	Customer	Timescale / Due Date
7	County Council project; To implement Salary Sacrifice Shared Cost Additional Voluntary Contributions (SSSCAVCs)	• Assist County colleagues implement SSSCAVCs	• Increased County AVC take up • Assist the County generate corporate savings	• System changes in Fusion • Payroll changes • Communication exercise with existing and new AVC payers	• The Pension Section • EMSS • Payroll • Corporate communications • Accountants • The Fund's AVC provider	• Funds County AVC payers • Potential new County AVC payers • County Council	Autumn 2025

Level Three – Pension Section (continuous improvement) – 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	Review and 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 • Target casework by age and employer • Work closely with Pension Team Managers • Monitor changes in legislation • Monitor and measuring workloads • Monitor CIPFA benchmarking KPIs	• Report the 3-business process and 7 customer perspective KPIs to the Local Pension Board each quarter • Report casework by age and employer	• Maintain and improve customer service • Highlights any falls in service so these can be addressed quickly • Promote colleagues working from individual task boxes to better manage and target casework • 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

		• 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 • Reduce calls to the helpdesk by directing members to an enhanced website	• Implement new KPI's and review measuring techniques • Reduce phone calls	• 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 • Provide information more easily online, to enhance the customer experience	N	N	Ian Howe	On-going
10	Continue to develop a suit of Insight reports	• Identify data improvement requirements • Look at various options on how	• Short term to long term pension changes reported	• Improves efficiency • Reduces risk (e.g. over or under payments) • Eases workloads at year-end (spreading	N	N	Ian Howe	On-going

		Insights will improve efficiency covering all Teams	monthly to Team Manager to monitor	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 bodies under the 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	• 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	Maintain a list of all fund policies and documents	• Monitor and make changes as required	• Annual report to Board and Committee	• Failure to deliver the service • Complaints and appeals • Reputational damage	• Investment colleagues • Democratic services • Legal	N	Ian Howe	On-going (annual review)

		• Report changes to Board and Committee			• Internal audit			
14	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
15	Develop staff training and succession planning	• Team Managers continue to develop and monitor staff training • Team Managers continue to consider/review succession planning • Promote external training options (especially the Barnett Waddingham levels two and three, pension qualifications) • Review apprenticeships	• One to ones • Annual performance reviews • Career grade progression • Barnett Waddingham - Level two (equivalent to GCSE) – introduction to general pensions • Barnett Waddingham – Level three (equivalent to A level) – LGPS specific training	• Increased risk of operational delays • Failure to meet KPIs and targets • Greater pressure on colleagues • Reduced morale • Complaints and appeals • Reputational damage	N	N	Ian Howe	On-going

			• Barnett Waddingham (levels 4 and 5 once available)					
16	Continue to develop the right balance between office and home working solutions	• Continue to reduce post moving more to MSS • Team Managers to maintain close contact with all colleagues working from home	• Increase new 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 107,000 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 solutions for member tracing, mortality screening, overseas proof of life and dashboard data quality
- Maintain the right balance between home and office working, for both the service and colleagues

Ian Howe – January 2025

Appendix B

Leicestershire County Council Pension Fund

Pensions Investment Business Plan

2025-2026

	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, Board and Committee training plans. • Publicise LGPS Central’s Annual Responsible Investment/Stakeholder Day meeting date to LPC Members • New Members to have induction with relevant officers and supply induction pack in advance. Generate log on to Hymans training modules. Members must complete all Hymans Modules within six months of appointment. • Completion of all Hymans training modules for all officers and members in 25/26: • Training plan for 25/26 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. Provide background to current issues facing the Committee. • Improve overall understanding of the pension environment • Hymans online training to generally improve knowledge in the most important areas for Committee members and officers. • Builds on existing knowledge regarding asset classes	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 the Chairman of the Committee or Board as needed.
Policies	Net Zero Climate Strategy	• To begin the review of the NZCS. • Continued implementation of Net Zero Climate Strategy and action plan.	• To manage the climate risk and opportunities to the Fund arising from Climate Change.	• External support / resource as required to be defined for selected workstreams,	• Ongoing • High-level considerations to be reported to Committee in

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
		• 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 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 and LGPS Central on the Fund's expectations with relation to climate risk management.	Hymans, LGPS Central, other external bodies	June 2025 and updates as appropriate throughout 2025/26. • Revised NZCS to be brought in 2026. • Ongoing, questionnaire March 2025.
	Update Investment Strategy Statement (ISS)	• Annual update of ISS to include changes from 2025 Strategic Asset Allocation (SAA) review • Update the latest position regarding net zero targets from the 2024 climate risk report (CRR) • Update for outcomes affecting the ISS from the Fit for the Future government consultation into Pooling.	• 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. • Update on the progress towards net zero targets for the Fund.	• None	• April 2025 minor update for new asset allocation. • Q4 2025 draft for comment to Pension Committee for a more comprehensive update.
	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

<table>
<tr><th></th><th>Item</th><th>Key in year deliverables</th><th>Aims</th><th>Support required from another service</th><th>Timescales</th></tr>
<tr><td rowspan="2">Asset Allocation</td><td>Complete the 2024 SAA approved decisions.

Enact the 2025 decisions from the Strategic Asset Allocation (SAA) review</td><td>• Create and propose implementation plan for outcomes from the 2025 SAA proposals and ISC recommendations where appropriate

• Enact other decisions as approved by the Committee in Jan 2024 that are outstanding</td><td>• To complete investment decisions proposed by Hymans and approved by Committee in January 2024 and 2025 noting that some decisions require careful planning and take a significant amount of time to fully implement and in some cases implementation may be delayed owing to a number of investment related issues.</td><td>• The Fund’s investment advisor Hymans Robertson and LGPS Central.</td><td>• Through 2025 complete the reviews per the proposals taken to the Jan 2025 Pension Committee

1. Property assets review
2. Private credit review
3. Tail risk protection review</td></tr>
<tr><td>Investment manager presentations</td><td>• Four manager presentations covering 4 differing various asset classes at scheduled Pension Committees. Asset classes to chosen by officers throughout the year.

• 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

• LGPS Central will be invited to the majority of 2025/26 meetings and can present on a number of asset classes.</td><td>• To improve the Committee understanding of the sector and mandates the Fund has investments within including LGPS Central’s governance of external managers.

• Allows for interaction with investment manager on ESG polices and investment performance versus mandate targets.

• Increase knowledge of the investment class</td><td>Investment Manager attendance</td><td>• Investment managers for quarterly committee meetings scheduled for March, June, September and December 2025
• Currently scheduled meetings and managers:
March – DTZ
June – TBC
Sept – TBC
Dec – TBC</td></tr>
</table>

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
	2026 Strategic Asset Allocation preparatory work	• Produce 2026 strategic asset allocation strategy refresh. This deliverable is dependent on the outcome of the fit for the future consultation. • Agreeing the scope with the Fund's investment advisor and present for approval to the LPC in December. • 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 and required rate of return.	• An investment advisor such as Hymans Robertson and any third party with respect to the NZCS	• The SAA is normally delivered for approval at the January Local Pension Committee meeting each year.
Valuation	Triennial valuation	• Assist with the upcoming 3 year valuation due on the 31st March 2025 with respect to : • decisions that affect funding levels and employer contribution rates • Updating pension committee on progress especially with respect to amendments to valuation principles that have been previously communicated	• Early indication of the potential effects on the Fund valuation and employers when the next triennial valuation takes place. • Help to improve financial planning and forecasting for employers within the Fund. • Assess employer risk and set appropriate contribution rates taking into account relevant employer information from engagement	• Hymans Robertson	• 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 draft Annual Report and Accounts by 1 December in line with the LGPS Regulations.	• Compliance with regulation	• External audit (Pension fund accounts form part of the Councils accounts)	• September 2025 meeting
	Monitor the annual Budget	• To monitor the Annual Budget reflecting anticipated income and expenditure during 2025/26	• Provide indications of variances to the budget		• During 2025/26

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
	RI Plan	• Progress the Fund's RI Plan as agreed at January 2025 Local Pension Committee meeting. • More information included within the appendix taken to the January 31 2025 Local Pension Committee Appendix A: Draft RI plan 2025	• Continue reporting against best practice and guidance available. • Improved understanding of RI risks including climate change. • Improved communication with scheme members and other interested parties.	• LGPS Central. LAPFF, Investment Managers reporting	• Ongoing multiyear implementation alongside NZCS.
	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 2025/26
	Government consultations and initiatives	• Participation with LGPS Central and individually where appropriate • Communicate to Local pension committee and wider Fund membership implications and changes to the LGPS	• To allow Government to hear the Funds views on various topics being consulted on. • To keep the committee and membership informed of material changes	Internal Council communications teams, LGPS Central, Hymans Robertson	• As appropriate through 2025/26

Appendix C

Training Plan 2025

Where members have outstanding modules to complete on Hymans Aspire these should be completed ahead of March 2025.

Training will follow or form part of LPC or LPB meetings as identified in-year.

Date	**Topic**
31 January 2025	LPC Training as part of SAA
14 March 2025	LPC Property Presentation (DTZ) and Hymans Robertson for Stabilised Employers
13 June 2025	Joint Training to cover: - Overview of UK Gov, LGPS legislation, and roles of organisations. - Overview of monitoring and management of outsourced providers and supplier management. - Administration areas: Breaches, treatment of pension, employer outsourcings. - Accounting Requirements relating to Annual Reporting.
25 June 2025	LPB to receive presentation from LGPS Central.
27 June 2025	LPC Presentation from LGPS Central.
15 September	Joint Training to cover: - Actuarial Valuation - FSS, ISS - Risk monitoring (investment, admin)
3 September 2025	LPB TBC if needed for Training.
19 September 2025	LPC Quarterly Manager Presentation
29 October	LPB TBC if needed for Training.
14 November	Joint Training to cover Aspire TCFD Module, and Gender Cap and any new relevant Modules.
5 December 25	LPC Climate Training and TBC Quarterly Manager Presentation.

Officers will contact members on any individual training recommendations outside of this schedule.

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LOCAL PENSION COMMITTEE – 14 MARCH 2025

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 (LPC) 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.

Policy Framework and Previous Decisions

2. The LPC'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.

3. 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:

    a. to ensure an appropriate risk management strategy and risk management procedures;
    b. 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

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

5. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for LPC and LPB.

Risk Register

6. The 19 risks are split into six different risk areas. The risk areas are:

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

7. 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**.

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

9. The latest version of the Fund's risk register was approved by the LPC on the 29 November 2024.

10. There has been one new risk added, one removed and other changes to existing risks since the previously approved risk register. These changes are highlighted below.

11. To meet Fund Governance best practice, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position. The LPB considered this report on 5 February 2025 and had no comments.

12. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

<u>Revisions to the Risk Register</u>

Removal of Risk 12: 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.

13. This risk has been removed given its residual risk score was very low at 2. The Pension Section will continue to check HMRC GMP data to identify any discrepancies, and is included in Internal Audit's annual Pensions Increase result test. Checks are further run on a case-by-case basis and results are input into member records at retirement.

Risk 19: Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

14. The wording for this risk has been updated following the recent 'Fit for the Future' proposals as part of the consultation. The Fund's response from the Director of Corporate Resources and the Chair of the LPC was included as part of the report presented at the 31 January 2025 LPC meeting. Officers will

continue to monitor the developments of the consultation, and how it may impact on the Fund and report back accordingly.

NEW: Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.

15. This risk has been added, given the number of staff aged over 55 continues to rise within the Pensions Section (noting that minimum retirement age increases to age 57 from April 2028). Given it takes several years to be fully trained and knowledgeable in all LGPS calculations, there is otherwise a low staff turnover with colleagues generally remaining in the section until retirement. This risks loss of knowledge, and knock on effects related to delays, complains and reputational damage if not managed appropriately.

16. A number of controls are in place to manage this risk including extensive training (internal and external), using the apprentice scheme and monitoring the situation closely.

Recommendation

17. The Local Pension Committee is asked to note the report and approve the revised Pension Fund risk register.

Equality Implications

18. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

19. There are no human rights implications arising from this report.

Background Papers

None

Appendix

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

Officers to Contact

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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 October 2024	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
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 cost. 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 Stewardship 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. The IIGCC has produced a Net Zero Infrastructure Framework 2.0 that will be incorporated into the Fund's Net Zero Climate Strategy review to include further asset classes.	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 includes 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	Tolerate	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. Monitor employers that change payroll systems.	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	Tolerate	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
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. The national Framework is live and the Fund has signed up enabling the Fund to commence a future tender to select AVC providers.	**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. Turnover of Committee Membership requiring time to retrain.	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. Revised Training Policy agreed March 2024. Committee are required to comlpete all modules of the Hymans Aspire Online Training within 6 months of appointment or revision of modules.	**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.	**2**	**2**	**4**	–	Investments - SFA
13	**Operational**	**If the Pensions database system is subjected to a cyber attack, resulting in the theft of personal data or a period of unavailability, 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 TPR new code of practice to include internal audit reviews of both areas. Under review and findings will be reported to the Board.	5	1	5	–	Pensions Manager
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 A type of bank account verification applied to all pensions and transfer payments.	**4**	**1**	**4**	Tolerate	Officers worked with LCC Technical Security and Audit colleagues to update the Fund Cyber Policy document, ensuring that it complies fully with TPR Code of Practice. The latest version will be shared with the Local Pension Board in February 2025 (for comment) and the Local Pension Committee (for approval) in March 2025	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 Manual calculation of transfer values due to McCloud.	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**	**4**	**8**	Treat	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. Some McCloud calculations using an LGA template. Internal audit review of both transfers in and out of the Fund.	**2**	**3**	**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. Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.	**3**	**3**	**9**	Treat	Final system changes have been loaded into the system. 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
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
19	**Regulatory**	**Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.**	National pressure from Government and as part of the Pensions Review, to reform the LGPS, and/or direct investment decisions towards specific asset classes that may not completely correlate with the Fund's fiduciary duty. Pensions review underway with respect to further consolidation. Fit for the Future consultation proposals.	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. Significant changes in the oversight, governance of investment management is possible over the next 12-24 months.	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. Careful consideration of government proposals, balancing pooling proposals and improved governance and continuation of the investment strategy including the net zero journey.	**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. Respond to, and review the Fit for the Future consultation in collaboration with LGPS Central, the chair of the Local Pension Committee and the section 151 officer.	3	4	12	▬	Investments - SFA
NEW	**Operational**	**Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.**	Number of staff aged over 55 continues to rise (noting that minimum retirement age increases to age 57 from April 2028). It takes several years to be fully trained and knowledgeable in all LGPS calculations, hence staff turnover tends to be low and colleagues often remain in the section until retirement.	Loss of knowledge from all areas of the section (noting that the average service length in the Leicestershire Pension Section was 13.5 years at March 2024). Delays in the calculation and payment of all pension benefits. Complaints. Reputational damage.	All new staff undergoing extensive training. Utilise apprentice scheme as part of recruitment planning. Monitor the situation with Team 1-2-1s with colleagues to ensure awareness of any upcoming retirement plans. Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.	**3**	**3**	**9**	Treat	Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.	3	2	6		Pensions Manager

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 – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

DTZ INVESTORS (DTZ) – UK PROPERTY UPDATE

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) direct property investments and the performance of the UK direct property fund and market outlook.

2. Appended to the report is a PowerPoint presentation which will be delivered at the meeting by representatives from DTZ.

Background

3. The Fund as at 31 December 2024 has direct UK property allocations currently managed by Colliers international which is valued at £94million and a newer UK direct property allocation managed by DTZ valued at £68million.

4. The Funds other large manager is LaSalle who manages via investments into property funds £272million.

5. There are also two smaller closed ended funds which are in the process of returning capital. Taken together they are valued at £50million and invest solely in UK direct property.

6. Taken together the total property holdings of £484million or 7.3% of total Fund assets are a short of the target allocation of 7.5% as agreed at the Local Pension Committee meeting held on the 31 January 2025 when the target allocation was agreed and moved from 10% of total Fund assets to 7.5%.

7. As part of the decisions taken by the Investment Sub Committee (ISC) at the 27 April 2022 meeting it was decided to move management of the Colliers direct property investments to DTZ at the appropriate time. The process to move the management of the existing UK estate has now commenced and is planned to be completed during the first quarter of 2025.

8. It was also agreed that when LGPS Central launch a UK direct property fund, the Leicestershire County Council Pension Fund would invest £120million split over 2 financial years. This commitment is currently in the process of being called by LGPS Central.

LGPS Direct Property Fund – managed by DTZ

9. The mandate's objectives and restrictions are listed below:

    a. Benchmark – MSCI Quarterly UK property total return index.

    b. Performance objective: Benchmark + 0.5%pa net of costs over a rolling 3 year period.

    c. The Portfolio will be invested in a mix of sectors as defined in the Benchmark Index (Key sectors include Retail, Office, Industrial and Other, including hotels, leisure and care homes)

    d. The weighting of the portfolio to the Benchmark sectors shall be within +/- 20% of the Benchmark weighting.

    e. No single investment shall exceed 10% of the value of the portfolio (does not apply during the lock in period)

    f. Ground up development shall not exceed 10% of the value of the portfolio (does not apply during the lock in period)

    g. No single tenant is to represent more than 10% of portfolio rent roll at the point of acquisition (does not apply in the lock in period)

    h. No more than 10% of the Portfolio value can be retained as cash for liquidity purposes.

    i. The fund is permitted to borrow up to 20% of the value of the portfolio for short term purposes such as liquidity, funding acquisitions; for the payment of other property related costs.

10. Actual purchases made by DTZ will be covered during the presentation which will also cover:

    a. A market outlook covering the role of property, how returns are generated, backward looking returns and forward estimates

    b. Prospects for property sector returns and drivers

    c. Overview of the LGPS Central Direct property mandate, including assets acquired to date, performance and ESG considerations

    d. Update on the transition process for the legacy UK direct property estate

Recommendation

11. The Committee is asked to note the report and presentation.

Environmental Implications

12. The Leicestershire County Council Pension Fund (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

13. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material economic, 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 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

14. 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 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.

Background Papers

Local Pension Committee 31 January 2025, Overview of the Current Asset Strategy and Proposed 2025 Asset strategy – item 130:
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986&Ver=4

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DTZ INVESTORS

Leicestershire County Council Pension Fund

Fund Presentation

March 2025

01 Market Outlook

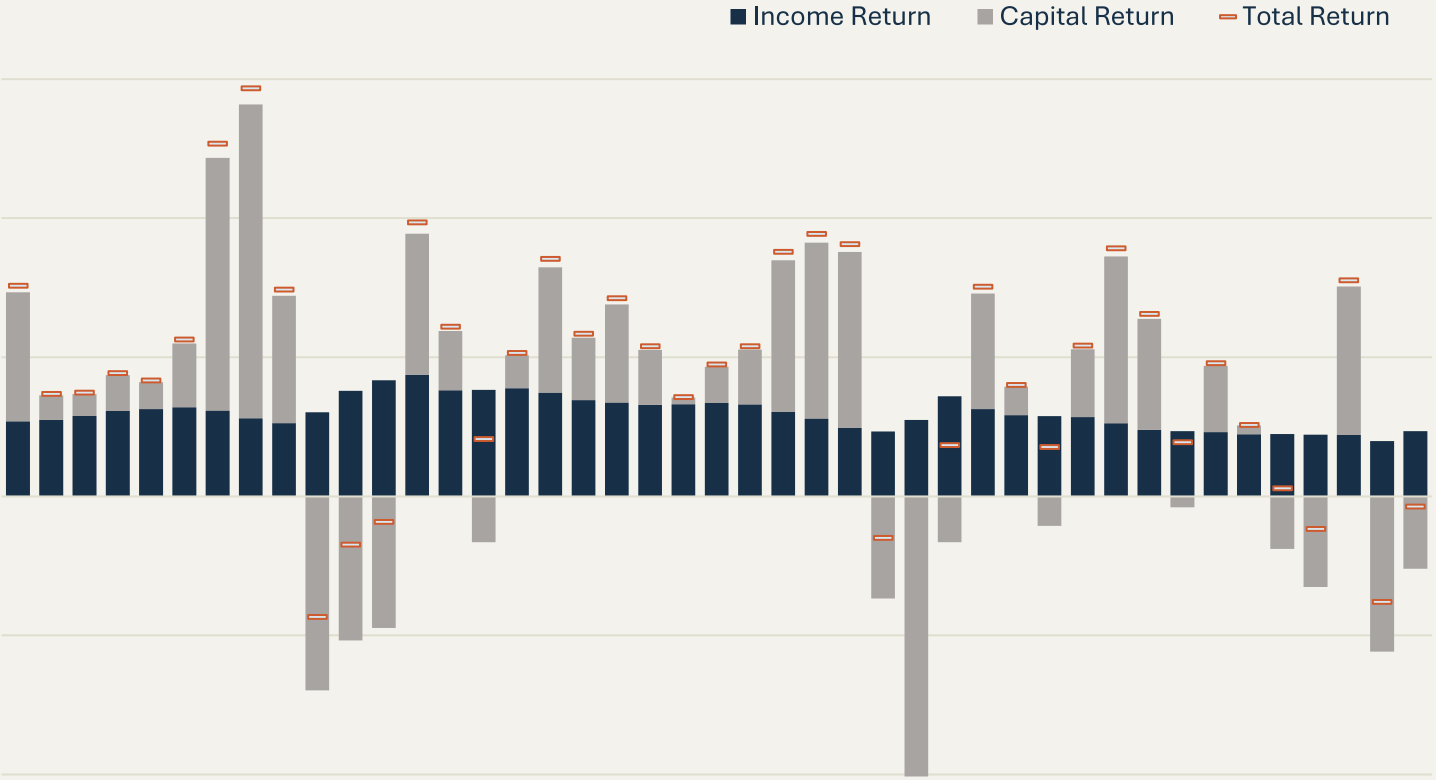
02 LGPS Central UK Direct Property Fund Update

03 LCC Pension Fund Portfolio Transition Update

The Role of Property in a Multi-Asset Portfolio

Income has generated 75% of total returns over the long-term. There are four main real estate risks for long-term investors. Portfolios can tolerate exposure to each, but individual assets cannot do so easily.

Components of Property Returns



Source: MSCI

Real Estate Risks

RISK ITEM	MANAGER INFLUENCE	DTZI RISK ATTITUDE
Location	Limited	AVOID
Credit	None	MITIGATE
Obsolescence	Moderate	SHARE
Leasing	High	ACCEPT

Real Estate Update

2024 real estate returns remained polarised at sector level but investment volumes were up.

Market Performance in 2024

- 2024 MSCI Quarterly Index total return: 5.5%.
- Polarised sector returns: -2% to +12% in 2024.
- Top performers: retail warehouses, shopping centres, industrials.
- Office underperformance narrowed through the year.

Investment Markets

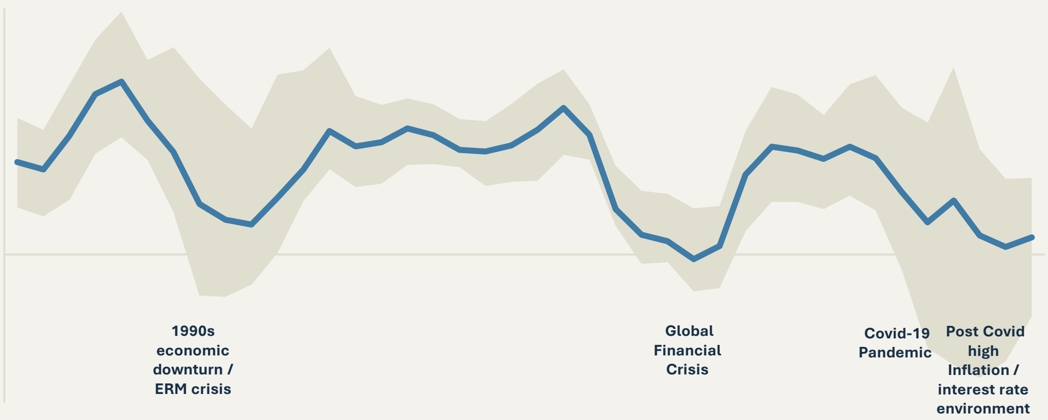
- 2024 investment volumes: £53.4 bn, up 35% on 2023.
- Traditional sectors accounted for the lowest proportion of activity on record.
- Alternative sectors and retail warehousing performed strongly.

What to expect in 2025

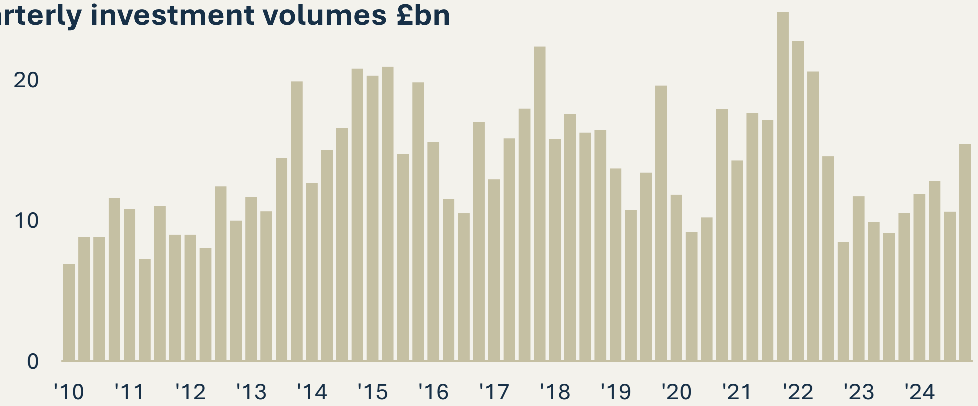
- Bond market volatility in early 2024 squeezed relative real estate pricing and increased the cost of debt.
- Gilt rates expected to decline in 2025, subject to market volatility and geopolitical uncertainty.
- Positive outlook for real estate in 2025
- A significant amount of capital is available for investment but has been limited by availability of stock at the start of the year.

5 Year Rolling Total Returns % p.a.

Range in 5yr rolling sub-sector total returns
5yr Rolling All Property Total Return



Quarterly investment volumes £bn



Source: MSCI, RCA, C&W Research

Economic Outlook

Slower economic growth, higher inflation and geopolitical factors have softened near-term forecasts.

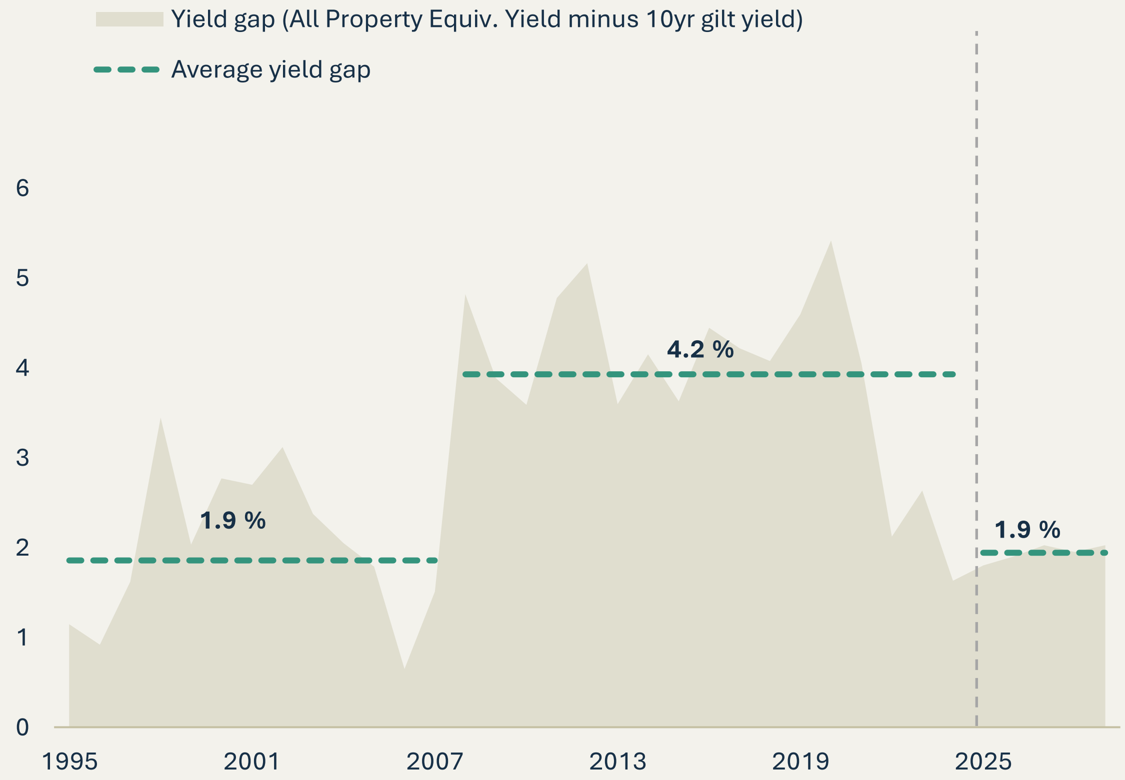
BOE Economic Forecasts

	2024	2025F	2026F	2027F
GDP Growth	0.8%	0.8%	1.5%	1.5%
CPI Inflation	2.5%	3.5%	2.5%	2.0%
Unemployment Rate	4.5%	4.5%	4.8%	4.8%
Base Rate	4.9%	4.2%	4.1%	4.0%

Economic Outlook and Impact on Real Estate Pricing

- Global headwinds, inflation risks and bond market volatility.
- The Bank of England (BOE) predict GDP will grow by 0.75%.
- CPI Inflation is forecast to rise to 3.5% in 2025; 2% target not met until 2027.
- Uncertainty over timing of rate cuts.
- Gilt yields to impact on transactions and property yields in the short term.
- Property yields forecast to remain flat as spread between yields and gilt rates has narrowed.

Property yield premium over the 10yr Gilt Yield %



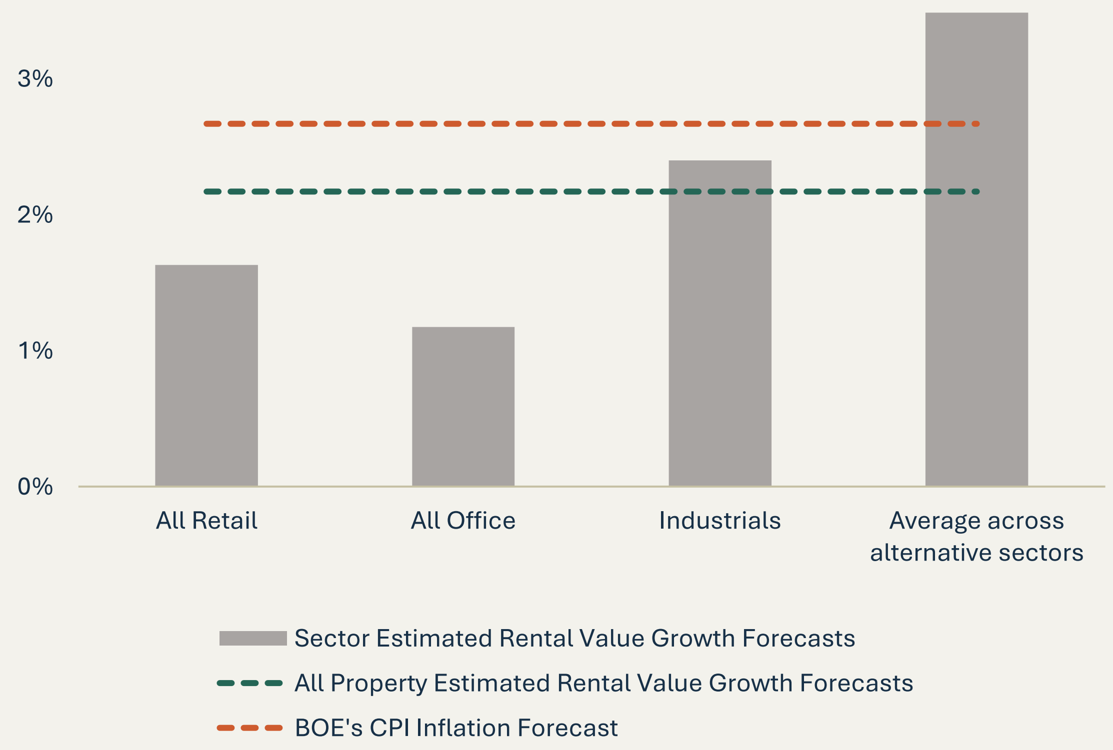
Source: BOE, PMA, MSCI, C&W Research

Property Prospects

Income will continue to be the primary driver of all property total returns over the next 5 years. Rental growth will vary by sector; the alternative and industrial sectors will offer the best rental growth prospects.

DTZ Investors 5yr All Property Forecasts (2025-2029)

DTZ Investors 5yr Rental Growth Prospects by Sector



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Source: DTZ Investors, PMA

02 LGPS Central UK Direct Property Fund Update

LGPS Central UK Direct Property Fund requirements

The UK Direct Property Fund (the “UKDPF”) investment strategy has been developed based on clear objectives and key considerations.

1. ALLOCATION

Phase 1: Build and manage a £150m diversified commercial real estate portfolio.

Phase 2: Medium term objective to grow to £500m through further acquisition.

2. INVESTMENT PERFORMANCE

Benchmark: MSCI Quarterly UK Property Total Return Index

Target 0.5% above the Benchmark on a rolling 3-year period, net of all fees and expenses.

3. ESG PERFORMANCE

Implement policies to manage ESG risks, capture opportunities, plan for Net Zero target of 2040 and comply with all environmental legislation.

STRATEGY

1) Allocate capital across **lower risk investment styles** with more than 75% of the Fund invested **Core Income, Market Growth and Active Income** investment styles;

2) Concentrate capital in **sustainable locations** in dynamic urban centres with at least 50% of the Fund invested in London and the southeast and the balance in major regional centres;

3) Mitigate credit risk through a **high level of tenant diversification** with an average tenant income exposure of less than 5%;

4) Adopt an **active approach to asset management** to enhance portfolio income while targeting **low risk lease arrangements** with an average unexpired portfolio lease term of 6-10 years and a void rate that is in line with the Benchmark of 7-8%; and

5) **Invest in flexible assets** that are capable of adaption for future alternative uses and plan for asset improvement and enhancement to meet future ESG requirements and **transition to net zero**.

Allocation Targets

At this early stage, capital is being focussed in sectors and geographies with higher relative performance expectations. The underlying assets meet our strategic targets.

Target allocation	Assets Under Management
Phase 1: £150m	Current portfolio value: £76.95m
Phase 2: £500m (over medium term)	Value at acquisition: £73.95m
	Total spend inc. costs: £78.6m

Multi-let Industrial Investments

Dec 2023

Dec 2023

Retail Warehouse Investments

Mar 2024

Oct 2024

Compliance with strategic targets

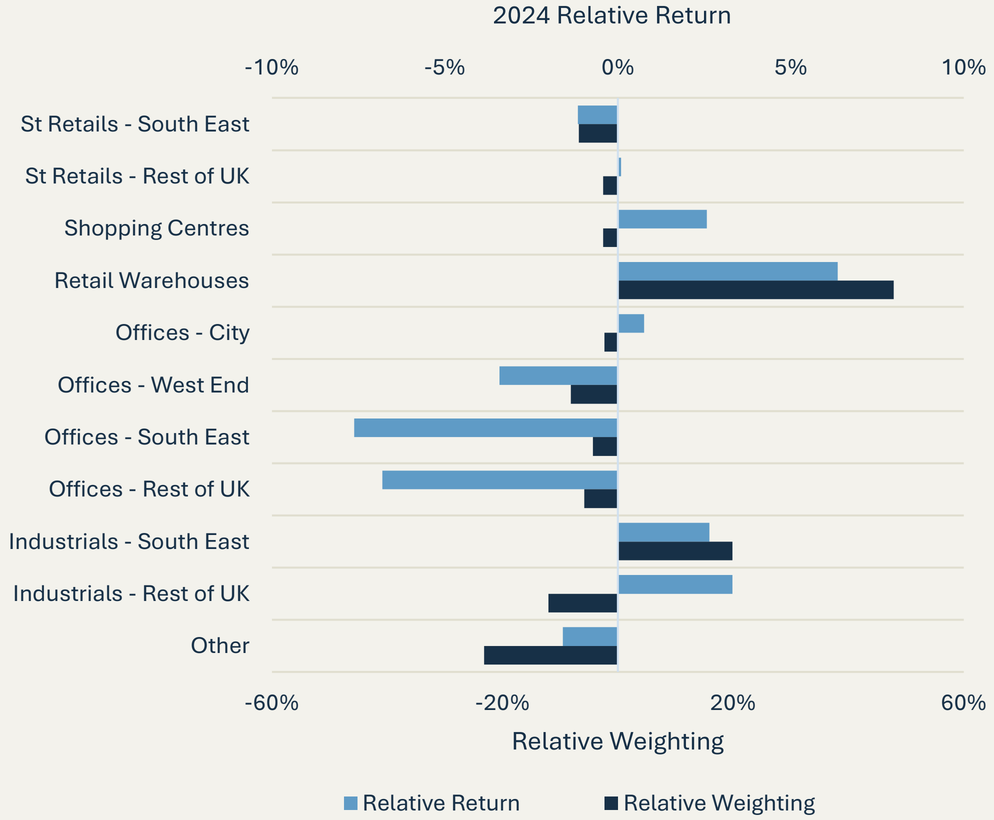
Risk profile	Lower risk investment styles
Sustainable location	Urban locations Strong tenant demand Potential alternative uses
Lease terms	Short / medium term leases
Void	0% vacancy 1 tenant in administration (equivalent to 2.9% vacancy)
Diversified income	33 tenants 8 tenants per asset
Active asset management	New leases completed New leases under negotiation
Environmental compliance	100% compliant with Minimum Energy Efficiency Standards (EPC) 65% of units rated A-C

Investment Performance

The UKDPF outperformed its Benchmark in 2024 with performance driven by allocation to higher performing sectors and asset management.

Market Performance and Relative Weightings

Fund weighting relative to the Benchmark and 2024 Benchmark sector returns relative to 2024 All Property Total Returns



Asset management wins

Clayton Business Park, Hayes, London

- Average rent at acquisition: £13 psf.
- Rent agreed post-acquisition: £24 psf.
- Uplift in rent vs the average at acquisition: 78%.

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Goodmayes Retail Park, Chadwell Heath

- Low average passing rent at acquisition: £15 psf.
- Uplift in rental tone established through recent marketing activity.
- Plans to extend lease terms underway.

ESG Performance

DTZ Investors has set a target date for Net Zero of 2040; the plan has been adopted by the UKDPF where we are identifying strategies to make improvements to meet our Net Zero targets.

DTZ Investors’ ESG Policy

Our policy is embedded at acquisition and throughout our asset management and reporting processes

<u>**Acquisition**</u>

- Identify assets that are in alignment aligned with our key Fund targets

- Undertake climate related due diligence at purchase – climate resilience, net zero audits, energy audits

<u>**Assets under management**</u>

- Asset Improvement plans identify key initiatives and realisable targets

- Asset plans are embedded throughout our management process

<u>**Reporting**</u>

- Progress is measured and monitored throughout our quarterly and annual reporting processes

03 LCC Pension Fund Portfolio Transition Update

LCC Pension Fund - Introduction

DTZ Investors is appointed to manage and maintain the LCC Pension Fund real estate portfolio alongside the Fund’s investment in the LGPS Central UKDPF.

Fund Objectives

Allocation

- New Investment: none permitted – new allocations to be invested in the UKDPF
- Sales and re-investment: assets to be sold if underperforming; proceeds re-invested in the UKDPF

Investment Performance

- Benchmarked against the UKDPF
- The Fund’s performance target is to perform in-line with the UKDPF

ESG Performance

- Portfolio to be managed in accordance with DTZ Investors’ Net Zero policy
- Compliance with environmental legislation including Minimum Energy Efficiency Standards

Fund Transition

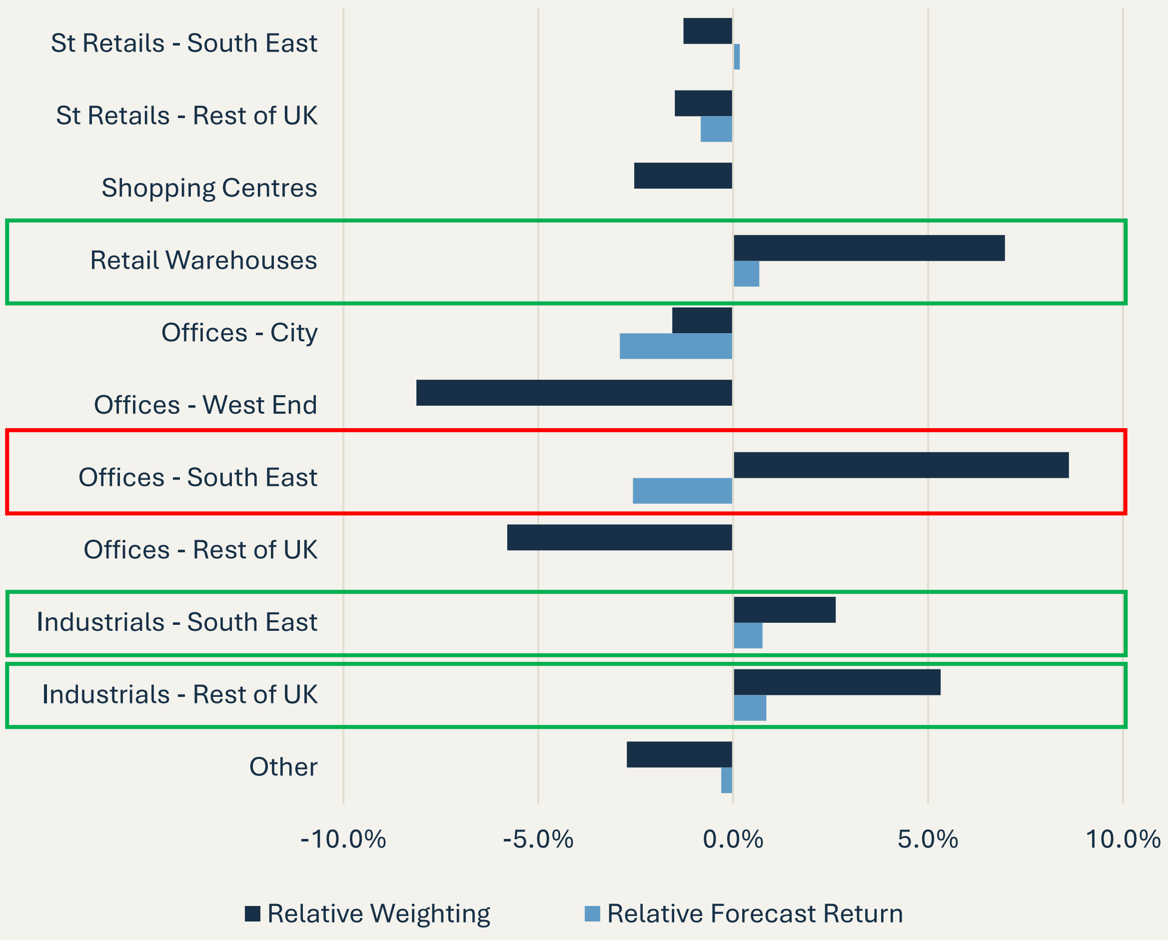
The transition of the portfolio to DTZ Investors is underway

- Formal handover undertaken on 14th February
- Rent demands issued in late February for rent collection from 25th March
- New valuers have been appointed to produce December 2024 and ongoing quarterly valuations
- Over 80% of the properties (by income) have been inspected; all will have been visited by the end March
- Q1 2025 Quarterly report to be issued in May 2025
- 2025 Fund strategy and business planning to be completed in Q2 2025

The Investment Strategy Process

The process will analyse the Fund's weightings, performance prospects and risk profile to highlight strategic priorities.

ALLOCATION – RELATIVE SECTOR WEIGHTING AND FORECAST TOTAL RETURN



PROPERTY RISK ASSESSMENT (EXAMPLE)

We have identified four early key priorities

While developing the LCC Pension Fund strategy, immediate actions will focus on maximising returns and mitigating risk.

Maximising returns

Key Priority 1: Develop the Fund Strategy	Develop strategy through portfolio risk review, forecast property returns against the Risk Adjusted Target Rate, produce asset improvement plans incorporating ESG targets.
Key Priority 2: Immediate actions to create and protect value and liquidity	Focus on ongoing high-priority issues and active management of forthcoming lease events.

Mitigating risk

Key Priority 3: Develop strategy for the leasehold estate	Understand Fund's potential liabilities at reversion to plan and manage key stakeholders, mitigating and reducing risk exposure.
Key Priority 4: Maintain environmental compliance and create ESG strategy	Immediate portfolio review of Minimum Energy Efficiency Standards and EPC compliance and pathway to Net Zero, understand flood and climate-related risks and embed green lease clauses.

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Leicestershire County Council

LOCAL PENSION COMMITTEE – 14 MARCH 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

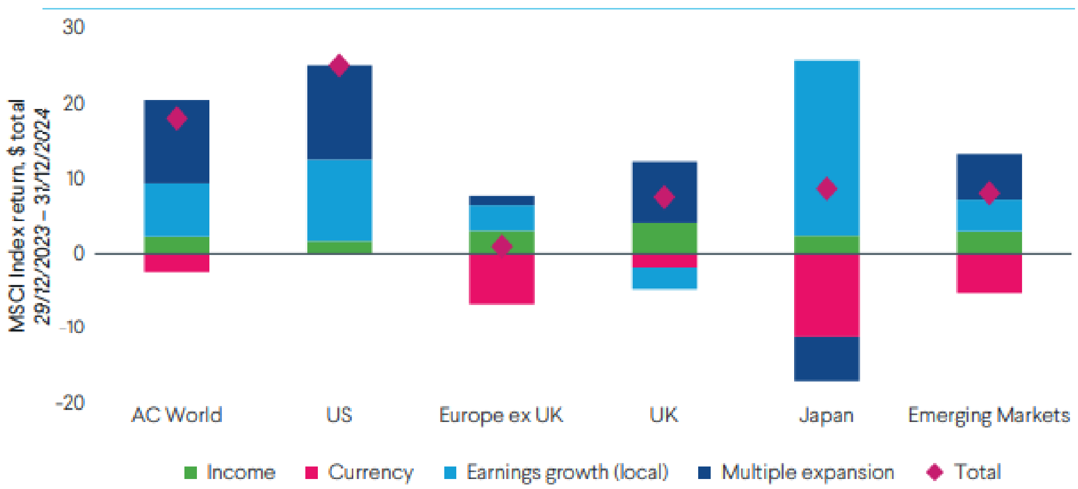
SUMMARY VALUATION OF PENSION FUND INVESTMENTS

Purpose of Report

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

Markets Performance and Outlook

2. Overall global growth and equity market performance was strong in 2024 against expectations that a repeat of 2023 was going to prove more difficult. Global growth predictions rose from 2.2% at the start of the year to 2.6% by December. Equity market performance was positive for most major markets, driven by a combination of factors as illustrated below, including multiple expansion which describes the amount per share the market is willing to pay for one unit of earnings.



3. In Q4 2024, sticky underlying developed markets inflation, strong US growth and expectations of an inflationary policy mix based on inflationary tariff talk, and continued deficit spending under President-elect Trump made markets question how far, and how fast interest rates could fall.

4. Fast forward to today and the level of cuts priced in for 2025 are two more cuts for the US bringing the rate to 3.75% from 4.0%. For the UK, which has had one 0.25% cut in 2025 to date, two more cuts are priced in during 2025 which would bring the UK base rate down to 4.0%. Whilst the world would likely welcome lower rates, central banks with their varying mandates will need to balance a multitude of data and competing forces. The table below shows a handful of developed market current rates, and inflation rates which shows that many recent interest rate moves have been lower.

Country	Interest Rate	Last Movement	Date of Last Movement	Inflation Rate	Date of Inflation Rate	Inflation Metric Used
Australia	4.10%	Down	February 2025	2.40%	December 2024	Consumer Price Index (CPI)
Canada	3.00%	Down	January 2025	1.90%	January 2025	Consumer Price Index (CPI)
Euro Area	2.90%	Down	January 2025	2.50%	January 2025	Harmonised Index of Consumer Prices (HICP)
France	2.90%	Down	January 2025	1.70%	January 2025	Consumer Price Index (CPI)
Germany	2.90%	Down	January 2025	2.30%	January 2025	Consumer Price Index (CPI)
Japan	0.50%	Up	January 2025	4.00%	January 2025	Consumer Price Index (CPI)
Sweden	2.25%	Down	January 2025	0.93%	January 2025	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	4.50%	Down	February 2025	3.92%	January 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	4.50%	No Change	January 2025	3.00%	January 2025	Consumer Price Index (CPI)

Source: tradingeconomics.com and global-rates.com

5. Ongoing disinflation lined the way for interest rate cuts from the major central banks in the quarter ending 30 September 2024. These buoyed hopes of a soft economic landing, against a backdrop of slowing, but still solid, global growth. Bonds and equities alike managed to produce positive returns in this environment as news of interest rate cuts eased any concerns of recession.

6. Against this backdrop of persistent inflation and interest rates that have stayed higher for longer than many commentators expected, global listed equity markets returned more than 20% for a second year running, pushing many markets towards all time high valuations. Echoes of the past when valuations were this high (as measured by a variety of financial metrics such as price to earnings ratios) are now common within the financial press prompting fears of future equity returns being subdued. The last four years have certainly pushed major stock indexes and by extension, valuations of pension funds with listed equity exposure higher.

Year	US: S&P 500	US: Dow Jones Industrial Average	US: NASDAQ Composite	UK: FTSE 100	France: CAC 40	Japan: Nikkei 225	Germany: DAX 30
2021	27%	19%	21%	14%	29%	5%	16%
2022	-19%	-9%	-33%	1%	-10%	-9%	-12%
2023	26%	14%	25%	10%	17%	28%	16%
2024	23%	13%	30%	10%	-2%	19%	19%
4 yr total	59%	39%	31%	40%	33%	45%	40%
4 yr CAGR	12%	9%	7%	9%	7%	10%	9%

Information taken from a variety of public internet sources

7. The bigger question is whether this level of equity performance can continue. There are commentators that can build credible arguments for both continued stock market gains and any range of more negative outcomes. For a Fund like Leicestershire's LGPS, which is well diversified across many asset classes and is 'open' with respect to continued new membership and employer participation, any shorter term negative performance should be seen in the wider context for global investment markets which have grown over longer time frames. The table below shows rolling 10 year returns for the MSCI all world equity index. Starting in 1990 to 2000 for the first 10 year performance and ending with November 2014 to October 2023 for the final point on the graph.

Highest return: 11.9% (2021)

Lowest return: -0.9% (2008)

Average return: 6.6%

8. Hymans capital markets review for the December 2024 quarter ending is appended to this report. They comment on most major asset classes performance and their prospects. A summary of the paper for a number of asset classes starting with equities is shown below.

   a. Equities:

      - Valuation Concern: Price-to-earnings multiples have increased significantly; cyclically adjusted P/E ratios are particularly elevated in the US.
      - Earnings Outlook: Forecast real earnings growth for MSCI World of 12% in both 2025 and 2026 points to a solid fundamental backdrop.
      - Market Concentration: US makes up almost 70% of global market capitalization; top 10 stocks comprise nearly 40% of the S&P 500.
      - Hymans capital markets view: Consider alternatives to market-cap-based exposure, such as equally weighted or multi-factor approaches.

   b. Government bonds:

- Yield Environment: 10-year nominal gilt yields at 4.6% pa (end of December), over 1.0% pa higher than start of 2024.

- Supply Concerns: Challenging technical backdrop with increased issuance and BoE selling gilts from its Asset Purchase Facility.

- Inflation Premium: 10-year gilt-implied inflation of 3.5% pa versus 10-year forecast inflation of 2.5% pa suggests substantial inflation risk premium.

- Hymans capital markets view: Current yields are above long-term consensus forecasts for UK nominal growth, offering reasonable value.

c. Corporate credit:

- Spreads: Credit spreads (difference in yield between a corporate bond and government bond for the same timeframe) tightened throughout 2024, ending near historic lows in both investment and speculative-grade markets.

- Fundamentals: Interest coverage remains healthy but likely to come under pressure as debt is refinanced at higher rates.

- Default Concern: Leveraged loan market defaults reached 7.4% in the 12 months to end November 2024.

- Hymans capital markets view: Overweight gilts versus investment-grade corporate credit; within credit, favour short-dated credit and asset-backed securities.

d. UK Property:

- Recent Performance: MSCI UK Property Total Return Index up 5.4% in the 12 months to November 2024. Driven mainly from income returns.

- Capital Values: Declines moderating; office sector still falling but industrial and retail sectors seeing increases.

- Market Fundamentals: Improvement in occupier demand, rent and capital-value expectations; reduced availability and fewer inducements.

- Yield Outlook: Property yields substantially above their June 2022 low; reversionary yields suggest scope for capital value appreciation.

- Hymans capital markets view: Less cautious outlook than previous quarters despite challenging technical backdrop.

9. A summary of global asset class performance over various time frames as at quarter end 31 December 2024 is shown below. Gold having, had a good run through the year, is showing returns over 10% per annum over the last five, ten and twenty years. As previously mentioned global equity and in particular US equity had a good quarter and ended the year with big gains compounding gains made in 2023.

		Return	Annualised Total Returns to 31/12/24 (GBP unless stated)					
Asset Class	**Sub Asset Class**	**3 Months**	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**20 Years**	**Since Valuation***
Equity	Global	5.9%	19.5%	8.7%	11.7%	12.2%	10.6%	10.5%
	US	9.7%	26.7%	11.8%	15.8%	15.6%	12.7%	13.7%
	UK	-0.4%	9.7%	5.7%	4.7%	6.1%	6.9%	6.0%
	EM (USD)	-6.3%	12.4%	0.6%	3.3%	4.6%	6.7%	2.7%
Fixed Income	US Investment Grade	2.8%	3.1%	-0.6%	1.1%	4.7%	6.4%	1.5%
	US Non Investment Grade	7.2%	10.0%	5.5%	4.7%	6.9%	7.6%	6.6%
	UK Investment Grade	-2.7%	-2.5%	-7.6%	-4.0%	0.0%	2.9%	-5.8%
	European High Yield (EUR)	1.8%	8.6%	2.5%	2.7%	3.7%	5.9%	4.6%
	Emerging Markets	-2.0%	6.7%	-2.0%	-0.9%	2.1%	5.0%	1.7%
	UK Gilts	-3.1%	-2.4%	-8.6%	-4.7%	-0.5%	2.6%	-6.8%
	UK Index Linked Gilts	-6.0%	-8.3%	-14.8%	-6.5%	-0.5%	3.6%	-14.3%
Cash	Cash	1.2%	5.5%	3.8%	2.5%	1.7%		4.2%
Other	Gold	6.5%	28.5%	15.8%	12.9%	10.7%	11.7%	13.7%
	Cat Bonds	11.1%	19.2%	14.3%	10.2%	8.7%	9.8%	14.2%

		Return	Annualised Total Returns to 30/9/24 (USD)					
Asset Class	**Sub Asset Class**	**3 Months**	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**	**Since Valuation***
Private Markets	Private Equity	0.7%	5.8%	5.6%	14.4%	14.0%	14.6%	3.4%
	Private Credit	1.7%	8.8%	7.9%	9.2%	8.4%	9.9%	7.3%
	Real Estate	0.1%	-2.1%	3.2%	5.7%	8.2%	9.0%	-1.1%
	Infrastructure	1.4%	8.3%	11.1%	9.5%	9.6%	9.6%	8.9%

Source: Bloomberg for listed markets, last valuation date 31 March 2022.

Portfolio changes in the quarter ended December 2024

10. There have been no material changes to the portfolio since the end of 2024 other than the usual calls from commitments made to private market investments.

11. The net effect on cash, quarter on quarter, has been an increase from £456million to £517million. Further information on the cash position is given from para 14 below.

Strategic Asset Allocation (SAA) 2025

12. The annual meeting of the Local Pension Committee on 31 January 2025 was attended by representatives from Hymans Robertson who presented the proposed changes to the SAA alongside a review of the performance of the Fund.

13. The proposals were approved and the changes to allocations are described below, a fuller paper is included within the background papers link.

    a. Listed equity: An increase to 41% of total fund assets was approved for listed equity. The 2024 SAA target was 37.5% with a current allocation as at 31 December 2024 of 42.9%. This is within the rebalancing policy range.

    b. Property: A reduction to the property allocation to 7.5% of total Funds assets was approved from the current 10% target. The Fund has had an underweight position to property for a number of years and the current allocation at 31 December 2024 is 7.3% of total Fund assets.

c. Private credit: The final one of the three proposals from Hymans was a small reduction to the private global credit allocation from a 10.5% allocation to 9.5%. The Fund is currently underweight to this asset class at 31 December 2024 with 7.0% of total Fund assets. Existing commitments have been made and at the time of writing total over £400million.

Cash holdings and outstanding commitments

14. The level of cash held by the Fund is higher than the Strategic Asset Allocation (SAA) limit of 0.75% of total Fund assets. This, alongside a cash flow is presented to the Investment Sub-Committee (ISC) each quarter. At the quarter end the Fund held £517million (£456m last quarter) in cash and an additional £46million (£90million last quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 8.5% (8.4% last quarter) of total Fund assets.

15. The additional cash is as a result of SAA recommendations in 2022 and 2023 which prompted a switch from liquid assets, although some switch has been reduced as part of the 2025 SAA review. As described earlier in this paper there is a large amount of commitments outstanding awaiting to be called for infrastructure, private credit and property asset classes.

16. These illiquid assets take time for money to be invested (called) by the underlying managers. In the meantime, the majority of the Funds that would be used to satisfy calls are held within cash which includes the use of money market funds and fixed deposits.

17. The Fund has made relevant commitments to the underlying mangers which are in the process of being called and at the time of writing there are commitments totalling around £900million waiting to be called, with over £700m of that amount being allocated to LGPS Central products. In addition, the Fund has approval to commit a further £260million to Central products in 2025 and 2026 across infrastructure asset classes. £280million was committed to two LGPS Central private debt vintages during the final quarter 2024.

18. Over the financial year 2024/25 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; MMFs, term deposits and certificates of deposit, the final two having maximum terms of one year.

19. At the time of the Committee meeting. the Fund is expected to have cash holdings of around £475million split between MMFs and fixed term deposits. The Fund, at the time of writing has £325million invested in fixed deposits with a weighted average interest rate of 4.65% (was 4.95% at the last update) with an average term to maturity of 3.2 months.

20. A cashflow forecast for the Fund estimates that cash should reduce gradually over the calendar year towards £250million. The reduction in cash is dependent on a number of factors:

    a. The speed at which the significant commitments already made by the Fund are called.

b. The pace at which closed ended funds return capital, in particular private equity, private credit and infrastructure funds.

c. The pace at which investments into the LGPS Central MAC fund are made. The Fund has a £175million underweight position within this fund. The decision to restart investments into this fund will recommence once the LGPS Central review into the multi manager strategy is concluded. The decision to pause investments into this fund and the rationale was included within the last Local Pension Committee meeting paper. Without the pausing of this investment the cash position was planned to be c£175million lower at the end of the current financial year.

21. Although little time has passed in order to align to the 2025 SAA, which was approved at the January 31 2025 meeting of the Local Pension Committee, a table below shows the current position of the Fund's actual investments against the new 2025 targets.

22. Approvals or planned approvals and expected cashflows to the end of 2025/26 is also shown in the tables below. The 'commitments / investments approved' will be called over a number of years whilst the cashflows column shows expected movements until 31 March 2026. In summary, the Fund is overweight cash, marginally overweight growth assets and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called.

	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to SAA weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Growth	3,554	53.5%	53.7%	0.2%	16	75	-179	-88	1.3%
Income	2,048	38.5%	31.0%	-7.5%	-497	1,024	-154	373	-5.6%
Protection *	493	8.0%	7.5%	-0.5%	-36	0	9	-27	0.4%
Cash	517	0.0%	7.8%	7.8%	517				
	6,612	**100.0%**	**100.0%**						

** includes hedge collateral at 0.75% of total fund assets*

Growth	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Listed Equity	2,840	41.00%	43.0%	2.0%	129		-129	0	0.0%
Targeted Return Funds	324	5.00%	4.9%	-0.1%	-7			-7	-0.1%
Private Equity	390	7.50%	5.9%	-1.6%	-106	75	-50	-81	-1.2%

Income	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Infrastructure	680	12.50%	10.3%	-2.2%	-146	340	-30	164	2.5%
Global private credit	463	9.50%	7.0%	-2.5%	-165	458	-120	174	2.6%
Property	484	7.50%	7.3%	-0.2%	-12	51	-4	35	0.5%
Global Credit - liquid MAC	420	9.00%	6.4%	-2.6%	-175	175		0	0.0%

Protection	31/12/24 £m	2025 SAA	31/12/24 Actual weight %	Difference, actual to 2025 SAA	£m to target weight	Commitments / investments approved	to 31/3/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
Inflation linked bonds	219	3.50%	3.31%	-0.2%	-13			-13	-0.2%
Investment grade credit	165	3.25%	2.50%	-0.8%	-50	50		0	0.0%
Short dated IG credit	63	0.50%	0.95%	0.5%	30			30	0.5%
Active currency hedge	46	0.75%	0.70%	-0.1%	-4			-4	-0.1%

Cash	517	0.00%	7.8%	7.8%	517				

Overall Investment Performance

23. Investment performance analysis over various time frames to the period quarter ending 31 December 2024 is conducted by Hymans Robertson (Hymans), the Fund's Investment Advisor. Hymans collate information directly from investment managers and calculate performance, which provides an independent check of valuations. The valuation summary is included within the exempt part of today's agenda together with the managers reports.

24. 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.

25. Summarised returns for the whole Fund versus benchmark are shown below excluding the effect of the hedging facility.

	Quarter	1yr	3yr pa	5yr pa
Total Fund	+1.8%	+8.6%	+4.1%	+6.6%
vs benchmark	-1.6%	-3.5%	-1.5%	-0.4%

26. It is important to note that investment returns can be negative in absolute terms and for a protracted period, and chances of negative returns over shorter periods of time are considerably higher than over longer periods of time. At present the returns over timeframes versus the benchmarks have turned negative, and this is partly due to the change of benchmarks through 2024 where existing comparisons were replaced with comparisons which more accurately reflect the risk being taken. In most cases this

made the attainment of the benchmark more difficult, for example, the moving of the private equity benchmark from FTSE all world to FTSE all world plus 3% pa.

27. Over the one-year period the effect of cash plus benchmarks has made attainment of the overall benchmark harder, together with the effect of a second year of interest rates over 4%. Many of the Fund's benchmarks are measured against cash plus a margin of three to four percent which includes many infrastructure funds, the Ruffer and Fulcrum funds, and most of the private credit funds for example.

28. Splitting the longer-term returns (3 year and 5 year) by the three asset groups shows that the adverse returns to the benchmark are driven by both the growth and income asset groups that make up much of the Fund's assets. The protection assets which make up a smaller proportion of the Fund's assets has a favourable variance. It is worth noting that this favourable variance is against a protection asset group benchmark return which is -8.3% over 3 years and -3.0% over 5 years. The performance of the asset groups is illustrated best in the table below.

Asset group	Target weight 2025 SAA	3 year actual pa	3 year benchmark pa	Difference pa	5 year actual pa	5 year benchmark pa	Difference pa
Growth	53.5%	6.5%	8.6%	-2.1%	9.5%	10.0%	-0.5%
Income	38.5%	3.3%	4.8%	-1.5%	4.0%	4.9%	-0.9%
Protection	8.0%	-8.2%	-9.3%	+1.1%	-2.5%	-3.0%	+0.6%

<u>Private Equity (PE) review:</u>

29. Private equity describes an investment class which consists of capital that is not listed on a public exchange, for example, the London Stock Exchange or New York Stock Exchange. Private equity funds, formed by investment managers raising funds from institution like pension funds, sovereign wealth funds and other discretionary investment managers, invest directly in private companies, or engage in buyouts of public companies, resulting in the delisting of the company from a public exchange.

30. Given the riskier nature of investing in unlisted or newer companies, returns from private equity should be higher compared to listed index equity investing such as buying the FTSE 100 index or S&P 500 index. As such the benchmark the Fund uses to assess investment returns for PE adds 3% per annum to a public market index.

31. Investment management costs are considerably higher than a passive or active listed equity investment. In addition, performance fees for meeting a target investment return percentage per annum is commonplace and so the returns need to reflect the significantly higher cost.

32. Typical net returns have been in the range of 12%-18% per annum for buyout funds (funds which raise capital to acquire majority stakes in companies) and 8%-20% per annum for venture funds (funds which raise capital for investment into earlier stage companies). The larger variation in returns represents the higher risk from investing in early-stage companies and is not uncommon for 30% of the companies being invested in to fail completely.

33. Some of the successful companies seen on the public listed stock markets today were once invested in by venture capital funds. Early-stage investors will have made very large returns when those companies were eventually exited. For example, Meta (was facebook) will have returned around 100 times the investment for early investors in 2005.

34. The Fund currently has a framework for investing in PE which aims to spread the risk by allocating ranges to geography (where the companies are physically headquartered), lifestage and type of origination channel. This framework is reviewed before making new commitments to PE to ensure the eventual shape of the PE portfolio is within the ranges and not exposed to any particular risk.

35. The last commitment made to PE was a £40million commitment to the LGPS Central 2023 PE vintage in September 2024. This was the second commitment to this fund which bought the Fund's overall commitment to £80million.

36. The Fund's private equity (PE) holdings are split across three managers. The target weight being 7.5% of total Fund assets.

Fund	Current valuation £million	Current weight	Since inception net returns
LGPSC PE 2018 vintage	9.1	0.1%	10.4% (May 2019)
LGPSC PE 2021 vintage	7.8	0.1%	Too early
LGPSC PE 2023 vintage	2.8	0.0%	Too early
Adams Street Partners (ASP)	347.0	5.2%	13.6% (March 2016)
Patria Secondaries Opportunities Fund 3	22.2	0.3%	18.3% (Sept 2019)
Total PE	**388.9**	**5.9%**	**14.0% (March 2016)**

Note that the performance information dates only as far back as March 2016 from the Funds provider. ASP's supplied information shows net 12.26% pa returns for all vintage since inception

37. As at 31 December 2024 the actual weight was 5.9% and therefore circa £100m underweight to the target. The Fund does have substantial uncalled commitments of over £160million across both ASP and LGPS Central investment products which will be called over time.

38. However, the Funds existing portfolio of investments will be returning capital to the Fund as older investments are exited. This is the case for the ASP portfolio which dates back to 2002 when the first investment was made and as such many vintages are now at any age where underlying investments are being realised. ASP are a fund of funds manager meaning that they act as a one stop shop where investors such as the Fund can access a spectrum of PE managers covering all areas of the PE universe. As such investing within one vintage of ASPs global fund provides access to multiple geographies and covers various life stages such as venture, growth and buyout funds.

39. The Fund's last commitments to PE were presented and approved at the July 24 2024 meeting of the ISC where a £40million investment to the LGPS Central PE 2023 and $50million investment to the ASP global funds 2024 programme was approved.

40. Officers have been in contact with LGPS Central with regard to a new vintage. Planning has commenced and partners will be consulted in order to build a product that meets the needs of the individual partners. If a new product can be built, then it is likely a proposal will be bought to a LPC or ISC meeting in the second half of 2025.

Pooling progress

41. The Government's ambition is to have all investments pooled by 31 March 2026. Whilst this is feasible there is a lot of uncertainty across administering authorities

surrounding other proposals. In addition, each pool has been asked to provide a plan to the Government on how the main proposals will be achieved. LGPS Central have built the plan in consultation with the partner funds which has been submitted by the deadline at the end of February 2025.

42. At the time of writing there has been no feedback received from Government in relation to the Fund's fit for the future consultation (FFTF) which was submitted in January 2025. At present there is no indication on a date when feedback will be received. There will likely be continued communication between the Pools and MHCLG. The Pool communicates with officers on a regular basis and any updates will be reported to the Local Pension Committee at the next meeting which is scheduled for 27 June 2025.

43. The Fund's current pooled total is £3.9billion or 58.3% of total fund assets. The Legal and General (LGIM) passive equity investments are now classed as pooled under an advisory agreement. This has allowed the Fund to add c£1.2billion to the pooled amount. The actual advisory agreement was completed in January 2025.

44. The Fund, as mentioned earlier on this paper, has around £700million in uncalled commitments to LGPS Central products. This represents 11% of the current valuation of the Fund. In addition, the Fund also has £260million in approvals to Central infrastructure funds adding a further 4% which will be formally committed in equal amounts during 2025 and 2026 as long there no issues identified within the two LGPS Central infrastructure funds.

Investment Sub-Committee (ISC) approval

45. The ISC met on the 2 October 2024 to consider a proposal to invest in a bank risk share investment. The investment advisor had considered a number of ways to maintain exposure to this asset class and recommended to the LPC a £40million commitment to the existing managers' Capital Relief fund 6, pending satisfactory legal due diligence. This legal due diligence has now been completed and as such, relevant know your customer (KYC) and subscription forms will be completed by the Fund.

Leicestershire Pension Fund Conflict of Interest Policy

46. 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

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

Environmental Implications

48. 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

49. 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 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

50. 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 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.

Background Papers

Local Pension Committee 31 January 2025, Overview of the Current Asset Strategy and Proposed 2025 Asset strategy – item 130:
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986&Ver=4

Investment Sub Committee 24 July 2024, Review of the Leicestershire LGPS cash update and Private Equity top up:
https://democracy.leics.gov.uk/documents/s184319/Cash%20update%20PE%20top%20up.pdf

Appendix

Hymans Robertson, Capital Markets update Winter 2025

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HYMANS ROBERTSON

Capital Markets Update

Winter 2025

In Q4, sticky underlying inflation, strong US growth and expectations of an inflationary policy mix under President-elect Trump made markets question how far – and how fast – interest rates will fall.

Sovereign bond yields jumped in Q4, ending the year significantly higher. Meanwhile, hawkish rhetoric from the US Federal Reserve (Fed) tempered equity gains in December. Nonetheless, the FTSE All World Total Return Index still rose over 20% in 2024, while credit spreads ground tighter, ending the year at historic lows.

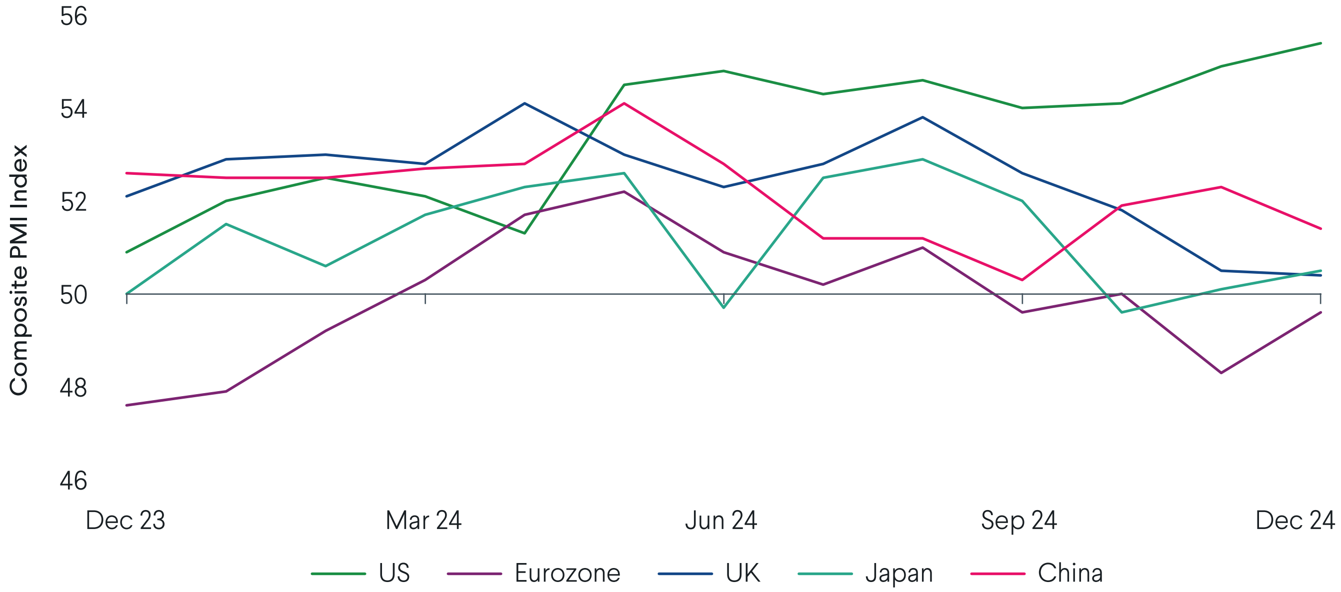
Global themes

Global growth confounded expectations again in 2024. Forecasts for full-year global growth have steadily risen from 2.2% in January to 2.6% in December, only slightly below post-Global Financial Crisis averages.

To an extent, loose fiscal policy has offset tight monetary policy. Nowhere is this truer than in the US, where government spending has supported robust, above-trend US growth, with weaker growth elsewhere. Global manufacturing weakness continues to weigh on the eurozone economy, which has faced the dual threat of tepid Chinese demand for exports and increased competition from low-cost imports due to excess production in China. Meanwhile, UK growth deteriorated sharply in Q3 from the robust pace registered in H1 2024. And Chinese growth was subdued relative to its own standards as ongoing property market weakness weighed on consumer and business confidence.

Expected tax cuts and deregulation under President-elect Trump support near-term global growth. Huge fiscal and monetary stimulus in China, as the economy battles chronically weak domestic demand and deflation concerns, potentially lends upside risk to near-term forecasts there too. Indeed, J.P. Morgan's Global Composite Purchasing Managers' Index, which aggregates activity across the global manufacturing and service sectors, suggests the pace of global growth accelerated in Q4 (Chart 1). However, the survey also highlights marked regional and sectoral dispersion: the US has been responsible for much of the recent upturn, while buoyant service-sector activity stands in stark contrast to stagnating manufacturing activity.

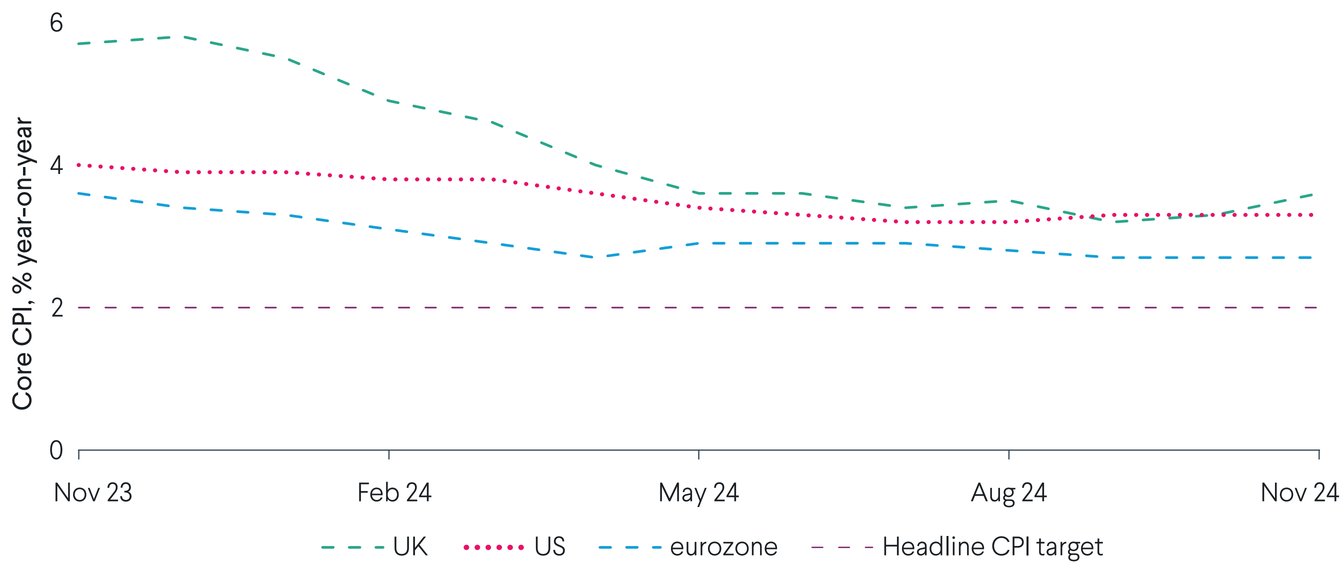
Chart 1: Survey data suggest US economic outperformance will continue in the near term



Source: Bloomberg

Ongoing disinflation prompted interest-rate cuts from the major central banks in 2024. The European Central Bank and the US Fed both lowered rates 1.0% pa, to 3.0% pa and 4.25–4.5% pa, respectively. Amid evidence of more stubborn underlying inflation pressures, the Bank of England (BoE) cut rates a smaller 0.5% pa, to 4.75% pa. With core inflation still running above target (Chart 2), and wages growing strongly, the Fed and BoE are likely to proceed cautiously. Indeed, tax cuts and tariffs lend upside risks to US inflation, while higher energy prices and the effects of fiscal loosening announced in Labour's October budget fed into forecasts for UK headline CPI to rise to around 3% year-on-year in 2025.

Chart 2: Core inflation, which excludes volatile energy and food prices, remains stubbornly above target



Source: Datastream

However, real interest rates above long-term real growth forecasts look restrictive, leaving scope for policymakers to lower rates. Market expectations have also shifted to anticipate a gradual approach from central banks, pricing in barely two 0.25% pa cuts from the Fed and BoE in 2025 – much more reasonable than the six to seven cuts expected at the start of 2024.

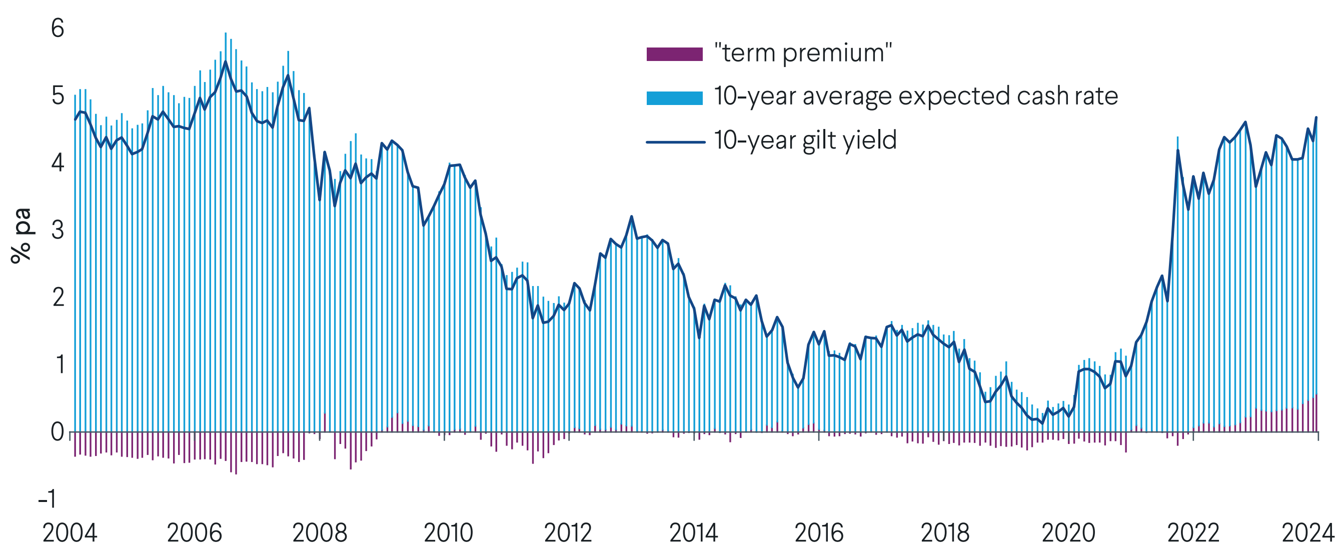
In summary, global growth is expected to maintain its solid, albeit unspectacular, pace of 2.6% in 2025, remaining around that mark over the next few years. And US economic outperformance is expected to continue among the major advanced economies. However, stronger US growth, alongside tariffs and lower migration, may stoke inflationary pressures, resulting in a slower pace of rate cuts. Uncertainty has increased, and rising trade tensions, higher US treasury yields and a stronger dollar could pose headwinds to global growth over the medium term.

Government bonds

Gilt yields rose significantly in Q4, in tandem with global yields, but the UK Autumn Budget added further impetus. The larger-than-expected increase in borrowing announced in the budget adds to an already challenging technical backdrop for gilt markets. Issuance is increasing at a time when the BoE is selling gilts acquired through its Asset Purchase Facility (APF), while demand from private sector defined benefit pension schemes is waning.

And while the shift in the government's debt target to Public Sector Net Financial Liabilities is a positive step, allowing greater borrowing to fund investment, the government used far more of the headroom created than markets expected. This leaves little room for slippage against forecasts and raises the risk of higher gilt issuance in the future. As a result, term premia (the additional amount required by investors to hold a long-term instrument versus a short-term deposit) have risen (Chart 3).

Chart 3: The market is pricing in cash rates staying higher for longer, and term premia have risen



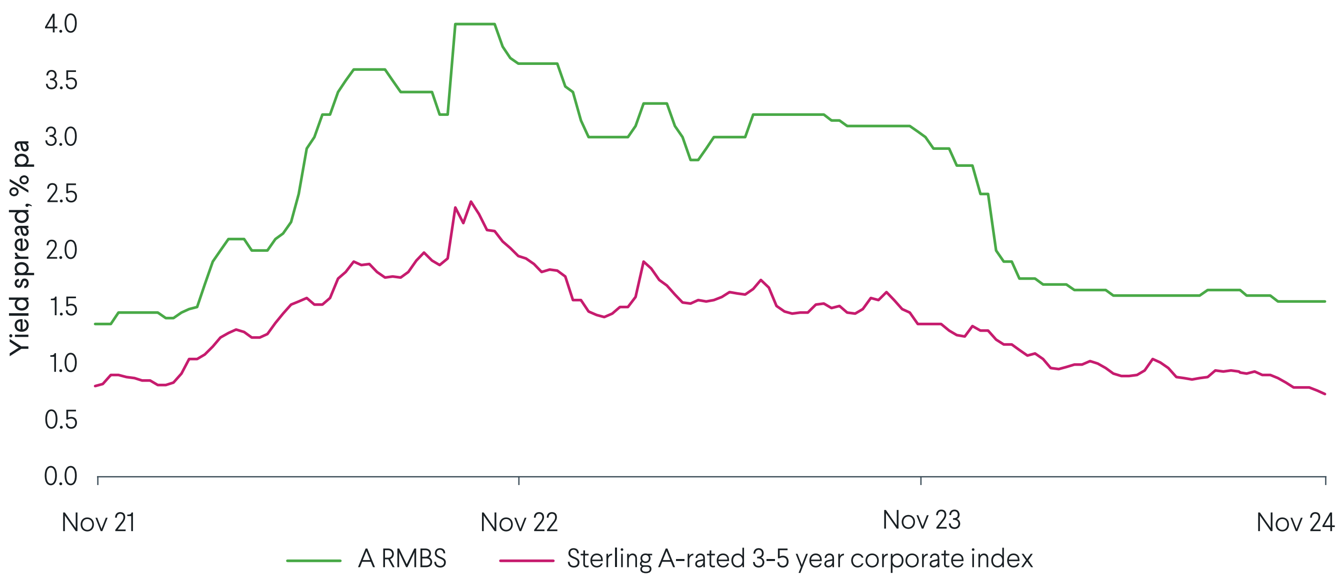
Source: Bank of England, Hymans Robertson

That said, gilt yields already discount a degree of risk posed to inflation and issuance by higher government spending. At 4.6% pa at the end of December, 10-year nominal gilt yields are over 1.0% pa higher than at the start of 2024 and well above long-term consensus forecasts for UK nominal growth, which inform our assessment of long-term fair value. Furthermore, 10-year gilt-implied inflation of 3.5% pa versus 10-year forecast inflation of 2.5% pa, based on RPI till 2030 and CPI thereafter, suggests there is a substantial inflation risk premium already embedded in market pricing.

Credit

Credit spreads continued their year-long grind tighter in Q4, ending 2024 close to historic lows in both investment- and speculative-grade markets. Amid strong yield-driven demand, we think spreads already more than reflect the decent fundamental backdrop. Interest coverage – or the number of times earnings cover debt interest, a key debt affordability metric – has fallen from post-pandemic highs, but it is healthy in both the investment- and speculative-grade fixed-rate credit market. However, it's likely to come under further pressure as debt is refinanced and effective interest rates move higher. In the leveraged loan market, where higher rates were passed on more quickly to highly indebted borrowers, defaults reached 7.4% in the 12 months to end November, as high as they have been since the Covid-19 pandemic.

Chart 4: ABS bonds continue to offer a premium versus similarly rated corporate credit



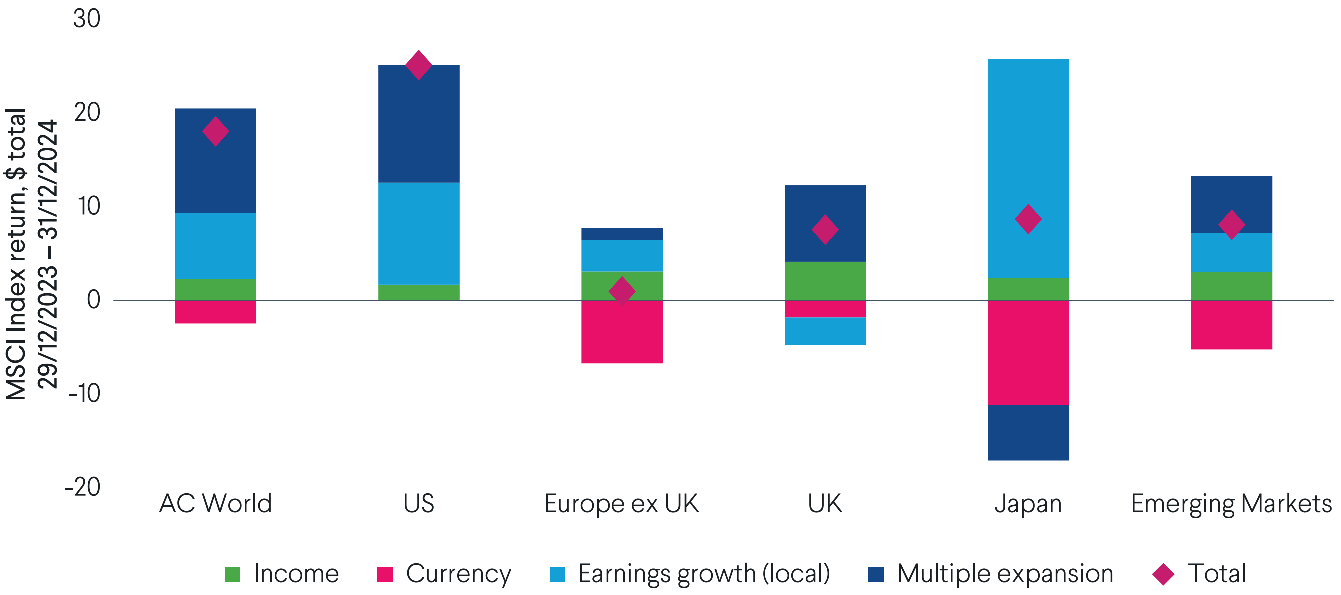
Source: Citivelocity, ICE Index Platform

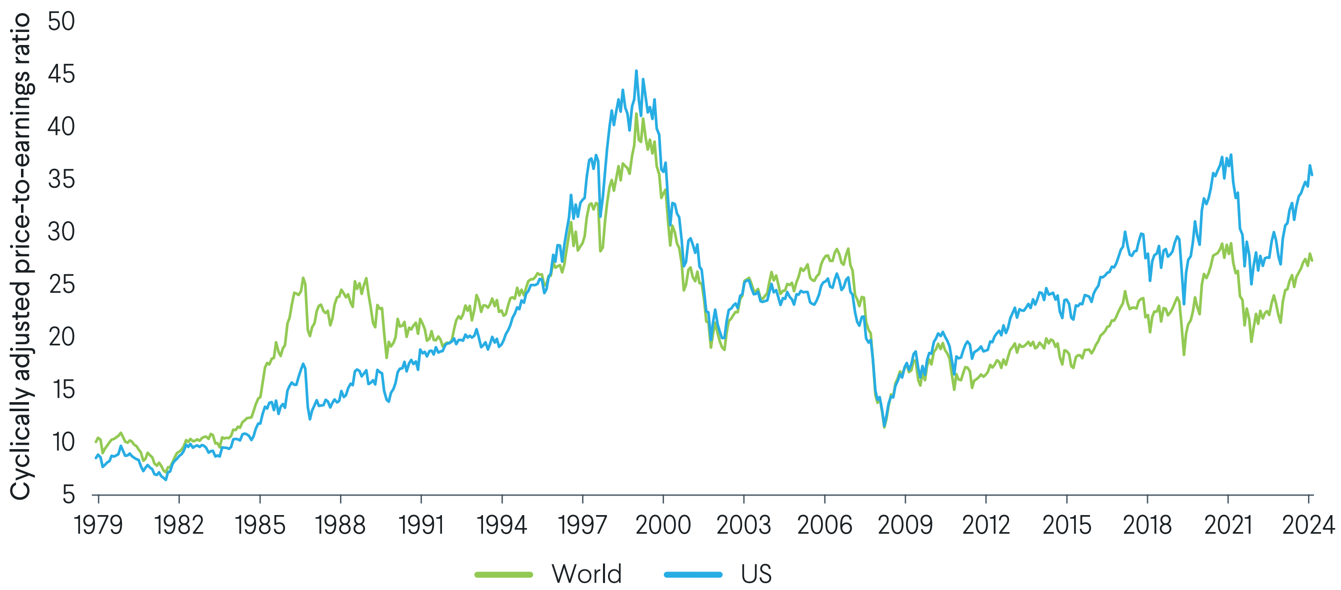
We believe attractive credit yields reflect elevated underlying risk-free rates and would currently be overweight gilts versus investment-grade corporate credit in our high-quality bond portfolio. At current levels, the risks to spreads, and excess credit returns, look increasingly asymmetric. Within credit, we would be overweight short-dated credit and asset-backed securities (ABS) versus benchmark investment grade, as ABS bonds continue to offer a reasonable spread premium over similarly rated corporate credit. Also, the capital values of shorter-dated assets, with lower spread duration, are less susceptible to spread widening. Should spreads widen, maturing cashflows from short-dated assets can quickly be re-invested at attractive levels without having to realise negative mark-to-market moves.

Equities

Hawkish comments following the Fed's December rate cut caused global equities to hand back some of their Q4 gains in December, but the FTSE All World Total Return Index still ended the year up 20.6%, in local-currency terms. While some of that gain owes to earnings growth (Chart 5), share prices have risen by far more than earnings, causing price-to-earnings multiples to increase. Meanwhile, above-trend earnings mean cyclically adjusted price-to-earnings ratios are even higher, particularly in the US (Chart 6). We do not suggest a slump is imminent. Indeed, forecast real earnings growth for the MSCI World of 12% in both 2025 and 2026 points to a solid fundamental backdrop. However, lofty expectations leave scope for greater disappointment, and the tailwind of multiple expansion may become a headwind for medium-term returns.

Chart 5 & 6: Share prices have risen by more than earnings, and valuations are elevated versus history





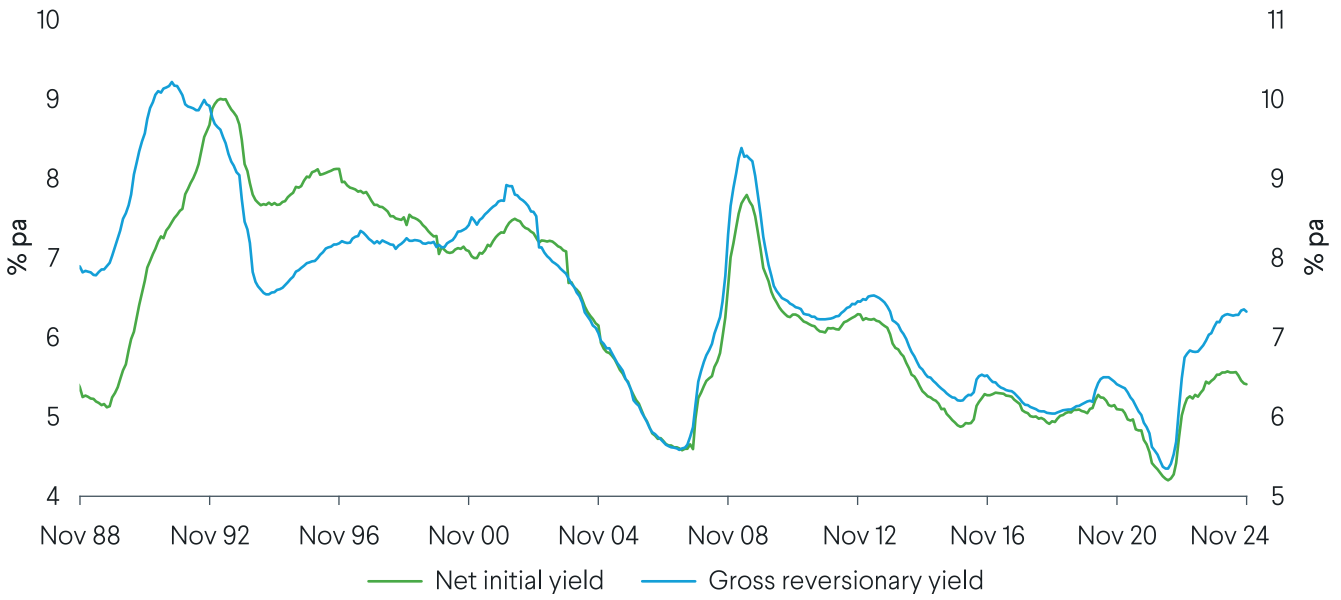
Source: Datastream

US outperformance in recent years, particularly that of the 'Magnificent Seven' tech stocks, means the concentration of global equity markets has increased: the US makes up almost 70% of global market capitalisation and, given the relatively narrow market leadership within the US, the top 10 stocks make up almost 40% of the S&P 500. Relatively strong economic growth, alongside tax cuts and deregulation under Trump, might be fair challenges to being underweight the US in the near term, but, historically, steep rises in concentration have tended to unravel, with equal-weighted indices subsequently outperforming their market-cap comparators. We think now is a good time for investors to revisit their equity exposures and consider the role alternatives to market-cap-based exposure, such as equally weighted or multi-factor approaches, can play in their global equity portfolio.

Property

The 12-month change in the MSCI UK Property Total Return Index edged up to 5.4% in November as declines in capital values moderated. Capital values continue to fall in the office sector month on month, but, given rises in industrial and retail capital values, the aggregate decline eased to 0.5% over the 12 months to end November. The redemption pressure on several UK pooled funds highlights how challenging the technical landscape has been over the last couple of years. Investment volumes have been improving but remain below 5- and 10-year averages, which themselves have been weighed down by the pandemic and the sharp fall in transaction activity that followed.

Chart 7: UK commercial property reversionary yields suggest there may be scope for further capital appreciation



Source: MSCI UK IPD

Nonetheless, we've become less cautious on commercial property over the last couple of quarters. UK commercial property market fundamentals have improved. The latest survey by the Royal Institute of Chartered Surveyors cited improvement in occupier demand as well as rent- and capital-value expectations, while availability and inducements declined. And decent, if unspectacular, economic growth is likely to support slower but still-healthy real rental growth, which has been positive for the last 10 months. Furthermore, property yields are substantially above their June 2022 low, and reversionary yields suggest there is scope for capital value appreciation ahead.

Conclusion

Global growth confounded expectations in 2024, and the prospect of more fiscal stimulus in the US and China could support growth in the near term. However, rising trade tensions, slower interest-rate cuts and a stronger US dollar might weigh on medium-term growth.

The supply-demand imbalance has deteriorated in the UK gilt market, but term premia have risen, and nominal gilts offer a reasonable inflation risk premium. If growth and inflation were to weaken more than expected, gilts could provide substantial upside, given current yields.

Historically low credit spreads make us cautious on credit. In high-quality bond portfolios, we would be underweight investment-grade credit versus gilts. We're even more cautious on speculative-grade bonds, where spreads are still tighter relative to their own history.

Strong earnings growth is supportive of equities in the near term, but elevated valuations already reflect a lot of good news. Given wide dispersion in valuations by region, sector and factor, however, there may be opportunities to diversify exposure within equity markets.

Despite a still-challenging technical backdrop, the outlook for property has improved. The correction in capital values looks well advanced, growth should support slower but still-positive real rental growth, and yields have risen towards our assessment of neutral.

Important Information

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Leicestershire County Council

LOCAL PENSION COMMITTEE – 14 MARCH 2025

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 2025 (Appendix A);
    b. The Fund's quarterly voting report (Appendix B) and stewardship activities.

Policy Framework and Previous Decisions

2. 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.

3. This is enshrined in the Fund's Investment Strategy Statement, as well as the approach to climate related risk and opportunities within the Net Zero Climate Strategy, both approved by the Committee on 3 March 2023.

4. 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

5. 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.

6. 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

7. The Local Pension Committee approved the RI Plan in January 2025. The Plan was developed following discussion with LGPS Central's (Central) in-house RI team. The Fund has a continual focus on raising RI standards. Progress made to date on the 2025 RI Plan is set out in Appendix A.

Voting and Engagement

8. Appendix B sets out the Fund's voting report from October to December 2024. 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 and the Global Equity Active fund).

9. A brief breakdown is set out below:
    - The Fund made voting recommendations at 779 meetings (5,460 resolutions)
    - At 338 meetings the Fund opposed one or more resolutions.
    - The Fund voted with management by exception at 22 meetings and supported management on all resolutions at the remaining 433 meetings.
    - The majority of votes where the Fund voted against management were related to board structure (44%). These votes include issues such as over boarding, diversity, and inadequate management of climate risk.

10. For quarterly voting from January 2025 Central have been appointed to provide oversight and stewardship services for the Fund's and other partner funds passive LGIM holdings. Central will oversee these funds on behalf of all eight partner funds and vote on the underlying holdings based on Central's voting principles to align the voting decisions across partner fund equity holdings. This will support Central's stewardship and engagement activities on behalf of partner funds.

11. Officers will continue to monitor and understand Central's voting decisions and how they compare to voting recommendations by the Local Authority Pension Fund Forum.

12. Some further highlights from engagement activity from partners and investment managers are set out below.

LGPS Central

13. Central is the pooling company of the Fund. It is a strong supporter of responsible investment through the Responsible Investment and Engagement Framework.

14. Central signed up to a statement on climate stewardship alongside other asset owners look to address divergence between asset owners' expectations and asset managers' climate stewardship activity. This statement calls on asset managers, as strategic partners in delivering investment objectives, to develop and evidence an independent robust stewardship strategy that addresses the urgency of action needed on climate-related risks and build resilience into financial markets, alongside five key expectations.

15. Central have also updated their Voting Principles which set a clear framework for active stewardship and long-term value creation. The revised principles include stricter enforcement mechanism, increased expectations for disclosure and enhanced alignment with net-zero commitments.

Legal and General Investment Management – Q4 2024

16. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 17.6% of the Fund. LGIM's latest ESG impact report highlights some key activity in the Investment Stewardship team.

17. The latest ESG impact report highlights key engagements across LGIM's global stewardship themes, with a focus on climate policy engagements, an update on their human rights campaign and governance in Japan.

Company	Theme	Action	Outcome
Colgate-Palmolive	Deforestation	LGIM outlined expectations that they have a deforestation policy and programme in place. LGIM see this company as one that	The company meets LGIM's minimum standards and have demonstrated further process. The company have been building relationships and furthering engagement with their suppliers and ending relationships

		has the potential to galvanise action in its section, as well as for its significant exposure to palm oil, paper, cattle, and soy.	with those found to be non-compliant. They have introduced satellite imaging and are mapping palm oil derivatives. Future engagements will focus on traceability progress across key commodities, collaborations and work done with their peers.

Local Authority Pension Fund Forum – Q4 and 2024 Annual Report

18. 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. Highlights from the latest quarterly report include engagements on company approaches to operating in, or having links to, conflict-affected and high-risk areas to better understand corporate risk mitigation and due diligence, as well as engagement with electric vehicle manufacturers, housebuilders and zero-hour contracts, and continued engagement on Drax's sustainability claims, subsidy reliance and carbon capture feasibility.

Topic	**Action**	**Outcome**
Electric vehicles	LAPFF met with five automobile manufactures to encourage companies to identify. Address and mitigate salient human rights risks both in their direct operations and throughout their supply chains.	All companies met were able to demonstrate progress in their respective approaches to managing human rights risks in their battery mineral supply chain. Challenges remain in that the sector has yet to fully align with international standards relating to heightened human rights due diligence and comprehensive supply chain transparency. Companies face difficulties in verifying supplier compliance within supply chains. LAPFF will continue to engage and expect companies to be able to demonstrate heightened human rights due diligence for high-risk minerals.

19. This February LAPFF have also published their expectations for companies engaging on Conflict-Affected and High-Risk Areas, which face heightened operational, reputational, legal and financial challenges. LAPFF will continue to report their engagements quarterly including updates on companies exposed to heightened challenges.

Ruffer – Q4 2024

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.

21. In September 2024 Ruffer decided to gain exposure to seven companies within the agricultural sector given attractive attributes from the macroeconomic backdrop and relative risk premiums.

22. Ruffer recognise this allocation will increase the underlying portfolio emissions, however, believe this provides the best opportunity for investment, while encouraging the companies to be thoughtful on their sustainability practices for example use of green hydrogen, regenerative farming techniques, conservation agriculture and nutrient management. Ruffer have designed a five-point alignment framework to structure these engagements, facilitating benchmarking and advancing their commitment to the Net Zero Asset Management initiative whilst looking to protect investors capital.

Topic	Action	Outcome
Arcelor Mittal	Ruffer met with the company to discuss implementation and reporting of findings within a workplace safety audit.	The company agreed to provide updates on the six recommendations potentially before the next AGM. The metrics related to improving leading indicators such as loss time injury frequency rates. As more progress was made on the audit recommendations the company should be able to demonstrate better safety and health performance.

Other Developments

Further Advice on Fiduciary Duty

23. The Scheme Advisory Board (SAB) has published an updated opinion of Nigel Giffin KC, titled 'Local Government Pension Scheme: Investments and Non-Financial Considerations' which reviews and updates the opinion provided in 2024 titled 'Duties of Administering Authorities under the Local Government Pension Scheme', both of which can be found on the SAB's website.

24. The updated opinion captures the latest legal rulings, guidance and potential impact of the 'fit for the future' consultation. Counsel advises the position with regards to fiduciary duty "has not materially changed" and highlights that whether it is local, UK investments or climate related factors, funds should be

assessing financial factors along with member support criteria and take proper advice.

25. The SAB's Secretariat are to consider whether further advice on specific points would be helpful and will work with funds to ensure instructions cover the pertinent questions and elements of most interest. Officers will consider any developments with relation to fiduciary duty and the outcome of the pooling consultation.

Recommendation

26. It is recommended that the Local Pension Committee note the report.

Background papers

Asset owner statement on climate stewardship February 2025

https://thepeoplespension.co.uk/wp-content/uploads/Asset-owner-statement-on-climate-stewardship.pdf

LGPS Central Limited Voting Principles 2025

https://www.lgpscentral.co.uk/documents/Voting-Principles-2024-2.pdf

Conflict-Affected and High-Risk Areas: LAPFF Engagement Expectations of Companies

https://lapfforum.org/wp-content/uploads/2025/02/2025-CAHRAS-LAPFF-Engagement-Expectations.pdf

Scheme Advisory Board Legal Opinions and Summaries

https://lgpsboard.org/index.php/legal-opinions

Equality Implications

27. 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

28. 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: The Fund's Quarterly Voting Report

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RESPONSIBLE INVESTMENT PLAN 2025

Qtr.	Date	Title	Description	Complete
Q4	31 January 2025	RI Plan	Communication and publication of the Fund's 2025 RI Plan	
		Strategic Asset Allocation	Consideration of the Fund's Net Zero Climate Strategy progress within the asset allocation.	
	5 February 2025	Local Pension Board Report	Update to the Local Pension Board on progress against the Fund's net zero targets and any RI matters.	
	28 March 2025	RI Report	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.	
		Manager Presentation	As part of DTZ (Property) report to Committee and provide an overview of the approach to ESG.	
	March/April/ May	Triennial Valuation	Review funding policies and employer risk management.	
		Newsletter	Second email newsletter to Fund Members on NZCS update and other Fund matters.	
		Manager RI Snapshot as 31 March	The Fund will request climate and other stewardship 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.	
	27 June 2025	Manager Presentation	As part of Manager report to Committee and provide an overview of the approach to ESG. LGPS Central	
		NZCS Review	High level NZCS considerations for review	
		RI Report	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.	

Q2	September 2025	Manager Presentation	As part of Manager (TBC) report to Committee and provide an overview of the approach to ESG.	
		RI Report	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. To include deeper dive on outcomes and key votes from the AGM season.	
	September/ October 2025	Triennial Valuation	Whole Fund valuation results, including climate risk modelling.	
Q3	29 November 2025	Training	LGPS Central to provide training session on responsible investment/climate matters and engagement in advance of November Climate Risk Report	
		Climate Risk Report	The Fund will engage with LGPS Central and partner funds on future reporting and increase monitoring for legacy mandates. 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.	
		Policy Review	Regular Fund policy review as needed for triennial valuation.	
		Manager Presentation.	Manager TBC. As part of Manager report to Committee overview of approach to ESG.	
		RI Report	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.	
	TBC	Pension Fund AGM	Presentation as part of Pension Fund Annual General Meeting progress on NZCS and RI matters.	
Q4	January 2026	Strategic Asset Allocation Committee	Consider recommendations from Climate Risk Report and Net Zero Climate Strategy	
	January 2026	RI Plan	2026 Plan.	

Ongoing Activities throughout the year or without date

Date (where applicable)	Title	Commentary
TBC 2025	LGPS Central are expecting to host an Annual RI Day/and or/ Stakeholder Day with topics of interest to members, this date will be circulated to Committee once confirmed.	
Investment Subcommittee throughout the year	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 following on from any relevant SAA decisions.	
Quarterly	RI Working Group with LGPS Central and Partner Funds. Including Working with LGPS Central to continue to develop climate reporting more broadly and on their work to engage companies highlighted in the Climate Stewardship Plan, and that LGPS Central are following their escalation framework.	
Mid-Year 2025	Following review of the Stewardship Code 2020, review whether the Fund should apply, subject to value being evidenced, and requirements on the Fund.	
Ad hoc	Continue review of best practice with regards to the Fund's asset classes and climate reporting, and international industry standards.	
Pooling Discussions	Continue to work with Central and Partner Funds on the development of pooling in relation to responsible investment matters in light of the 'Fit for the Future' consultation.	

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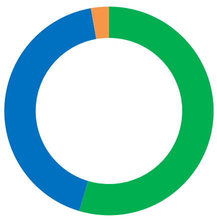
Leicestershire County Council Pension Fund

Voting Report, Q4 2024 (Oct-Dec 2024)

Over the last quarter we voted at **779** meetings (**5,460** resolutions). At **338** meetings we opposed one or more resolutions. We abstained at **zero** meetings. We voted with management by exception at **22** meetings. We supported management on all resolutions at the remaining **433** meetings.

Global

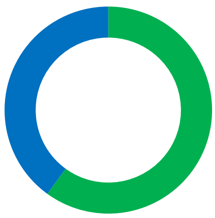
We voted at 779 meetings (5460 resolutions) over the last quarter.



Meetings in Favour 56%
Meetings Against 43%
Meetings with Management by Exception 3%

Developed Asia

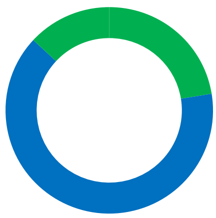
We voted at 45 meetings (257 resolutions) over the last quarter.



Meetings in Favour 60%
Meetings Against 40%

Australia and New Zealand

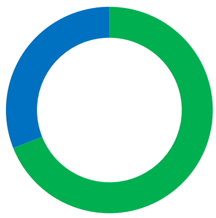
We voted at 107 meetings (680 resolutions) over the last quarter.



Meetings in Favour 22%
Meetings Against 64%

Emerging and Frontier Markets

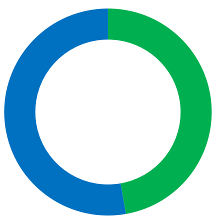
We voted at 418 meetings (2428 resolutions) over the last quarter.



Meetings in Favour 69%
Meetings Against 31%

Europe Ex-UK

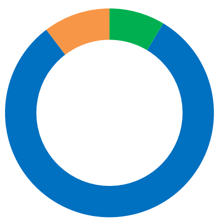
We voted at 36 meetings (225 resolutions) over the last quarter.



Meetings in Favour 47%
Meetings Against 53%

North America

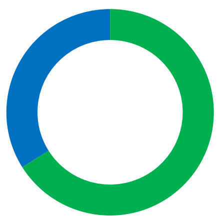
We voted at 58 meetings (728 resolutions) over the last quarter.



Meetings in Favour 9%
Meetings Against 81%
Meetings with Management by Exception 10%

United Kingdom

We voted at 115 meetings (1142 resolutions) over the last quarter.



Meetings in Favour 66%
Meetings Against 34%

The Issues on which we voted against management or abstaining on resolutions are shown below.

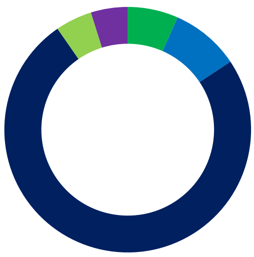
Global

We voted against or abstained on 2744 resolutions over the last quarter.

- Amend Articles 10%
- Audit + Accounts 12%
- Board Structure 44%
- Capital Structure + Dividends 9%
- Other 3%
- Poison pill/ Anti-Takeover Device 1%
- Remuneration 14%
- Shareholder Resolution 7%

Developed Asia

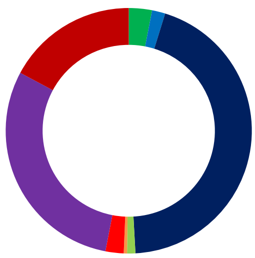
We voted against or abstained on 166 resolutions over the last quarter.



- Amend Articles 7%
- Audit + Accounts 9%
- Board Structure 75%
- Capital Structure + Dividends 5%
- Remuneration 5%

Australia and New Zealand

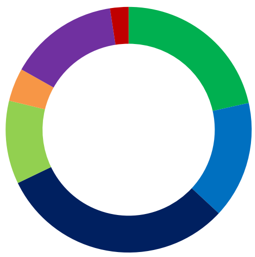
We voted against or abstained on 460 resolutions over the last quarter.



- Board Structure 44%
- Capital Structure + Dividends 1%
- Poison pill/ Anti-Takeover Device 2%
- Remuneration 30%
- Shareholder Resolution 17%

Emerging and Frontier Markets

We voted against or abstained on 986 resolutions over the last quarter.



- Amend Articles 22%
- Audit + Accounts 15%
- Board Structure 31%
- Capital Structure + Dividends 11%
- Other 4%
- Remuneration 14%

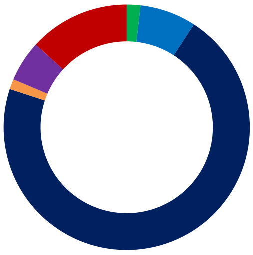
Europe Ex-UK

We voted against or abstained on 154 resolutions over the last quarter.

- Amend Articles 18%
- Audit + Accounts 12%
- Board Structure 35%
- Capital Structure + Dividends 8%
- Other 10%
- Remuneration 12%
- Shareholder Resolution 5%

North America

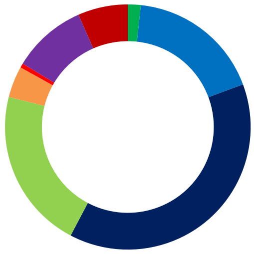
We voted against or abstained on 446 resolutions over the last quarter.



- Amend Articles 2%
- Audit + Accounts 7%
- Board Structure 71%
- Other 1%
- Remuneration 5%
- Shareholder Resolution 13%

United Kingdom

We voted against or abstained on 532 resolutions over the last quarter.



- Amend Articles 2%
- Audit + Accounts 18%
- Board Structure 38%
- Capital Structure + Dividends 21%
- Other 4%
- Poison pill/ Anti-Takeover Device 1%
- Remuneration 10%
- Shareholder Resolution 7%

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Agenda Item 16

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