Meeting: **Local Pension Committee**

Date/Time: **Friday, 26 September 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**

Membership

Mr. P. King CC (Chairman)

Mr. V. Bechar	Mr. J. Henry
Mr. N. Booth	Mr. C. Pitt
Cllr. M. Cartwright	Cllr. G. Whittle
Cllr. B. Dave	Dr. J. Bloxham CC
Cllr. R. Denney	Mr. M. Durrani CC
Mr. D. Grimley CC	Mr. B. Piper CC

AGENDA

Item		Report by	
1.	Minutes of the meeting held on 27 June 2025.		(Pages 5 - 18)
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.	Report of the Local Pension Board Annual Report 2024/2025.	Local Pension Board	(Pages 19 - 30)

7.	Pension Fund Valuation, Indicative Whole Fund Results, Draft Funding Strategy Statement.	Director of Corporate Resources	(Pages 31 - 100)
8.	Pension Fund Annual Report and Accounts 2024/25.	Director of Corporate Resources	(Pages 101 - 216)
9.	Valuation of Pension Fund Investments.	Director of Corporate Resources	(Pages 217 - 240)
10.	LGPS Central Presentation.	Director of Corporate Resources	(Pages 241 - 246)
11.	Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 247 - 256)
12.	Pension Fund - Budget Monitoring Update.	Director of Corporate Resources	(Pages 257 - 264)
13.	Responsible Investment Update.	Director of Corporate Resources	(Pages 265 - 290)

14. Dates of future meetings.

Future meeting dates of the Committee are scheduled to take place on the following dates, all at 9.30am:

30 January 2026
20 March 2026
3 July 2026
11 September 2026
4 December 2026

Members are also asked to note that the Fund's Annual General Meeting will take place at 12Noon on the following dates, which will be open for all scheme members to attend:

15 December 2025
14 December 2026

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

16. 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).

1526)

Leicestershire County Council

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 27 June 2025.

PRESENT

Leicestershire County Council
Mr. K. Crook CC
Mr. M. Durrani CC
Mr. P. King CC (in the Chair)
Mr. B. Piper CC
Mr. C. A. Smith CC

Leicester City Council
Cllr G. Whittle

District Council Representatives
Cllr. M. Cartwright
Cllr. R. Denney

University Representative
Mr. J. Henry

Employee Representatives
Mr. V. Bechar
Mr. N. Booth

In Attendance

Hymans Robertson
Mr. Tom Hoare (online)
Mr. Richard Warden (online)

LGPS Central
Mr. Trevor Castledine
Mr. Mark Davies
Mr. Simon Hancock
Mr. Richard Law-Deeks

1. Appointment of Chairman.

As two nominations for Chairman had been received, the Chief Executive informed Members that in accordance with Standing Order 27 a secret ballot would take place.

The Chief Executive announced the results of the ballot, as follows: Mr. K. Crook CC received two votes and Mr. King CC received seven votes.

RESOLVED:

That Mr. P. King CC be elected Chairman of the Local Pension Committee until the date of the Annual Meeting of the County Council in 2026.

Mr. P. King CC – in the Chair

2. Appointment of Vice-Chairman.

It was moved by Mr. P. King and seconded by Mr. C. Smith:

“That Mr. Daniel Grimley be elected Vice Chairman for the period until the next Annual Meeting of the Council”.

RESOLVED:

That Mr. Daniel Grimley be elected Vice Chairman of the Local Pension Committee until the date of the Annual Meeting of the County Council in 2026.

3. Minutes.

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

4. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

5. 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).

Councillor Denney left the meeting at this point due to other council business and did not return.

6. Urgent Items.

There were no urgent items for consideration.

7. 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.

8. Pension Fund Valuation 2025 - Assumptions and Employer Risk.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to request that the Committee approve the proposed assumptions, and to note employer risk used in the Leicestershire Local Government Pension Scheme (LGPS) valuation. A copy of the report marked ‘Agenda Item 8’ is filed with these minutes.

The Chairman welcomed Mr. Tom Hoare and Mr. Richard Warden from Hymans Robertson, the Pension Fund's Actuary, 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. A Member raised a query regarding whether the prudence guidance adequately accounted for unforeseen developments such as The McCloud remedy, the full implications of which remained uncertain. Officers responded that McCloud represented one of the most significant challenges faced by pension funds in recent years and continued to be a major administrative undertaking. While initial concerns focused on its potential impact on liabilities, the emphasis had since shifted to administrative impact. The process involved reviewing the benefits of every affected member, yet the financial impact on liabilities had proven to be less than 1%. McCloud was considered during the 2022 valuation and was being reassessed for the 2025 valuation.

ii. Members were informed that future legislative changes, such as pooling, were expected to introduce further uncertainty. Prudence had been incorporated into investment risk assessments and included broader concerns such as inflation, geopolitical developments, and regulatory changes. Events such as McCloud, had contributed to the decision to increase the prudence level from 75% to 80%.

iii. A Member questioned whether, given the Fund's current funding level of 159%, increasing prudence from 75% to 80% was overly cautious. Officers clarified that the previous target was 100% funding during a deficit position. At the last valuation, the Fund entered surplus for the first time in several years, prompting the introduction of a 120% funding level target which includes a 20% buffer within the Funding Strategy Statement (FSS), which was considered a reasonable safeguard against market downturns. Officers acknowledged that excessive prudence could adversely affect employers. Once modelling results were received from Hymans, employer contribution rates would be reviewed, with the expectation that some rates might be reduced. Stabilised employers had already been modelled and were anticipated to benefit from reduced rates effective April 2026.

iv. It was noted that the current discount rate stood at 6%. A hypothetical reduction to 4.4%, as applied in the previous valuation, would significantly affect the funding level. Officers explained that, across the LGPS, the apparent improvement in funding was largely due to expectations of future returns rather than actual asset growth, and the LGPS sector remained in a similar position to that of 2022. Given current risks, particularly inflation, a cautious approach remained appropriate, but it was assumed a return of only 4.4% would be overly pessimistic.

v. A Member observed that universities were classified as high-risk employers due to the absence of a Department for Education (DfE) guarantor. Officers confirmed that they were actively engaging with high-risk employers to understand and mitigate potential pension risks to the Fund.

vi. Each employer was assessed individually during the valuation cycle, which occurred every three years. Risk profiles might evolve over time due to various factors, such as changes in guarantor arrangements or financial stability. For example, an expanded DfE guarantor could reduce risk, while declining international student enrolment might increase it.

vii. Where an employer was deemed to pose a higher risk, officers would initiate discussions to understand influencing factors and explore available securities, such as bonds, land, or buildings, measures which aimed to ensure the Fund's ability to meet pension obligations, even in adverse scenarios. Officers acknowledged the challenges posed by employer contribution rates.

viii. Officers confirmed that universities were likely to be considered higher risk in the current valuation compared to previous years, however, it was acknowledged that the sector was highly diverse, with some institutions facing significant challenges, while others might present lower risk than other organisations listed.

ix. The risk rating process was applied across all employer groups, but individual employers also considered. For instance, academies which was comprised of approximately 75 employers, were each assessed separately, with some exhibiting higher risk than others.

x. Community admission bodies, typically older charitable organisations, also posed unique risks. Those employers often had fewer active members and a higher proportion of pensioners and deferred members, resulting in mature liabilities with limited incoming contributions. Additionally, their security arrangements could be less robust. Officers confirmed that all employers were evaluated on an individual basis.

RESOLVED:

That:

a) The Pension Fund Valuation 2025 report and presentation be noted:

b) The following valuation assumptions be approved:

Assumption	**Approach for 2025 Valuation**
Discount Rate	Adopt an 80% prudence for calculating funding levels and contribution rates, equating to a 6.0% pa discount rate
CPI Inflation	Continue to use the modelled CPI best estimate assumption plus the inflation risk premium of 0.2% pa, totalling 2.5% pa
Salary Increases	Retain the 2022 salary increase assumption of 0.5% pa above CPI inflation. 2.5% pa plus 0.5% totalling 3.0% pa for 2025
Longevity	Use the Actuary's default assumption
Others	Assumptions have been modelled using the Leicestershire Fund data and based on the Club Vita analysis

c) The valuation employer risk be noted.

9. <u>McCloud Remedy Progress Report.</u>

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to update the Committee regarding progress in respect of the implementation of the McCloud remedy for the Leicestershire County Council Pension Fund, and which sought the Committee's approval to extend the deadline for the completion of the 'McCloud implementation phase' to 31 August 2026. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Officers continued to implement the McCloud remedy, which had impacted heavily on the resources of the Pensions team, and also on employers, who had sent a huge amount of data in order to rebuild records of pension members. The work had completed in March 2025, and the McCloud calculation would be part of annual benefit statements which was a statutory requirement that had been prioritised and achieved. However, it had not been possible to complete remaining areas of work relating to the McCloud implementation phase, and there was scope within the guidance for the deadline to be extended to 2026.

RESOLVED:

a) That the McCloud Remedy Progress Report be noted.

b) That the request to extend the deadline of the McCloud implementation phase to 31 August 2026 be approved.

10. Additional Voluntary Contributions.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee of the outcome of the Fund's Additional Voluntary Contribution (AVC) tender and some improvements introduced for the Fund's AVC payers. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

i. Members noted that only a small number of employers in the Fund currently offered salary sacrifice shared cost AVCs. Members were advised that there was no strategy to increase salary sacrifice AVCs uptake as it was entirely an employer decision, and not the role of fund administrators to influence. Currently there were approximately six out of 180 employers that offered this, though others were considering offering salary sacrifice AVCs driven by potential savings. All the Fund Employers offer the standard Prudential AVCs. The Pensions Manager was requested to circulate the list of participating salary sacrifice AVC employers separately.

ii. Members were further advised that through the Fund only Prudential could be offered to scheme members, however, members could choose a freestanding AVC with any provider independently.

iii. There were currently around 1,000 active members, out of 35,000, who had joined the Prudential AVC scheme, so uptake was low but growing.

RESOLVED:

a) That the outcome of the Fund's Additional Voluntary Contribution tender be noted.

b) That the addition of the HSBC Islamic Global Equity Index S3 Fund to the Fund's Additional Voluntary Contribution investment portfolio be noted.

c) That the Pensions Manager be requested to circulate the list of participating employers of the salary sacrifice shared cost AVCs to Members.

11. Valuation of Pension Fund Investments.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the investment markets and how individual asset classes were performing, and the total value of the Fund's investments as at March 2025. The report also provided an update on action taken by the Investment Sub-Committee (ISC) at its meeting on 24 July 2024 with respect to investment recommendations to invest in two LGPS Central infrastructure funds. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from discussion, the following points were made:

i. Members observed that, while interest rates were generally declining, long-term bond yields had actually risen in recent months, whereas short-term rates—such as mortgage rates—had moved downward. Officers agreed that long-term rates were trending in the opposite direction of short-term rates, which were under pressure to decrease. Markets, including equities, were trying to interpret what this divergence meant for long-term returns. There was increased volatility across markets, which, in some ways, supported the strategy of building buffers in key areas. However, overall uncertainty remains elevated.

ii. Members noted that the report indicated gilt losses: 6.1% for conventional gilts and 13.7% for index-linked gilts, and queried how much the Fund held in gilts, and how what confidence what there in performance. Officers advised that there was exposure to gilts, but the Fund's portfolio was broadly diversified, and compared to many other LGPS funds, the Fund's allocation to gilts was relatively low, which reflected a more balanced investment approach.

iii. Members questioned that private equity had previously delivered strong, long-term returns, but recent performance over the past three years had been less impressive, and asked if it was a temporary dip or a sign of a longer-term trend. Members were advised that it was difficult to forecast with certainty, and that the view of private equity managers generally was it was a short-term situation, but highlighted the importance of maintaining a broad and balanced portfolio, with exposure across multiple asset classes.

RESOLVED:

That the report and the commitment to the LGPS Central infrastructure core / core plus fund of £100million GBP and commitment to the LGPS Central infrastructure value add / opportunistic fund or £30million be noted.

12. Fit for the Future and LGPS Central Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide the Local Pension Committee with an update on the outcome of the fit for the future consultation and pooling matters with LGPS Central. The report also sought approval of the revised Terms of Reference for the Local Pension Committee. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

The Chairman welcomed Mr. Richard Law-Deeks, Mr. Trevor Castledine, Mr. Mark Davies and Mr. Simon Hancock from LGPS Central (Central). A presentation was provided 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 welcomed the amendments to the Terms of Reference for the Committee, which provided clarity around the appointment of the Chairman and Vice-Chairman. It was confirmed with Members that, in the unlikely event that the Chairman and Vice-Chairman were not available for any reason, the panel could still nominate a Chairman for the meeting.

ii. In response to a question on how the various weightings and the number of managers had changed over time, Central explained that at inception, the Global Equity Active Multi Manager Fund was launched with three managers, initially overweighting the value manager at approximately 38%, with the remaining two managers equally weighted. Over time, as the market rotated, the allocation to the value manager was reduced. In 2024 following a three-year review, a fourth manager with a quality-focused, high-conviction strategy was introduced. This manager typically holds 30–40 stocks with strong balance sheets and currently represents around 15% of the portfolio.

iii. A Member questioned if the “Magnificent Seven” group of leading tech stocks underweight position was intentional or just fortunate, and when looking ahead what the outlook position was given their significance. It was explained that positioning was intentional, and that managers generally saw limited value in those stocks due to their elevated valuations and, as expected, the value manager held very few of them. Looking forward, it was anticipated that there would be a reversal in valuations, and the managers continued to monitor those companies closely given their market dominance.

iv. Central provided an update on pooling and legislative developments following the ‘Fit for the Future’ consultation outcome. Pooling was now entering its second phase, having continued cross party support, which reflected a consistent policy direction rather than a political shift. Central was currently comprised of eight partner funds, and was actively engaging with up to 21 funds whose pooling plans were not approved by government. While not all were expected to join Central any expansion would be managed carefully to ensure operational resilience and scale: key factors the government was prioritising.

v. The Government had introduced new legislative requirements for pools, formalising what had previously been a collaborative direction of travel. These included five core obligations, to be delivered by 31 March 2026. While each administering authority retained sovereignty over its investment strategy, it was now required to seek investment advice from its pool. Central was developing a dedicated advisory service to meet the requirement, building on services previously provided to the Fund and other partner funds.

vi. A question was raised about the increasing influence of external directives, particularly those around local investment, and whether they could compromise the Fund’s ability to act in the best interests of its beneficiaries. In response, it was clarified that, the pension fund’s primary obligation remained to its beneficiaries, investment decisions must meet strict risk-return criteria and could not be made solely on political or geographic grounds. Pools were required to provide advice and support to administering authorities, but not to override fiduciary judgement, and there were regulatory safeguards that ensured that poor investment decisions could not be made deliberately, even under external pressure. The reassurance provided was welcomed, with acknowledgement that fiduciary duty must remain paramount, and that the current framework provided sufficient protection against undue influence.

vii. It was confirmed that administering authorities would be required to develop a local investment strategy as part of the broader pooling and regulatory changes. This aligned with the government's wider agenda around local government reorganisation and English devolution, encouraging collaboration between pools, administering authorities, and strategic regional bodies. However, the responsibility for defining what constituted "local investment" remained sovereign to each authority, and given the diversity among LGPS Central's eight partner funds, there was expected to be significant variation in how local investment strategies were interpreted and implemented. A draft version of the updated Investment Strategy Statement (ISS) was scheduled to be presented to the Committee later in the year for review and comment.

viii. In response to a question raised, it was explained that, while Central was an FCA-regulated asset manager and was required to deliver professional investment services to its partner funds, it did not currently have a formally stated fiduciary duty to individual members within its constitutional documents. It was the view of Members that administering authorities should retain ultimate fiduciary responsibility, even when asset management was outsourced. The suggestion was made that explicitly embedding fiduciary duty into Central's constitution would provide additional assurance and safeguard the Fund against any external conflicts of interest. The issue was expected to be considered further as part of LGPS Central's ongoing governance review.

ix. The Committee discussed the appointment of a third member to the Investment Sub-Committee. It was agreed that Head of Law and Deputy Monitoring Officer would explore the process of appointment of Members to Investment Sub-Committee meeting and to provide information to the Chair of the Local Pension Committee.

RESOLVED:

a) That the Fit for the Future and LGPS Central Update report be noted.

b) That the revised Terms of Reference of the Local Pension Committee be approved.

c) That information on the arrangements for the appointment of Members to the Investment Sub-Committee be provided to the Chairman.

13. <u>Responsible Investment Update.</u>

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on progress versus the responsible investment plan 2025, the Fund's quarterly voting report and stewardship activities, and considerations and timeline for the New Zero Climate Strategy review, and to agree next steps. A copy of the report marked ‘Agenda Item 13’ is filed with these minutes.

RESOLVED:

a) That the progress versus the responsible investment plan 2025 attached as Appendix A to the report be noted.

b) That the Fund’s quarterly voting report and stewardship activities attached as Appendix B to the report be noted.

c) That the considerations and the timeline for the Net Zero Strategy review and next steps be approved.

14. Risk Management and Internal Controls.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide information on any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator’s Code of Practice. A copy of the agenda marked ‘Agenda Item 14’ is filed with these minutes.

RESOLVED:

a) That the Risk Management and Internal Controls Report be noted.

b) That the revised Pension Fund Risk Register attached as Appendix A to the report be approved.

15. Dates of Future Meetings.

RESOLVED:

a) That the dates of future meeting of the Committee be held on the following dates, starting at 9.30am:

   26 September 2025
   5 December 2025.

b) That is be noted that the meeting of the Fund’s Annual General Meeting would be held on Monday 15 December, at 12 Noon. The meeting would be open to all scheme members to attend.

16. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12(A) of the Act.

17. Leicestershire Total Fund Summary

The Committee considered an exempt report of Hymans Robertson. A copy of the report marked ‘Agenda Item 18’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

18. LGPS Central Quarterly Investment Report - Q1 March 2025

The Committee considered an exempt report of LGPS Central. A copy of the report marked ‘Agenda Item 19’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

19. Ruffer Quarterly Report

The Committee considered an exempt report by Ruffer. A copy of the report marked ‘Agenda Item 20’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

20. Fulcrum Diversified Core Absolute Return Quarterly Report

The Committee considered an exempt report by Fulcrum Diversified Core Absolute Return. A copy of the report marked ‘Agenda Item 21’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

21. Legal and General Investment Manager Quarterly Report

The Committee considered an exempt report by Legal and General Investment Manager. A copy of the report marked ‘Agenda Item 22’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

22. LGPS Central PE Primary Partnership 2018 LP Quarterly Report

The Committee considered an exempt report by LGPS Central PE Primary Partnership. A copy of the report marked ‘Agenda Item 23’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

23. LGPS Central PE Primary Partnership 2021 LP Quarterly Report

The Committee considered an exempt report by LGPS Central PE Primary Partnership. A copy of the report marked ‘Agenda Item 24’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

24. LGPS Central PE Primary Partnership 2023 LP Quarterly Report

The Committee considered an exempt report by LGPS Central Primary Partnership 2023 LP. A copy of the report marked Agenda Item 25’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

25. Patria SOF Quarterly Report

The Committee considered an exempt report by Patria SOF III. A copy of the report marked ‘Agenda Item 26’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

26. KKR Global Infrastructure Investors Fourth Quarterly Report

The Committee considered an exempt report by KKR Global Infrastructure Investors. A copy of the report marked ‘Agenda Item 27’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

27. Saltgate UK AVPUT

The Committee considered an exempt report by Saltgate UK AVPUT. A copy of the report marked ‘Agenda Item 28’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

28. Christofferson Robb & Company CRC Capital Release Fund Quarterly Report

The Committee considered an exempt report by Christofferson Robb & Company CRC. A copy of the report marked ‘Agenda Item 29’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

29. IFM Global Infrastructure Quarterly Investor Report

The Committee considered an exempt report by IFM Global Infrastructure. A copy of the report marked ‘Agenda Item 30’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

30. Infracapital Greenfield Partners LP - Unaudited Valuation Statement

The Committee considered an exempt report by Infracapital Greenhill Partners LP. A copy of the report marked ‘Agenda Item 31’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

31. JP Morgan Asset Manager Infrastructure Investments Fund Quarterly Report

The Committee considered an exempt report by JP Morgan. A copy of the report marked ‘Agenda Item 32’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

32. LaSalle Leicestershire County Council Pension Fund Quarterly Report

The Committee considered an exempt report by LaSalle Leicestershire County Council Pension Fund. A copy of the report marked ‘Agenda Item 33’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

33. Savills Report and Valuation March 2025

The Committee considered an exempt report by Savills. A copy of the report marked Agenda Item 34’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

34. LGPS Central Quarterly Reports

The Committee considered an exempt report by LGPS Central Credit Partnership I LP. A copy of the report marked ‘Agenda Item 35’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

35. M&G Investments Debt Opportunities Quarterly Report

The Committee considered an exempt report by M&G Investments Debt Opportunities Fund II. A copy of the report marked ‘Agenda Item 36’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

36. Partners Group Quarterly Reports

The Committee considered an exempt report by Partners. A copy of the report marked Agenda Item 37’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

37. Quinbrook Infrastructure Partners Net Zero Power Fund Quarterly Report

The Committee considered an exempt report by Quinbrook Infrastructure Partners Net Zero Power Fund. A copy of the report marked ‘Agenda Item 38’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

38. Stafford Timberland Quarterly Report

The Committee considered an exempt report by Stafford Timberland. A copy of the report marked ‘Agenda Item 39’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

39. Aegon Asset Management Quarterly Report

The Committee considered an exempt report by Aegon Asset Management. A copy of the report marked ‘Agenda Item 40’ is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

9.30am to 12.10pm CHAIRMAN
27 June 2025

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE LOCAL PENSION BOARD

ANNUAL REPORT 2024/2025

Purpose of the Report

1. The purpose of this report is to present to the Committee the Annual Report of the Local Pension Board for the financial year 2024/2025.

Background

2. The Public Service Pensions Act 2013 requires the establishment of Local Pension Boards to assist local authorities with the effective management of local pension funds. The Department for Housing, Communities and Local Government (now the Ministry for Housing, Communities and Local Government) issued regulations and reporting guidelines concerning the implementation of Local Pension Boards.

Annual Report

3. As part of the Fund's Independent Governance Review undertaken in 2020 a recommendation was for the Board to write an Annual Report as best practice. The report provides a summary of the work carried out by the Board, covering the period from April 2024 to March 2025.

4. The Annual Report was approved by the Local Pension Board on 3 September 2025, and will go to the Pension Fund Annual General Meeting on 15 December 2025.

Recommendation

5. The Committee is asked to note the Board Annual Report for 2024/25.

Equality Implications

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

Human Rights Implications

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

Appendix

Appendix - Pension Board Annual Report

Officers to Contact

Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

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

Leicestershire County Council
PENSION
FUND

LOCAL PENSION BOARD ANNUAL REPORT

YEAR ENDED 31 MARCH 2025

Foreword by the Chair of the Local Pension Board

On behalf of the Local Pension Board, I am delighted to be able to present the sixth Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 April 2024 to 31 March 2025, to align with the Fund's Annual Report.

As a defined benefit scheme for our 109,262 members, the Leicestershire Pension Fund pays scheme members a retirement income based on salary and the number of years worked for the employer. The Fund invests contributions made by employers into long term investments, and though the market will always fluctuate, investment performance does not affect members' pensions. As of 31 March 2025, the Fund contained £6.7billion of assets.

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

The Board has, over the course of the year, received regular updates on the implementation of the McCloud Remedy, which came into force on 1 October 2023 and continues to be the biggest pension administration challenge.

The Board has no concerns about the Leicestershire Pension Fund or its Administration, though it will continue to monitor the welfare of the pension officers in administering the McCloud remedy, and any future legislative requirements on the Fund. We will continue to support the Pensions Manager, and we are confident he will continue to administer the Fund efficiently and effectively despite ongoing pressures.

To keep the Annual Report succinct, it is difficult to reflect the variety of issues we have considered during another busy year. Further information about the Board's work can be found on the website. Despite the continual challenges, I am looking forward to another successful year ahead.

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

I would also like to take this opportunity to convey my heartfelt appreciation to the former Chairman of the Local Pension Board, Mrs. Rosita Page CC, for her contributions and leadership on the Board.

Mr. Manjit Singh Saroya

Chairman of the Local Pension Board   Approved: 3 September 2025

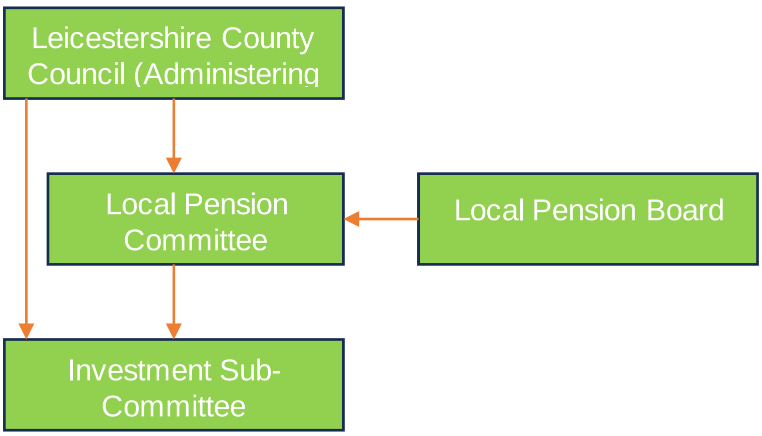
What is the Local Pension Board

The Board was established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to assist the Administering Authority in:

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

While the Local Pension Board was established by the County Council, it does not sit within the typical arrangements that apply to local authority committees, including those that apply to the Local Pension Committee. Instead, the Board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund as set out within its Terms of Reference. The Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. However, it does perform activities which support the Local Pension Committee, and it can escalate issues with the Committee and the Pensions Regulator where it expresses concern.

The structure of the Fund is set out below.



The Local Pension Board is comprised of:

- Three employee representatives and
- Three employer representatives.

The current Members of the Board are as detailed below:

Employer Representatives	Employee Representatives
Mr. Peter Morris CC *Leicestershire County Councillor*	**Mr. Manjit Singh Saroya – Chairman**
Vacancy *Leicestershire County Councillor*	**Mr. Anthony Cross**
Cllr. Elly Cutkelvin *Leicester City Councillor*	**Mrs. Ruth Gilbert**

Details of how the Members of the Local Pensions Board are appointed can be found in its **Terms of Reference.**

Member Attendance

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

2023/24	**REPRESENTING**	**APRIL**	**JULY**	**OCTOBER**	**FEBRUARY**	**%**
Mrs. R. Page	Administering Authority	✓	✓	✓	✓	100%
MR. R. Shepherd	Administering Authority	x	✓	✓	✓	75%
Cllr. E. Cutkelvin	Leicester City Council	x	x	✓	x	25%
Mr. M. Singh Saroya	Employee Representative	✓	x	✓	✓	75%
Mrs. R. Gilbert	Employee Representative	✓	x	✓	✓	75%

Mr. A. Cross	Employee Representative	✓	✓	✓	✓	100%
Mr. A. Stewart (Reserve)	Employee Representative	\	✓	In attendance	In attendance	100%

Highlights

Full details of the Board's work can be found on the Council's website. A summary is provided below.

Pension Fund Administration

The Pensions Manager provided regular reports and gave updates on the main administrative actions, covering governance areas including the administration of the Fund benefits and the performance of the Pensions Section against its performance indicators.

The Pension Regulators Code of Practice

We received a summary of Fund Officers' initial view of compliance in respect of The Pension Regulator's General Code of Practice, and were pleased to note that compliance or partial compliance with the initial assessment across all relevant subject areas was largely met. Officers worked to become fully compliant with the Code over the year.

Risk Management and Internal Controls

Throughout the year we continued to review the risk register at each of our meetings.

We continued to monitor risks in investment, liability, employer, governance, operational and regulatory areas, for example, the need to receive timely and accurate data from employers, in order for scheme member benefits to be correct and paid on time.

The Board received information on the internal audit arrangements for the Fund and LGPS Central.

Pension Fund Business Plan and Budget 2025/26

Prior to the Budget and Business Plan's consideration and approval by the Local Pension Committee, the Board scrutinised the report.

We questioned the significant pressure on the Pension Section resultant from pieces of work over and above business as usual, the most significant including implementing a solution for the national Pensions Dashboards, phase two of the McCloud implementation, implementation of a replacement Member Self-Service solution and website, and implementation of the Fund valuation. The Pension

Manager advised that the management team would continue to monitor all areas of work.

Pension Fund Annual Report and Accounts 2023/24

The Board's comments were sought on the report in its role in assisting the administering authority in ensuring the effective and efficient governance and administration of the Fund.

Pension Fund Policy Report

We received an annual report of the Pension Fund's current strategies and policies, and were pleased to hear that there were no breaches of law during 2024/25 that were considered material.

Funding Risk Update and 2025 Valuation Planning

The Board's comments were sought on changes to the funding environment since the 2022 valuation, the risks raised by the Fund, and the actions to be taken to help manage the risks as part of the 2025 valuation.

Local Government Pension Scheme

The Board will continue to receive and monitor updates on current development across the Local Government Pension Scheme following the 2024 General Election, and the Government's 'Fit for the Future' consultation.

Consultation: Fit for the Future

The Board expressed concern about the Government directing LGPS funds on where they should invest, and noted that, if brought in by regulation or Government recommendation, it would require a plan on investing 5% of assets in UK Levelling Up projects. The Board were assured the Fund had already met the requirement.

Looking ahead to 2025/26

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk.

It is clear that there are a lot of policies, initiatives and schemes in the pipeline outside of the Fund's control which we will monitor and support implementation of given the impact it may have on already heavy administration pressure. This will include the 2025 Valuation, the Government's Pension Dashboard scheme, the continued impact of the McCloud Remedy, as well as changes to legislation as and when required.

Issues of Concern

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

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

Training

We considered a revised Training Policy and training plan for 2025, the requirements for which are set out in the terms of reference for the Board, and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. The Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

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

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

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of the Board. The Leicestershire Pension Fund is committed to supporting Board members to achieve the requisite level of knowledge and understanding through the provision of training in line with its Policy.

Members of the Board complete self-evaluation forms on an annual basis assessing their knowledge in terms of general understanding, funding and pension administration. A personal training plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising over the course of managing the Fund, as part of reports to the Board, and following meetings.

Given there have been several recent changes both within the LGPS, and externally in the broader pension's environment, all Local Pension Board Members are encouraged to complete training provided by the Fund's independent advisor, Hymans Robertson - Aspire Website online module training, as well as other external training as provided by the Scheme Advisory Board, Local Government Association, and LGPS Central.

The Fund has historically reported training undertaken as best practice and was ahead of the Government's proposal that each administering authority should report regularly on training undertaken, and are compliant with the General Code of Practice requirements. The attendance log for training undertaken outside of Board Meetings is as follows:

2024 – 2025		**Joint Training – Hymans Modules – April 2024**	**Joint Training – Hymans Modules – May 2024**	**Joint Training – Hymans Modules – September 2024**	**Joint Training – Hymans Modules – November 2024**	**LGPS Online Learning Academy – Conflict of Interest – Hymans Robertson**	**LGPS Governance Training**	**Payment of Transfers of Pension Rights**
Mrs. R. Page	Administering Authority	x	X	✓	✓	\	\	✓
Mr. R. Shepherd	Administering Authority	x	✓	✓	x	✓	\	✓
Cllr. E. Cutkelvin	Leicester City Council	✓	x	✓	x	x	\	x
Mr. M. Singh Saroya	Employee Representative	x	x	x	x	x	✓	✓
Ms. R. Gilbert	Employee Representative	✓	✓	✓	x	x	\	✓
Mr. A. Cross	Employee Representative	✓	✓	✓	✓	✓	\	✓
Mr. A. Stewart (Reserve)	Employee Representative (Reserve)	\	\	\	\	\	\	\

Hymans Aspire Learning Training

The Fund introduced the Hymans Aspire Learning Academy during November 2021, which was updated in June 2023. This was designed to support the training needs of the Pension Committee and Board members, and Fund Officers, and it supplements the Fund's own training plan. It consists of a series of video presentations with supplemental learning material and quizzes. Completion by Committee and Board Members of these training modules from April 2024 to March 2025 is set out below.

Members also complete current issues modules when published, which are updated regularly, for example, issues around the McCloud remedy implementation.

2024-2025	1 - Committee Role and Pensions Legislation	2 - Pensions Governance	3 - Pensions Administration	4 - Pensions Accounting and Audit Standards	5 - Procurement and Relationship Management	6 - Investment Performance and Risk Management	7 - Financial Markets and Product Knowledge	8 - Actuarial methods, Standards and Practices
Mrs. R. Page	C	E	C	E	E	C	C	C
Mr. R. Shepherd	C	C	C	C	C	C	C	C
Cllr. E. Cutkelvin	C	E	C	E	C	E	E	C
Mr. M. Singh Saroya	C	C	C	C	C	C	C	C
Ms. R. Gilbert	C	C	C	C	C	E	E	C
Mr. A. Cross	C	C	C	C	C	C	E	C
Mr. A. Stewart (Reserve)	C	C	C	C	C	C	C	C

E – Enrolled C – Completed

This page is intentionally left blank

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND VALUATION

INDICATIVE WHOLE FUND RESULTS, DRAFT FUNDING STRATEGY STATEMENT

Purpose of the Report

1. The purpose of this report is to inform the Committee of the indicative whole fund valuation results and the proposed changes to the Fund's Funding Strategy Statement (FSS).

Background

2. Each LGPS administering authority has a statutory obligation to have an actuarial valuation carried out every three years and all Funds in England and Wales have a valuation carried out as of 31 March 2025.

3. The major purpose of the actuarial valuation is for the Fund Actuary to set employer contribution rates for a three-year period, that commence one year after the valuation date (i.e. for the period 1 April 2026 to 31 March 2029). To set these contribution rates the actuary must take account of many factors, most of which are assumptions of what may happen in the future.

4. The 31 March 2025 valuation assumptions were approved by Pensions Committee at the 27 June 2025 meeting.

5. In addition to the assumptions, Officers must review and update the Fund's Funding Strategy Statement (FSS). The FSS underpins the Fund policies and includes a table detailing the Fund's framework for setting contribution rates for each employer group.

6. As part of the valuation process, employers must be made aware of the proposed changes to the FSS and a consultation must take place with the employers. The Department for Education should also be consulted on the FSS as they provide the LGPS guarantee for Colleges and Academies.

7. A timetable of the valuation is included in the report.

Assumptions – June 2025

8. There are several assumptions used in the Fund Valuation. These are detailed in the table below and were approved by Committee on the 27 June 2025.

Assumption	Approach for the 2025 Valuation
Discount Rate	Adopt an 80% prudence for calculating funding levels and contribution rates, equating to a 6.1% pa discount rate*
CPI Inflation	Continue to use the modelled CPI best estimate assumption plus the inflation risk premium of 0.2% pa, totalling 2.5% pa
Salary Increases	Retain the 2022 salary increase assumption of 0.5% pa above CPI. 2.5% pa plus 0.5% totalling 3.0% pa for 2025
Longevity	Use the Actuary's default assumption
Others	Assumptions have been modelled using the Leicestershire fund data and based on the Club Vita analysis

*Amended from 6.0% to 6.1% due to minor changes in the investment strategy and due to roundings.

Indicative Whole Fund Result

9. Using the assumptions detailed above, the Fund Actuary (Hymans) have calculated the Whole Fund Result. The Fund's funding position has improved from 105% at the 31 March 2022 valuation, to 140% at the 31 March 2025 valuation.

10. The improvement from 105% in March 2022 to 140% in March 2025 is welcome, but this brings additional points that need to be considered.

11. It should be noted, the total funding level is only at a single point in time (31 March 2025) and the markets continue to fluctuate. Employers may incorrectly believe the overall improvement in funding is a right to pay lower contributions, and whilst the employers may be over 100% funded, this does not entitle employers to an immediate reduction in rate.

12. However, Officers also have a duty to consider the cost to employers, needing to balance this against the long-term aim of paying future pension benefits.

13. The stabilised employer rates have been modelled using the assumptions detailed above. The stabilised employers include the City, County, Boroughs, Districts, Police and Fire, and they have been offered a 2% reduction per year, in line with the Fund's stabilised employer rules. However, given the funding pressures on employers and the positive Fund position, the Fund has

used its discretion to offer the full 6% reduction (rather than 2% stepped per year) from April 2026.

14. Employer rates are being calculated by the Fund Actuary, and these are expected in November 2025, however early indications indicate employers are likely to be in surplus (i.e. over 100% funded). Fund Officers will write to employers when the rates are available.

15. At the 2022 valuation, the Fund introduced a 120% funding buffer, designed to protect employers and the fund from future fluctuations in the market. It reduced the risk of significantly fluctuating employer contribution rates between valuations, which helps employers with their longer-term financial planning.

16. The Fund will retain the 120% funding buffer at the 2025 valuation. Employers that are over 120% funded will continue to be considered for a possible reduction in rates over the longer-term as detailed in the draft Funding Strategy Statement (FSS).

17. However, with the improvement in the funding level since 2022, the table has been adapted to meet the improved employer funding position. The 2022 reference to employers needing to reach 100% funding has been removed.

18. An employer's primary contribution rate is payable to meet the cost of new benefits. An employer secondary rate is paid to meet the cost of past service.

19.

Employer Funding Level	**Total Contribution Rate**
Between 101% and 120%	Employer pays their primary contribution rate
Greater than 120% funded	Employer is allowed to benefit from a contribution rate reduction (via a negative Secondary Rate), to gradually reduce their funding level down to 120% Employer may pay up to a maximum of 3% less than the Primary Rate to support the aims of stability and inter-generational fairness

20. It should be noted there may be exceptions to this approach. Employers expecting to exit the scheme in the future, have no restrictions on contribution reductions (via a negative Secondary Rate), and in general the Fund will seek to reduce any surplus where possible prior to the Employer's exit date.

Funding Strategy Statement (FSS)

21. The Fund Actuary and Officers work collaboratively on the Fund's FSS. Officers have used this opportunity to review the style, content and presentation of the FSS in response to updated guidance provided by the Scheme Advisory Board (SAB), Ministry of Housing, Communities and Local Government (MHCLG) and Chartered Institute of Public Finance and Accountancy (CIPFA).

22. The main points to note in the 2025 valuation draft FSS are detailed below. One area is new, and the review of cessations in ongoing, but most are designed to show the Fund's current approach more explicitly in the FSS. The draft FSS is included as Appendix A.

23. Table 2.2. The contributions rate calculation. The table lists each employer group and the approach taken in the following areas; funding basis, target funding level, minimum likelihood of success, maximum time horizon, primary rate approach, secondary rate, stabilised approach, treatment of surplus, recognising covenant, phasing of contribution changes.

24. The key areas to highlight in table 2.2.

    - The funding basis, is the on-going approach for all groups, other than employers closed to new members and with no guarantor, where a low-risk approach is used.

    - Minimum likelihood of success is 80% for the majority, however for the higher risk groups this is increased. For Community admission bodies this is 90%, and for Universities this is between 80 and 85%, but can be lowered to 80% with security.

    - Maximum time horizon is 17 years for all groups to reflect the long-term nature of participation and to align with the long-term assumptions nature of the assumptions set. Where an employer is closed to new entrants or expected to exit the Fund in the future, a shorter period may be used where appropriate.

    - Phasing of contributions changes. The stabilised approach exists for this group. There is no phasing for the transferee admission bodies. All other groups have a 3-year period to align with the valuation cycle and to support a stepped rate of reduction, where applicable.

25. Table 2.5 Employer open or closed status. This is a new section in the Fund's FSS introduced following requests from employers to consider closing the scheme to some new staff. These staff would be offered an alternative pension arrangement via Subsidiary Company. The table proposes the approach the Fund will take when assessing if an employer is open or closed. Closed employers may be assessed on the low-risk methodology (table 2.2) and additional security requested.

26. Section 2.6 Alternative Investment Strategy including facilitating a buy-in or other insurance solution. The Fund does not allow these due to the increased cost of administration, and this is now explicit in the FSS

27. Section 2.8 Reviewing Contributions Between Valuations. When the Fund will consider an early review of employer contributions are detailed in Appendix H Section 3.1. This has always been the fund approach, but is now explicit in the FSS

28. Section 2.11 Administering Authority Discretion. Officers recognise individual employers may be affected by circumstances not easily managed within the FSS and therefore will consider funding approaches on a case-by-case basis. Flexibility to employer contributions may be considered if appropriate security is added (for example the Universities). This has always been the Fund approach, but is now explicit in the FSS

29. The Fund charges employers for actuarial work carried out for the employer. The Fund has always adopted this approach, but this is now explicitly mentioned at various points within the FSS.

30. Section 7.1 What is a cessation event. The Fund's approach to cessations has not changed, but with discretion, a cessation valuation may be deferred for up to three years in specific circumstances (known as a suspension notice). The Fund has only adopted this approach for Town and Parish Councils due to their small size with sometimes only one active member of staff. This is now explicit in the FSS

31. Section 7.6 Partial cessations. In general, the Fund does not allow employer partial cessations on the grounds of equitable treatment for all employers. However, the Fund reserves the right to review this policy in exceptional circumstances. This has always been the fund approach, but this is now explicit in the FSS

32. Appendix D – Risk and Controls. Section D6 Employer covenant assessment and monitoring. The table has been updated to reflect the level of risk for each employer group at the 2025 valuation.

33. Appendix D – Section D7 Climate risk and TCFD reporting. The section has been amended to reflect the Fund's approach at the 2025 valuation.

34. Appendix E – Actuarial assumptions. This has been updated to reflect the assumptions at the 2025 valuation.

35. Appendix E – Actuarial assumptions, Cessation Basis. Where an exiting employer ceases on the low-risk basis, the liabilities will be calculated on both the lower and upper limits to determine whether any deficit or surplus exists. If any surplus exists using the upper limit, then the Fund will carry out an exit credit determination. Officers are continuing to review this area, looking to further strengthen the Fund approach, and more information will be provided to Committee in December 2025.

36. Appendix I – Cessation Policies Section 3. The Fund may consider withholding any surplus where an employer has chosen to exit the Fund prematurely. The cessation exit basis is detailed in Table 3.1. The low-risk basis is used for all cessations, other than transferee admission bodies, however the Fund may adopt the low-risk basis where deliberate design has been taken to bring about a cessation event. This has always been the Fund approach, but this is now explicit in the FSS

Investment Strategy Statement

37. All LGPS funds in England and Wales are required to have an Investment Strategy Statement (ISS). The ISS is composed in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"). Given changes expected across the LGPS from the Fit For The Future consultation outcome and Pension Bill it has been considered appropriate to bring the draft update to Committee when there is more certainty.

Timeline

38. The latest valuation timeline is detailed as follows.

Date	Topic	Stakeholder
September 2025	Whole Fund valuation result. Initial draft FSS changes and to request approval to consult with employers	Committee
November 2025	Provide employers with their indicative rates. 1 April 2026 to 31 March 2029 Commence FSS consultation	Pension Section / Fund employers
December 2025 / January 2026	Changes to the FSS and ISS	Pension Section
February 2026	Finalise FSS	Committee
March 2026	Final valuation report	Hymans
April 2026 to March 2029	Employer rates to be implemented	Fund employers

39. Officers propose to start a consultation with employers on the FSS in November 2025. To assist administration and employers, this will commence at the same time employers receive their indicative employer rates.

40. Whilst there's no expected changes to the assumptions, the final assumptions will be taken to the Committee in February 2026 alongside the final FSS after completion of the employer consultation.

Recommendation

41. It is recommended that the Committee notes;

- The Whole Fund Valuation Rate of 140%
- The draft FSS
- Employer consultation on the FSS will commence in November 2025, once indicative employer rates are available

Equality and Human Rights Implications

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

Human Rights Implications

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

Appendix

Appendix – Fund's draft FSS

Background Papers

Report of the Director of Corporate Resources – Pension Fund Valuation 2025 – Assumptions and Employer Risk 27 June 2025 https://democracy.leics.gov.uk/documents/s190524/Local%20Committee%20Report%20Valuation%20Assumptions%20and%20Employer%20Risk%202025.pdf

Officers to Contact

Ian Howe – Pensions Manager
Tel: 0116 305 6945
Email: Ian.Howe@leics.gov.uk

Simone Hines – Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066
Email: Simone.Hines@leics.gov.uk

Delcan Keegan - Director of Corporate Resources
Tel: 0116 305 7668
Email: Declan.Keegan@leics.gov.uk

Appendix

Leicestershire County Council Pension Fund

Funding Strategy Statement

April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

Contents

1 Purpose of the Leicestershire County Council Pension Fund and the Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Leicestershire County Council Pension Fund (the Fund).

The Leicestershire County Council Pension Fund is administered by Leicestershire County Council, known as the Administering Authority. Leicestershire County Council worked with the Fund's Actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Leicestershire County Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact ian.howe@leics.go.uk.

1.1 What is the Leicestershire County Council Pension Fund?

The Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The Administering Authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- where appropriate, ensure fairness between employers and between different generations of tax-payers.
- The Fund will engage in a consultation with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.4 How is the funding strategy specific to the Leicestershire County Council Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the Fund Actuary
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the Fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the Administering Authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)

- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

1.6 Links to Administration Strategy

The Fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the Fund. A copy of this can be found here.

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the Pension Fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.7 Actuarial valuation report

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise. The actuarial valuation report sets out 1) the Actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which will typically be expressed as a percentage of payroll).

PART A – Key Funding Principles

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – an adjustment to the total contribution rate to allow for the current funding position of the employer's past service benefits.

The primary rate also includes an allowance for the Fund's administration expenses.

The fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The fund has set *funding strategy criteria* for each employer in the fund which must be satisfied in order for a given employer contribution to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the target funding level** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least a **80% likelihood** of being **100% funded** on the **ongoing participation basis** at the end of a **17 year** funding time horizon*

The funding strategy criteria used by the fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the fund are set out in Appendix E.

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rises.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the Fund Actuary helps the Fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs[1]
Sub-type	Local authorities, police, fire	Universities	Academies and Colleges	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 3	Tier 2	Tier 3	Tier 3	Tier 1
Funding basis[2]	Ongoing	Ongoing	Ongoing	Ongoing	Low-risk	Ongoing
Target funding level [3]	120%	120%	120%	120%	120%	100%
Minimum likelihood of success	80%	80-85%[4]	80%	80%	90%	80%
Maximum time horizon[5]	17 years	17 years	17 years	17 years	17 years	Same as the letting employer
Primary rate approach[6]	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay					
Secondary rate	The difference between the total contribution rate payable (determined as per 2,1) and the primary rate.					
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: Reductions may be permitted by the Administering Authority - see section 2.3 below				
Recognising covenant	Stabilisation parameters	Adjust likelihood of success – can be at employer level				
Phasing of contribution changes	Covered by stabilisation arrangement	Up to 3 years				None
Approach to cessation calculations	The Fund's approach to cessation calculations is set out in Section 3.1 of Appendix I					

[1] Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority (in most cases this is set equal to the letting authority's total contribution rate). The Fund's policy on pass-through employers is detailed in Appendix F

[2] See Appendix E for further information on the funding basis.

[3] See section 2.3 for further information on the target funding level.

[4] The likelihood of success will reflect the employer's risk characteristics. The Fund's approach to assessing and monitoring employer risk is set out in Appendix D6. Where an employer is able to evidence stronger covenant (eg providing security), a lower likelihood within this bound may be permitted (but no lower than 80%)

[5] If an employer moves into a deficit position it is expected that this is resolved as soon as possible, and a shorter time horizon may be used by the Fund where deemed appropriate. The time horizon will be set with reference to the employer's covenant strength.

[6] The Primary Rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates

The Fund manages funding risks as part of the wider risk management framework, as documented in the Fund's risk register. The funding-specific risks identified and managed by the Fund are set out in Appendix D – Risks and Controls.

2.3 Target funding level and contribution reductions

Where an employer has a surplus, as calculated by the Fund Actuary on the appropriate funding basis, a reduction in contribution rate may be permitted by the Administering Authority.

The following framework will be used as a guide, and the Administering Authority has discretion and applies to all employers who remain open to new entrants and with no fixed end date in the scheme.

Employer funding level	Total contribution rate
Between 100% and 120%	Employer pays their Primary contribution rate
Greater than 120% funded	Employer is allowed to benefit from a contribution rate reduction (via a negative Secondary Rate), to gradually reduce their funding level down to 120% Employer may pay up to a maximum of 3% less than the Primary Rate to support the aims of stability and inter-generational fairness

Where an employer is expected to exit the scheme in the future, in general the Fund will seek to reduce any surplus where possible prior to the Employer's exit date.

2.4 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. If this isn't appropriate, contribution increases or decreases may be phased subject to agreement by the Administering Authority.

The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund Actuary, the Administering Authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	Local authorities, police & fire.

Maximum contribution increase per year	+2% of pay
Maximum contribution decrease per year	-2% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The Administering Authority may review them between valuations to respond to membership or employer changes. The Fund may exercise discretion over the phasing of the maximum contribution increase/decrease per year subject to a maximum increase/decrease of 6% of pay over the 3-year inter-valuation period.

2.5 Employer open or closed status

Employer Status	**Employer duties**	**Comments**	**Fund Requirements**
Open (employer is 'open' to new entrants)	All new eligible staff employed by the employer are brought into the LGPS	Assessed by employer group (Table 2.2. FSS)	Actuarially assessed using the open (ongoing) methodology
Closed (employer is 'closed' to new entrants, but existing LGPS staff continue to accrue benefits)	There are no new eligible staff employed by the employer. All new staff are enrolled into a different pension arrangement	Assessed by closed to new entrants (Table 2.2. FSS)	Employer guarantor Security bond (full or capital cost) May be actuarially assessed using the low-risk methodology and/or by targeting a higher likelihood of success
Where an employer is partially open/closed the following principles will apply:			
'Deemed Closed' (9% or less)	Employers closing the scheme to some future eligible staff (existing staff remaining in) Employer to provide annual payroll data to enable the Fund to assess LGPS % level	9% or less of new employees still eligible to join the LGPS	Employer guarantor Security bond (full or capital cost) May be actuarially assessed using the low-risk methodology and/or by targeting a higher likelihood of success

			If the employer's annual payroll data reflects a change to 'deemed open' then a contribution review may be requested
'Deemed Open' (10% or higher)	Employers closing the scheme to some future eligible staff (existing staff remaining in) Employer to provide annual payroll data to enable the Fund to assess LGPS % level	10% or more of new employees still eligible to join the LGPS	Actuarially assessed using the open (ongoing) methodology The overall risk of the employer will be assessed (which may include a covenant assessment by a third party covenant specialist), and this will be factored into the funding approach taken (for example, a higher likelihood of success may be adopted to reflect increased risk or other conditions imposed to suitably manage the risk). If the employer's annual payroll data reflects a change to 'deemed closed' then a contribution review may be carried out by the Fund.

2.6 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the Administering Authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The Fund does not currently offer any alternative employer investment strategies (including facilitating a buy-in or other insurance solutions) due to the cost and administrative implications to maintain these relative to a single strategy.

The Fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available at [link].

Asset class	**Allocation**
Listed Equity	41.0%
Private Equity	7.5%
Other alternatives	5.0%
Infrastructure	12.5%
Property / Real estate	7.5%
Credit (inc UK govt bonds)	9.0%
Credit	13.25%
UK gvt bonds	3.5%
Investment cash	0.75%

2.7 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that Funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

2.8 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in Appendix H Section 3.1. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions. The cost of this work is charged to the employer.

2.9 What is pooling?

The Administering Authority does not currently allow employers to enter into a funding pool except under specific circumstances. Where an employer is participating in the Fund under a pass-through admission agreement this employer will be pooled with the letting authority. Similarly, when an academy joins an existing multi-academy trust (MAT) within the Fund, the funding positions are pooled together. In both situations the funding position of the individual employers are no longer tracked separately.

The Fund's policies on pass-through employers and academies are detailed in Appendix F and Appendix G respectively.

2.10 What are the current contribution pools?

There are currently no contribution pools in the Fund with the exception of MATs and pass-through employers who are pooled with the respective letting authority.

2.11 Administering Authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the Administering Authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Administering Authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate or extended time horizon. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

2.12 Prepayment of contributions

The Fund permits the prepayment of employer contributions in specific circumstances.

Employer contributions

- The Fund will consider requests from employers to make payment of their employer contributions early or additional amounts over and above their employer rate.
- Each case will be considered on its own merits, taking into account the type of the employer, the employer rate, the amount and the value of cash the Fund holds.

Employee contributions

- The Fund will not usually consider requests to allow payment of employee contributions early.
- In exceptional circumstances, Officers may consider this on a case-by-case basis.

Prepayment of contributions does not guarantee improved investment benefits and any detriment is at the employer's own risk.

2.12 Non cash funding

The Fund will not accept any form of non-cash assets in lieu of contributions.

2.13 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund’s approach to setting contribution rates for each employer group.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread in exceptional circumstances if the Administering Authority agrees but when spread, the employer will need to pay for the lost investment return.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum. Each employer has an 'ill health allowance' built into the full contribution rate that is set at each actuarial valuation, but for higher risk employers or breaches of the "ill health allowance" the Fund may require immediate payment of this funding strain.

To mitigate this, employers may choose to use external insurance made available by the Fund (which is currently provided through Legal & General).

- **TABs** – the Fund's admission agreement requires TABs to take out ill-health liability insurance (IHLI).
- **Other employers** – IHLI is offered to all other employers. This is not mandatory but is strongly recommended for smaller and mid-size employers.

If an employer insures against the risk of ill-health retirements, there will be a reduction to the employer's contribution rate that is the equivalent to the external insurance premium rate.

In the event of an ill health early retirement:

- **Insured employers –** will be invoiced for the funding strain cost which they pay to the Fund. The employer then claims this cost back via the insurance contract.
- **Uninsured employers –** the Pension Manager reviews cases each quarter and the employer may be asked to make an additional payment towards the funding strain.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund Actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix E, the Fund Actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by Ministry of Housing, Communities and Local Government (MHCLG).

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

PART B – Employer Events

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

The required calculations will be carried out by the Fund Actuary, and the associated actuarial costs will be recharged to the employer.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully Fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The new academy's contribution rate (where not joining an existing MAT) is based on the current funding strategy (set out in section 2) and the transferring membership.

Academies joining an existing MAT within the Fund will be pooled with this MAT and will fully share all risks and costs. Academies within a MAT pay the same total contribution rate. If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT (unless it is not possible to identify all deferred and pensioner members of the transferring academy).

The Fund's policies on academies may change based on updates to guidance from the Ministry of Housing, Communities and Local Government or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's full policy on academy participation is detailed in Appendix G

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the Administering Authority or in the contract admission agreement.

Passthrough admissions

The Fund's preference is that all new admission bodies will be set up via a pass-through arrangement. The Fund's policy on passthrough is detailed in Appendix F

Non-passthrough admission

Liabilities for transferring active members will be calculated by the Fund Actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Administering Authority's satisfaction. The required amount will be calculated by the Fund Actuary, and the associated actuarial costs will be recharged to the admission body.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The admission body is required to provide security – such as an indemnity or bond – as determined by the Administering Authority.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another Fund, unless the asset transfer is enough to meet the added liabilities
- the process to agree bulk transfer terms, transfer the data and calculate the asset share can be lengthy and the administrative and actuarial costs associated with the bulk transfer will be payable by the effected employer.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The Administering Authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time. Please note this is only permitted where the employer is expected to admit further members into the scheme in the near future (typically only for Town & Parish Councils)
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA), where an employer with no active members had been participating in the Fund as a deferred employer (see below).

On cessation, the employer may be permitted to enter into a deferred debt arrangement (DDA) and become a deferred employer in the Fund (as detailed in Section 7.4). If no DDA exists, the Administering Authority will instruct the Fund Actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund and the associated actuarial costs will be recharged to the exiting employer.

7.2 What happens on cessation?

The Administering Authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The Actuary aims to protect remaining employers from the risk of future loss. The funding basis adopted for the cessation calculation is below. These are defined in Appendix E.

(a) Where there is no guarantor, cessation liabilities will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk basis used for cessation calculations is defined in Appendix E.

(b) Where there is a guarantor, the nature of the guarantee will be considered before the cessation valuation and the cessation may be calculated using the same basis for ongoing funding, depending on the circumstances of the employer's exit. The ongoing basis is defined in Appendix E.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

After an employer without a guarantor has left the scheme and paid off the deficit in full or settled the surplus (calculated using assumptions in place at the time of leaving) future risk then sits with the remaining Fund employers.

The Fund Actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and will be invoiced to the employer on completion of the cessation valuation (or in certain cases may be deducted from the cessation surplus or added to the cessation deficit).

The Fund's cessation policy is detailed in Appendix I

7.3 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA).
- if an exiting employer enters into a deferred debt agreement (DDA), it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The Fund's policy on employer flexibilities on exit is set out section 3.2 of the cessation policy in Appendix I.

7.4 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond the DDA/DSA they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis at the formal valuation.

7.5 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the Administering Authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is set out within section 3.3 of the Fund's cessation policy in Appendix I

7.6 Partial cessations

In general, the Fund does not allow employer partial cessations on the grounds of equitable treatment for all employers (as the funding risks of the employer seeking to partially cease would transfer to other employers within the Fund, if allowed). The Fund reserves the right to review this policy in exceptional circumstances.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS Funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% (or above) over an appropriate time, using appropriate assumptions compared to other Funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a funding level of (at least) 100%.

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

See Section 2 for further details on how contributions rates are set to maintain solvency.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Administering Authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS Funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing Funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Funds' actuarial bases don't offer straightforward comparisons.

Standard information about the Fund's approach to solvency of the pension Fund and long-term cost efficiency will be provided in a uniform dashboard format in the Fund's valuation report to facilitate comparisons between Funds.

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require Funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the Administering Authority uses to:

- *establish a clear and transparent Fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Fund are met.*
- *explain how the Fund balances the interests of different employers.*
- *explain how the Fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the Administering Authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the fund meets these responsibilities.

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The Fund's consultation process during a valuation year includes issuing a draft version of the FSS to participating employers, highlighting the key changes, and inviting employers to attend the AGM. Draft employer valuation results will be issued alongside the draft FSS. Employer feedback from this process will be considered, and any changes incorporated within the final version of the FSS that will be approved by the Fund's committee prior to the end of the valuation year.

The fund also shared the draft FSS with the Department for Education.

A3 How is the FSS published?

The FSS is emailed to participating employers. A full copy is included in the Fund's annual report and accounts. Copies are freely available on request and is published on the Administering Authority's website.

A4 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the Investment Strategy Statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/Fund-admin-and-guidance/pension-Fund-and-finance

Appendix B – Roles and responsibilities

B1 The Administering Authority are required to:

1 operate a pension Fund

2 collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations

3 have an escalation process in situations where employers fail to meet their obligations

4 pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations

5 invest surplus monies in accordance with the relevant regulations

6 ensure that cash is available to meet liabilities as and when they fall due

7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments

8 take measures as set out in the regulations to safeguard the Fund against the consequences of employer default

9 manage the valuation process in consultation with the Fund's Actuary

10 prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties

11 monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly

12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits

13 effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer

14 enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference

15 support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),

2 provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality

3 pay all ongoing contributions, including employer contributions determined by the Actuary and set out in the rates and adjustments certificate, promptly by the due date

4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain

6 notify the Administering Authority promptly of all changes to active membership that affect future funding

7 Pay any exit payments on ceasing participation in the Fund timely provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 The Fund Actuary should:

1 prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions set by the Administering Authority and having regard to the FSS and the LGPS Regulations

2 provide advice so the Fund can set the necessary assumptions for the valuation

3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc

4 provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the Fund

5 provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default

6 assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations

7 ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.

8 Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the Administering Authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each Fund to determine the input into the development of the FSS (as appropriate within Fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS

2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation

3. Assist with the development of and review communications in relation to the FSS.

B5 **Employer guarantors**

1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.

2 Other bodies with a financial interest (outsourcing employers)

B6 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the Administering Authority on processes and working methods

5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Administering Authority's own procedures

6 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements.

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an Actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the Fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the Fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a Fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension Fund (the Fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

Code of Practice

The Pensions Regulator's General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension committee

A committee or sub-committee to which an Administering Authority has delegated its pension function

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates)

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

The Administering Authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the Local Pension Committee and Local Pension Board is available on the Pension Fund's website, here.

Details of the key Fund-specific risks and controls are set out in the risk register which is presented quarterly to the Committee and Board.

D2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	Anticipate long-term returns on a prudent basis to reduce risk of under-performing. Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc. Analyse progress at three-year valuations for all employers. Roll forward whole Fund liabilities between valuations.
Inappropriate long-term investment strategy.	Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance. Operate various strategies to meet the needs of a diverse employer group.
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	Focus valuation on real returns on assets, net of price and pay increases. Use inter-valuation monitoring to give early warning. Invest in bonds. Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Increased employer's contribution rate affects service delivery and admission/scheduled bodies.	Agree an explicit stabilisation mechanism, with other measures to limit sudden increases in contributions.

Risk	Control
Orphaned employers create added Fund costs.	Seek a cessation debt (or security/guarantor). Spread added costs among employers.

D3 Demographic risks

Risk	Control
Pensioners live longer, increasing Fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the Fund Actuary's experience and access to over 50 LGPS Funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Monitor employer ill-health retirement experience, with optional insurance.
Reductions in payroll cause insufficient deficit recovery payments.	Buy-out employers in the stabilisation mechanism to permit contribution increases. Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

D4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis	Take advice from the Actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS Funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the Fund Actuary and amend strategy.

D5 Governance risks

Risk	Control
The Administering Authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The Administering Authority develops a close relationship with employing bodies and communicates required standards. The Actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The Administering Authority fails to commission the Actuary to carry out a termination valuation for an admission body leaving the Fund.	The Administering Authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the Fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.

Risk	Control
An employer ceases to exist, so an exit credit is payable.	The Administering Authority regularly monitors admission bodies coming up to cessation. The Administering Authority invests in liquid assets so that exit credits can be paid.

D6 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Fire	Tax-raising or government-backed, no individual assessment required High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis
Colleges	Government-backed, covered by DfE guarantee in event of failure High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis Check that DfE guarantee continues, after regular scheduled DfE review
Universities	High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis Additional conversations with employers to consider emerging risks Development of ongoing risk management review, requesting additional security where appropriate
Academies	Government-backed, covered by DfE guarantee in event of MAT failure High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (CABs)	High level risk profiling carried out on pension metrics Review available security	Triennial review of risk profiling analysis Ongoing risk management review, requesting additional security where appropriate

Type of employer	Assessment	Monitoring
Admission bodies (TABs)	On admission Fund considers letting authority covenant, contract length and potential capital costs risk. Reference effective guarantee provided by the Awarding Authority High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis Regular monitoring (at triennial valuation, or more regularly where necessary)
Designating employers	High level risk profiling carried out on pension metrics	Triennial review of risk profiling analysis

The outcome of any assessments may be a factor considered when setting employer contribution rates.

D7 Climate risk

The Fund has considered climate-related risks when setting the funding strategy, in line with guidance approved by the LGPS Scheme Advisory Board, MHCLG and GAD for “key principles for preparing climate scenario analysis as part of the 2025 valuation”.

The Fund’s Actuary Hymans Robertson have stress tested the funding and investment strategies against possible future climate scenarios, enabling the Fund to understand the resilience of the funding strategy statement.

While there is significant uncertainty around the type of risks, and when they may occur,

the current strategies were proven to be resilient to climate transition risks within an appropriate level of prudence. The Fund will continue to monitor the resilience of the funding strategy to climate risks at future valuations or when there has been a significant change in the risk posed to the Fund (e.g. global climate policy changes).

The climate scenario analysis incorporates both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing narratives around potential policy and market responses, noting these may be sub-optimal.

This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of outcomes that may arise, and assess the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled
2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

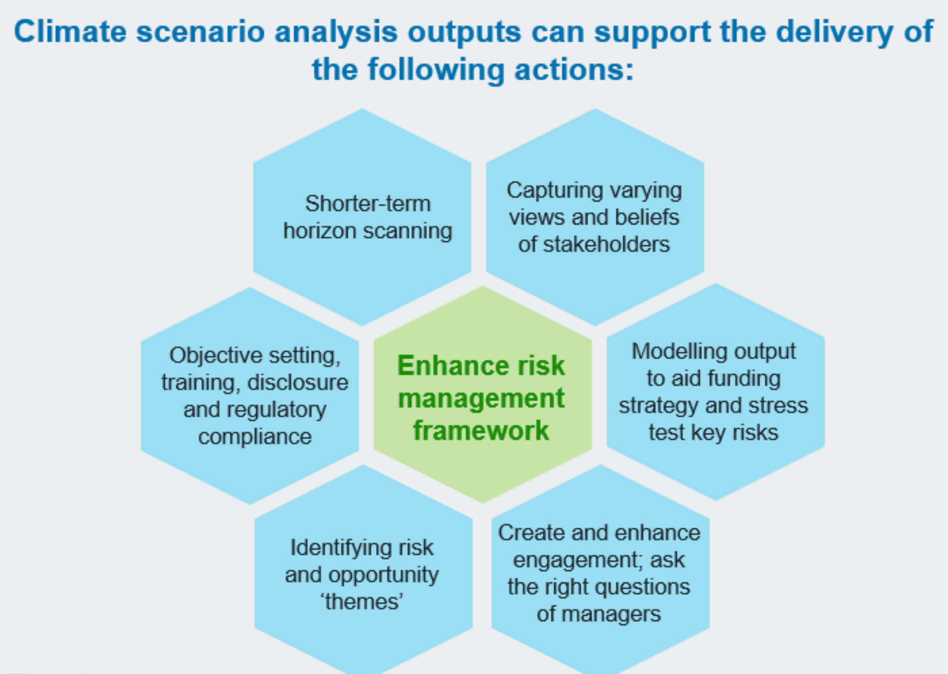


Figure 1.

This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Climate risk is considered in the Fund's risk register, Investment Strategy Statement and Net Zero Climate Strategy which is reported against annually as part of the Fund's TCFD compliant Climate Risk Management Report. The actions taken by the Fund are reported as part of this process.

The latest report is available on the Pension Fund's website, here.

Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing basis* and the *low-risk basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

E3 What financial assumptions are used by the fund?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a 80% likelihood.

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing	80%
Low-risk	90%

The application of the funding basis for different types of employer groups is set out in the table in Section 2.2.

Cessation basis	Prudence level
Low-risk (lower limit)	90%
Low-risk (upper limit)	95%

Where an exiting employer ceases on the low-risk basis, the liabilities will be calculated on both the lower and upper limits to determine whether any deficit or surplus exists. Any deficit to be payable by the employer is determined using a discount rate calculated on the lower limit. If a surplus exists using a discount rate calculated on the upper limit, then the Fund will carry out an exit credit determination. See section 3.3 of the Fund's cessation policy in Appendix I for more detail.

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood

Since the valuation date, the risk of high inflation persisting for longer than consensus expects has increased, primarily driven ongoing geo-political uncertainty and global trade tariffs. Due to these factors, an 'inflation protection' margin of 0.2% pa has been to the 2025 ESS valuation assumption.

Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

E4 Further detail on the calculation of financial assumptions

The discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

		Annualised total returns							Economic variables				
		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%		

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

E5 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

Other Demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at death. For example, at age 65 this is assumed to be 55% for males and 54% for females. Dependant of a male is assumed to be 3.5 years younger than him. Dependant of a female is assumed to be 0.6 years older than her.

Commutation	70% of maximum under HMRC limits.
50:50 option	0% of members will elect to change scheme.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	304.88	0.00	0.00	0.00	0.00
25	117	0.17	213.65	201.38	0.00	0.00	0.00	0.00
30	131	0.20	151.59	142.86	0.00	0.00	0.00	0.00
35	144	0.24	118.44	111.61	0.10	0.07	0.02	0.01
40	151	0.41	95.36	89.83	0.16	0.12	0.03	0.02
45	159	0.68	89.57	84.36	0.35	0.27	0.07	0.05
50	167	1.09	73.83	69.46	0.90	0.68	0.23	0.17
55	173	1.70	58.14	54.73	3.54	2.65	0.51	0.38
60	174	3.06	51.82	48.76	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	224.34	0.00	0.00	0.00	0.00
25	117	0.10	189.71	150.93	0.10	0.07	0.02	0.01
30	131	0.14	159.02	126.50	0.13	0.10	0.03	0.02
35	144	0.24	137.25	109.14	0.26	0.19	0.05	0.04
40	151	0.38	114.23	90.80	0.39	0.29	0.08	0.06
45	159	0.62	106.60	84.72	0.52	0.39	0.10	0.08
50	167	0.90	89.87	71.35	0.97	0.73	0.24	0.18
55	173	1.19	67.06	53.30	3.59	2.69	0.52	0.39
60	174	1.52	54.04	42.90	5.71	4.28	0.54	0.40

Appendix F – Passthrough policy

Policy on passthrough

1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a passthrough basis.

In addition, and subject to review on a case-by-case basis, the Fund may be willing to apply its passthrough principles to other admission bodies where liabilities are covered by a guarantor within the Fund.

Contractors are still permitted to enter the Fund under non-passthrough admissions as detailed in Section 5.3 of the FSS. This policy does not apply in these cases.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the passthrough arrangement.
- To outline the process for admitting new contractors into the Fund

1.2 Background

Employees outsourced from local authorities, or from independent schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007).

This may be achieved by offering affected employees membership of an alternative broadly comparable scheme. However this is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Passthrough is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the contractor's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.

- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund.

2 Statement of principles

This statement of principles covers the admission of new contractors to the Fund on a passthrough basis. Each case will be treated on its own merits, but in general:

- Pass through is the preferred approach for the admission of all new contractors to the Fund. For the avoidance of doubt, this would apply to contracts established by councils, Police & Fire authorities, and academy trusts (the letting authority).
- The contractor's pension contribution rate is set equal to the contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's contribution rate (i.e. following future actuarial valuations).
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, under its passthrough arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and the contractor will have the ill health insurance in place, usually as a requirement of the admission agreement.
- The contractor will not be required to obtain a full indemnity bond but may be required to obtain a capital cost bond to cover strain potential costs for those members age 55+. This is assessed on a "case by case" basis.
- Where an academy is the letting authority, the Fund will expect the academy to ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' (which can be viewed on the GOV.UK website at this link) before permitting the contractor into the Fund.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations or Fund recharges. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass though agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above. The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

3 Policy and process

3.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

3.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will typically be set equal to the total employer contribution rate payable by the letting authority. This means that the contractor's contribution rate will change when the letting authority rate changes.

Alternatively, the administering authority may wish to pursue a fixed rate with the contractor (subject to the agreement of the letting authority).

3.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a passthrough basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a passthrough arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains, augmentations or professional fees at the end of the contract. If the contractor does not pay, it becomes the letting authority's liability.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation should be agreed between the contractor and letting authority before the contract commences and should be appropriately detailed in the service agreement and legal documentation.

The details of any risk sharing agreements should be shared with the administering authority to ensure the correct funding treatment is applied. There may be additional actuarial, legal and professional fees to administer such agreements for which the letting authority and/or the contractor would be liable to pay.

3.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authorities' FRS102 / IAS19 disclosures.

The letting authority and contractor should seek approval from their auditor of the proposed accounting treatment in the first instance.

3.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

3.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this passthrough policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.

- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.

- **Post commercial contract** – Once the admission agreement has been signed, the winning bidder is then able to enter the Fund. NB, the letting authority must ensure that the commercial contract is also signed.

- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

3.7 Costs

Contractors being admitted to the Fund under a passthrough agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the Funding Strategy Statement, specifically "Section 6 – What happens when an employer leaves the Fund?"

Appendix G – Academies policy

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the FSS, new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

Academy guidance from the Department for Education and the Ministry of Housing, Communities and Local Government may also be relevant.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the Fund's current approach is to treat all academies within a MAT as a single employer (effectively operating as a funding pool where all pension risks are shared).
- academies must consult with the Fund prior to carrying out any outsourcing activity.
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation.

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below).

3.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to pool assets (and liabilities) of all the academies within a MAT. Once an academy joins a MAT the individual asset share of that academy is merged into the MAT and no longer tracked individually.

Contribution rate

The MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the Fund and all membership experience is shared across the MAT (ie full cross-subsidy exists).

Any transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the Fund, the MAT's contribution rate may be revised by the Fund actuary to allow for impact of the transferring academy joining.

Academies leaving a MAT

If an academy(ies) leaves a MAT, it is not generally possible (or practical) to identify the ex-employees of the transferring academy, therefore all deferred and pensioner members will remain with the MAT. The notional funding position of the transferring academy will be removed from the MAT before being transferred. This calculation will be carried out under the same principles as new academy conversions (as described below and per section 5.2 of the FSS).

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before the academy transfers. Liabilities relating to the transferring academy's former employees (ie members with deferred or pensioner status) remain with the MAT.

Transferring academies will be allocated an asset share based on the estimated funding level of the MAT's active members, having first allocated the MAT's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's asset share, capped at a maximum of 100%.

The MAT's estimated funding level will be based on market conditions on the day before the transfer.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the Fund's contribution review policy and as per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7.4 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the Fund preference that academies do not seek to consolidate.

Where a direction has been granted the Fund does not generally accept academy consolidations into the Fund. The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's admissions / passthrough policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members). In particular, the Fund expects the academy to ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' (which can be viewed on the GOV.UK website at this link) before permitting a contractor into the Fund

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

The Fund's approach to admitting new academies into the Fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

- Contribution policy
- Cessation policy

Appendix H – Contribution reviews

Policy on contribution reviews

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustments certificate.

3 Policy

3.1 Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation.
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation.
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation.
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation.
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security).
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring.
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

The Fund would not normally consider a rate review within 12 months of new rates being prepared as part of the standard triennial valuation exercise.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The Fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Appendix I – Cessation policy

Policy on cessations

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section 3 - Policies).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the administering authority will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the Fund.
- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    - a) Notify its intention to make a determination to-
        - (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer

   (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
  b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining Fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the exiting employer.
- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

3 Policies

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

The Fund may consider withholding any surplus where an employer has chosen to exit the Fund prematurely.

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis[1]	Shared between other Fund employers
Colleges & Universities	Low risk basis	Shared between other Fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis[2]	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Cessation of academies and multi-academy trusts (MATs)
A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)
The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

Spreading the exit payment could increase the cost due to lost investment return in the period.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.

- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

Deferred debt agreement (DDA)
The Fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.

- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

The principles below will be considered as part of the exit credit determination. However, they are designed only to provide an indication of how decisions are likely to be made and do not fetter the Fund's discretion over its decision. Each potential exit credit determination will be considered by the Fund on its own merits, and the Fund will make its discretionary decision on that basis.

Admitted bodies

i. No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/letting authority. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund.

ii. No exit credit will be payable to any admission body who participates in the Fund via the mandated pass through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.

iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/letting authority and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the pension manager, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original letting authority or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.

- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.

- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

Agenda Item 8

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024/25

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval of the appended Annual Report and Accounts of the Pension Fund (the Fund) for the financial year 2024/25.

Background

2. There is a statutory requirement for the Annual Report and Accounts to be available on or before 1 December following the end of a scheme year. The Accounts are in the process of being audited and the Local Pension Board and Local Pension Committee will be updated at the earliest possible opportunity on the opinion given by the Auditor once this process has been completed.

3. The Fund follows revised guidance published in May 2024 by the Scheme Advisory Board, Chartered Institute of Public Finances and Accountancy and the Department for Levelling Up, Housing and Communities (now the Ministry for Housing, Communities and Local Government), on details for the preparation and publication of the pension fund annual report as required in regulation 57 of the LGPS Regulations 2013.

4. In the Board's role in assisting the Administering Authority in ensuring the effective and efficient governance and administration, the Board considered this report on 3 September 2025. Following comments officers are looking at whether data can be compared across investment costs with other LGPS funds, this will be provided as part of a future summary valuation report to Committee, and further consideration will be given to whether it can be included as part of future annual reports, subject to reporting constraints as structure and content were prescribed by the Scheme Advisory Board.

5. A comment was further noted around a concern about the Fund's approach to net zero, including shareholder activism, divestment from certain sectors, and investments driven by ideology rather than financial return, and suggested the Fund should focus on maximising returns, and queried how the current approach could be re-evaluated. It was explained that climate and responsible investment strategies fell under the Local Pension Committee's remit and were approved by the Committee. It was noted that a review of those strategies was underway, and would include a consultation with scheme members, following which results would be presented to the Committee.

6. Members were informed the Fund maintained fiduciary duty to maximise returns, whilst managing risks associated with climate and responsible investment in a balanced way.

<u>Ongoing areas of consideration</u>

7. While the Fund has complied as far as possible with the revised guidance, one area states that Fund's 'must' report "*Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class must be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark must be stated."* Whilst the Annual Report sets out performance against its benchmarks for growth, income and protection, it is unable to do this for each fund manager and name the benchmarks used under the terms of the current contract with the Fund's performance information provider and the underlying benchmark providers, however this information is available to the Committee in the exempt part of the agenda.

8. The guidance sets out that the Fund 'should' indicate how it is responding to the SAB's Code of Transparency. Steps need to be taken by the Fund to fully review this position and encourage compliance by investment managers. Presently, approximately 65% of the Fund's investment managers are signed up to the scheme. However, it should be noted that the majority of investment managers provide cost information to the Fund through the use of the Cost Transparency Initiative (CTI) templates required by the Code of Transparency, which supports accounting of the underlying costs of investments as disclosed in the Annual Report.

9. The Fund will look to work with LGPS Central to be able to report on gross and net savings achieved to date for the Fund.

<u>Next Steps</u>

10. The Fund accounts are subject to external audit by Grant Thornton LLP. The External Audit of the Accounts is reported to the Corporate Governance

Committee and the Chair of that Committee is required to sign a Letter of Representation assuring the auditors that the financial statements are complete, and that all required information has been disclosed in the accounts and to the external auditors.

11. Approval of this report will be subject to external audit, noting that the County Council's Corporate Governance Committee will receive the External Audit of the 2024/25 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts later in the year.

12. The pension fund Annual report and Accounts will go to the Pension Fund Annual General Meeting on 15 December 2025.

Leicestershire Pension Fund Conflict of Interest Policy

13. 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

14. That:

    a. The Annual Report and Accounts of the Pension Fund for the financial year 2024/25 be approved subject to External Audit;

    b. It be noted that the Corporate Governance Committee would receive the External Audit of the 2024/25 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

Environmental Implications

15. 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. Highlights from 2024/25 are included within the Annual Report and there are no changes to this approach as a result of this paper.

Equality Implications

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

Human Rights Implications

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

Appendix

Pension Fund Annual Report

Officers to Contact

Declan Keegan
Director of Corporate Resources
Telephone: (0116) 305 6199
Email: Declan.Keegan@leics.gov.uk

Ian Howe
Pensions Manager
Telephone: (0116) 305 6945
Email: Ian.Howe@leics.gov.uk

LOCAL GOVERNMENT PENSION SCHEME
LEICESTERSHIRE ANNUAL REPORT

Year ended 31st March 2025

Administered by
LEICESTERSHIRE COUNTY COUNCIL

Foreword

We are pleased to introduce the annual report for the Leicestershire County Council Pension Fund (the Fund), outlining its financial position as at 31 March 2025 and key activities over the past year. This report also explains how the Fund is managed, both in terms of administration of benefits and investment strategy.

The Fund supports over 100,000 scheme members and 200 employers, aiming to maintain long-term financial health while keeping employer contributions stable. The work of the Fund is never finished, but we are pleased to highlight in particular the following activities over the past year.

- The Fund is now worth over £6.6billion, achieving a 4.8% investment return over the past year and continued strong performance over five years.
- Over half of assets are invested with our pooling company, LGPS Central, progressing towards full pooling by March 2026 required under Government's 'Fit for the Future' plan, which we will continue to work towards in ensuring good governance and investment outcomes for the Fund.
- We met both interim carbon reduction targets and now hold over £1billion in climate aligned investments and continue to work with our partners LGPS Central and the Local Authority Pension Fund Forum to engage with companies as responsible investors.
- The Pension Team prepared for the triennial valuation, working closely with Hymans Robertson (The Fund's Actuary) who calculate the whole Fund funding value and the employer contributions.
- The Pension Team completed a tender for the Fund's Additional Voluntary Contribution (AVC) provider. The Prudential remain the Fund's AVC provider.
- The Pension Team continues to work on the national Dashboards project which looks to allow individuals to view their consolidated pension benefits in a single online account.

Thank you for taking the time to read this report.

Mr Phil King CC
Local Pension Committee Chairman

Declan Keegan
Director of Corporate Resources

Introduction

The Local Government Pension Scheme (LGPS) is a statutory public service pension scheme in England and Wales. The LGPS scheme regulations are determined nationally. However, the scheme itself is administered and managed locally. Leicestershire County Council is the Administering Authority for the LGPS within Leicestershire and Rutland (the Fund).

As the Administering Authority, Leicestershire County Council has a statutory obligation to administer the Fund for all eligible employees of all local authorities within the geographic boundaries of Leicester, Leicestershire and Rutland and also the employees of certain other scheduled and admitted bodies such as Loughborough and De Montfort University. The Fund does not cover teachers, lecturers, police or fire-fighters as they have their own schemes.

In addition to this report, the Fund also reports its compliance against a set of best practice governance principles laid down in statutory guidance. Details of these are listed here.

The Fund has a number of policy statements which can be accessed here. These include:

- Funding Strategy Statement
- Investment Strategy Statement and Investment Advisor Objectives
- Administration and Communication Strategy
- Net Zero Climate Strategy

Overall Fund Management

Scheme Management and Advisors

Scheme Administering Authority Leicestershire County Council

Administering Authority Senior Officers responsible for the Fund

Finance
Declan Keegan – LGPS Senior Officer (Director of Corporate Resources, Leicestershire County Council)

Pensions Administration
Ian Howe - Pensions Manager - Leicestershire County Council

Asset Pool LGPS Central Limited

Investment Managers

Investments managed by LGPS Central**:**

All World Equity Climate Multi Factor Fund

Global active corporate bond multi-manager fund *(Neuberger Berman, Fidelity)*

Infrastructure core / core plus multi manager fund

Global active MAC multi-manager fund *(Western Asset Management, BMO)*

LGPS Central PE Partnership 2018, 2021 & 2023 LP

Global active emerging market bond multi manager fund *(Amundi, M&G)*

Global equities multi-manager fund (*Harris, Schroders & Union)*

LGPSC Credit Partnership I, II & IV (2021)

Others:

Adams Street Partners
La Salle Investment Management

Catapult Venture Managers
Colliers Capital UK
Cristofferson, Robb & Company
Infrastructure Funds Management
JP Morgan Asset Management
Standard Life Aberdeen
DTZ Investment Management

Aegon Asset management (formerly Kames Capital)
KKR
Legal & General Investment Management
Partners Group
M&G Investments
Ruffer LLP
Quinbrook Infrastructure Partners
Stafford Capital Partners

Fulcrum Asset Management

Fund Custodian
JPMorgan, Bournemouth

Auditor
Grant Thornton LLP

Banker
National Westminster Bank, Leicester

AVC Provider
The Prudential

Legal Advisor
County Solicitor, Leicestershire County Council
Freeths Solicitors

Actuary and Investment Consultant

Hymans Robertson LLP, Glasgow

Risk Management

There are many risks associated with the LGPS, covering both the investment of the assets and the administration of the benefits payable. The governance arrangements between the Fund and the Administering Authority enable potential risks to be managed, including the Fund's Conflict of Interest Policy and separation of the Fund's budget from that of Leicestershire County Council as the Administering Authority. The Fund's Statement of Accounts included elsewhere in this report is further externally audited and overseen by Leicestershire County Council's Corporate Governance Committee further to the Local Pension Board and Committee.

The Fund maintains a Risk Register which identifies areas of focus for risk management. Risks are measured in accordance with Leicestershire County Councils risk management framework. Each quarter officers identify new risks, and review and manage existing risks on the Register. Each risk is assessed and scored based on the likelihood of it occurring and the impacts faced if it were to occur. Mitigating actions are then taken into account and the scoring reassessed. The Risk Register and changes to this are reported to the Local Pension Committee and Local Pension Board on a quarterly basis and this is also shared with the Administering Authorities Internal Audit Service.

The 2024/25 Risk Register currently includes 18 risks, none of which currently score 15 or above, which would be rated RED. These are split between 6 risk categories, separated into the following categories:

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

During the period, the Fund's most significant risks were:

Investment

The ongoing risk for the Fund is that the value of assets held will ultimately be insufficient to pay for all the benefits due. This risk is quantified by a triennial actuarial valuation, which compares the value of assets to the accrued liabilities and sets employer contribution rates that are considered appropriate to ensure that all benefits can be paid.

The performance of the assets of the Fund is an important element in helping to maintain affordable employer contribution rates – the higher the long-term investment return achieved, the more of the benefits will be funded by investment returns rather than employer contributions, with employee contributions assumed to be fixed. A long-term approach is taken to agreeing an asset allocation benchmark, with both return and risk considered. The Fund's asset allocation policy is reviewed annually and last considered January 2025.

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

The Local Pension Committee receives advice from the investment practice of Hymans Robertson and this assists in making decisions in respect of both overall investment policy, manager selection/retention and good governance. In general, where new managers or follow on vintages from existing managers are being considered for investment, officers will agree a scope of works to cover suitability of the investment in line with the Funds objectives.

The Fund employs a number of investment managers, and all of these invest in a specific asset class and can be termed 'specialist'. Many of these managers are required to have external assessments of their systems and operations and these are reviewed to ensure that there are no issues which put the Fund's investments at risk. Other investment managers that the Fund employs are appointed by LGPS Central Ltd (LGPS Central), a company which pools pension fund assets from eight pension funds across the Midlands. Leicestershire County Council along with seven other local authorities are joint owners of the company. The company has its own governance and risk management structures in place and is authorised and regulated by the Financial Conduct Authority to operate as an Alternative Investment Fund Manager. In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme. LGPS Central also manage other collective investment vehicles and provide discretionary and advisory services under the Markets in Financial Instruments Directive II authorisation.

The Fund also considers the risk to assets and liabilities arising from climate change due to the impact on global markets and assets from the transition to a low carbon economy, and/or the failure to achieve an orderly transition in line with the Paris Agreement. The Fund manages this risk through its Net Zero Climate Strategy approved in March 2023, investment decisions and stewardship. Further detail can be found elsewhere in this report.

<u>Operational</u>

Managing third party risk is included in the Fund's risk register. There are risks that cover failure to receive accurate and timely data from employers, and employer and employee contributions not paid accurately and on time.

Cyber risk is included on the Fund's risk register. The Fund reviewed its Cyber Risk Policy in February 2025, in conjunction with the Pension Regulators (TPR's) Code of Practice, approved by Pensions Committee in March 2025. Improvements were implemented on the daily system backup process, and limitation to access individual's pension records.

Administration

On the 8 September 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid The Local Government Pension Scheme (Amendment) (No 3) Regulations 2023. The regulations implemented the scheme changes from 1 October 2023, backdated to 1 April 2014. This is commonly known as McCloud.

McCloud was introduced to resolve an age discrimination case brought against the Government by younger members of public sector schemes following the move from final salary benefits to career average. The Pension Section has been working on the implementation of McCloud. This requires new cases to have McCloud factored into the calculation of benefits, and the possible recalculation of benefits back to 1 April 2014 for previously completed cases.

McCloud represents the greatest risk and challenge to pension administration within the Leicestershire Fund, due to the administrative complexity and additional resource required.

Regulatory

The highest rated residual risk is in relation to proposed changes to LGPS regulation and guidance would require changes to the Fund's investment, pooling and governance processes. Over 2024/25 the Fund responded to consultations and highlighted concerns relating to conflicting pressures or requirements contrary to the Fund's existing investment approach. Fund officers have continued to engage with partners, LGPS Central and the Committee on these considerations following the outcome of the 'Fit for the Future' consultation in June 2025. It is recognised that this will represent significant changes over the next 12 months, and this will continue to be a risk that is carefully considered and managed.

Governance and Training

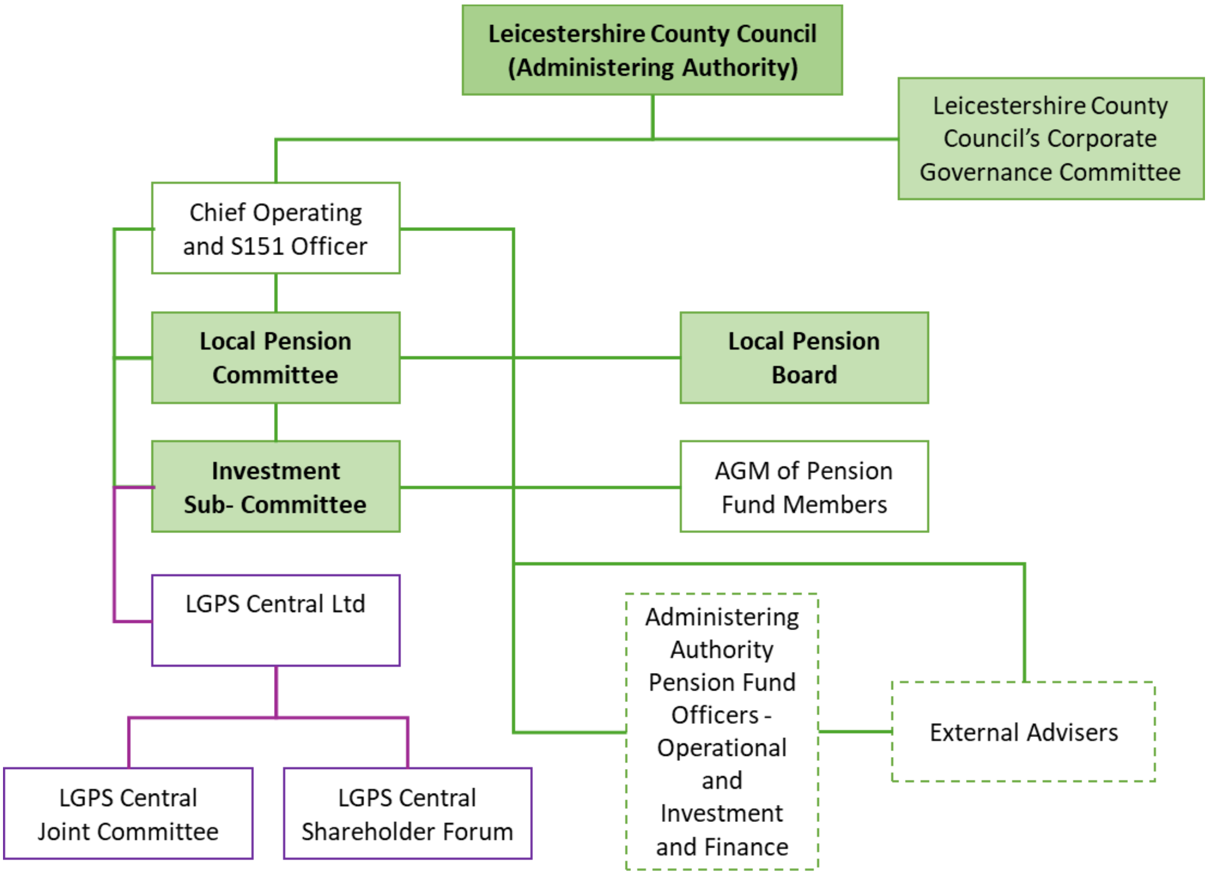
The Local Government Pension Scheme Regulations 1997 requires the Fund to publish a compliance statement and to review this on an ongoing basis the Regulations also require the Fund's governance arrangements to be measured against a number of standards set out within guidance issued by the Ministry of Housing, Communities and Local Government of the United Kingdom. The Fund's compliance with these can be viewed at the end of the report, here.

To improve the transparency and auditability of its governance arrangements, the Fund's governance compliance statement recognises the Scheme Advisory Board's recommendations as set out within the Good Governance Phase 3 report.

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

Fund Governance Structure

The diagram below summarises the local governance structure established for the Leicestershire Pension Fund.



Chief Operating and S151 Officer

The Council has delegated responsibility for the administration of the day-to-day operational functions of the Fund to the Director of Corporate Resources, who is also the County Council's Section 151 Officer. The Director oversees the implementation of Fund policy as determined by the Local Pension Committee through the Fund's operational, finance and investment service areas.

The Local Pension Committee

The Fund's governance compliance statement recognises all scheme members and employers should be appropriately represented in the running of the Fund while at the same time ensuring that the County Council, as the body with ultimate responsibility for running the Fund, maintains its representation on the key governance bodies. To this end the Terms of Reference for the Local Pension Committee (LPC) specifies that the Council shall maintain an equal share of voting members on the Pension Committee.

The Committee is made up of 10 Employer Representatives with voting rights comprising of five County Councillors, two City Councillors, two District Councillors jointly nominated by the district councils, and one member jointly nominated by De Montfort/Loughborough Universities. These members are appointed using the due political process or, in the case of the two universities, by joint arrangement.

There are also three non-voting employee representatives that sit on the Committee, and they are appointed by Fund Members at the Annual Meeting of the Fund.

Full details of LPC Members are provided on Leicestershire County Council's website.

A record of Member attendance at LPC meetings is maintained and a copy of this for the 2024/25 period is included at Appendix C.

The Committee meets quarterly and also has a separate annual meeting to consider strategic issues relevant to the Fund which is usually held in January of each year.

The Committee may delegate certain actions to the Director of Corporate Resources, and it is expected that the Director will carry out some of the more administrative matters relating to investment management, such as the appointment of a custodian.

Full details of the role and responsibilities of the LPC are set out in its Terms of Reference. Details of the Committee's work during 2024/25 can be found on the Council's website. A summary is provided below:

- Alongside regular portfolio monitoring each quarter the Committee met with investment managers to discuss market conditions, investment performance and responsible investment considerations over 2024/25 this covered LGPS Central the Fund's largest manager by number of mandates and assets under management and DTZ investors who manage a number of property assets.
- Regular reports on the triennial valuation. With approval for assumptions and principles at the March 2025 meeting.

- Consideration of proposed changes and the ‘Fit for the Future’ consultation where committee delegated the response to the Chairman of the LPC in discussion with the Director of Corporate Resources in November 2024.
- Review and approval the Fund’s risk register each quarter. Discussions by Members included geopolitical risks, potential regulatory changes and climate change.
- Monitored the implementation of the Fund’s Net Zero Climate Strategy and welcomed the positive progress against targets discussed elsewhere in this report.
- Continued to receive updates on the progress of pooling from LGPS Central, progress of investment funds. As well as approval of the annual Responsible Investment Plan and quarterly reports on progress against alongside responsible investment activities of the Fund including engagement and voting results.
- Approval of the Pension Fund Business Plan and Budget, Strategic Asset Allocation.
- Noted the scale of work to be undertaken with the implementation of the McCloud Remedy, and the introduction of Government Dashboards, which continued to attract resource in the Pensions Section.

Investment Sub-Committee

The Committee has formed an Investment Sub-Committee (Sub-Committee) to deal with more technical aspects of investment (such as looking at potential new investment opportunities or dealing with the appointment of new investment managers). Membership of the Sub-Committee is drawn from members of the Committee. It is a decision-making body, and its decisions are reported to the Committee. Full details of the role and responsibilities of the Sub-Committee are set out in the Committee Terms of Reference referred to above.

Details of the Sub-Committee’s work during 2024/25 can be found on the Council’s website. A summary is provided below:

- Reviews highlighted within the January 2024 Strategic Asset Allocation were undertaken related to infrastructure and protection assets.

- Investments were made in the following funds to support achievement of the Strategic Asset Allocation, LGPS Central Private Equity 2023 vintage, Adams Street Partners global funds 2024, LGPS Central infrastructure core/core plus fund and value add opportunistic fund, Cristofferson Robb and Company Capital Relief Fund 6 and supported Stafford Capital Partners proposal to create a continuation fund for Stafford timberland funds 6,7 and 8.

- Updates were provided on the Fund’s cash position and forecast to year ending 2024/25 and noting the level of investment commitments outstanding at each meeting in order to align to the SAA.

The Local Pension Board

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

The Board is made up of six voting members, three Employer Representatives (two elected members of Leicestershire County Council and one from Leicester City Council) and three Employee Representatives appointed by Fund Members at their Annual Meeting. Membership of the Board is detailed on the County Council's website and can be accessed here.

The Board publishes an Annual Report which is available on the Fund's website, and provides further detail on the Board's activities, a record of Member attendance and training undertaken by Board Members each year. The Annual Report for 2024-2025 can be accessed here .

Pension Fund Members Annual General Meeting

An Annual General Meeting of the Pension Fund is held, to which all employee members and other interested parties are invited. The purpose of the meeting is to present the Annual Report of the Fund and to report on current issues, as well as to elect employee representatives to any vacant positions on the Committee or Board.

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

- Presentations by the Fund/Actuary to employing bodies.
- Pensions roadshows at various venues.

Other communications to members include a newsletter on the basics of the Fund's approach to investment, and progress against the Net Zero Climate Strategy.

Corporate Governance Committee

The Audit of the Pension Fund's Statement of Accounts is reported to the County Council's Corporate Governance Committee each year.

Pension Fund Officers and External Advisors

The Committee, Board and Pension Fund Members at the AGM are advised and supported by the Director of Corporate Resources, Assistant Director of Finance, Director of Law and Governance, the Head of Pensions, and other Senior Finance Officers from the County Council. They attend all meetings to present reports and answer members questions on all matters relating to the operation of the fund, its investments and financial performance.

Recognising the complexity of pension investment, funding, and administration the Council has appointed independent external investment consulting and actuarial advice to support the Chief Operating Officer and the Local Pension Committee. The

Council appointed Hymans Robertson who are invited to attend relevant Committee meetings and Investment Sub-Committee meetings.

LGPS Central Ltd

In 2018, the Council was a co-founder of the LGPS Central Pool (LGPS Central) in response to Government Regulations and associated statutory guidance which required all Administering Authorities to commit to a suitable pool and to set out an approach to pooling investment. The LGPS Central pool is a partnership of eight Administering Authorities (the 'Partner Funds') to enter into collective arrangements for the investment of their LGPS fund assets.

The Partner Funds established LGPS Central which is a Financial Conduct Authority (FCA) regulated pool company. Each Partner Fund is an equal shareholder in this company which is an arm's length company set up to manage the partner funds' pooled investments.

The Partner Funds and LGPS Central Ltd work collaboratively to develop pooled investment approaches which meet LGPS pooling requirements and benefits, Partner Fund strategic asset allocation aims in line with regulation and guiding principles, holding LGPS Central Ltd to account and meeting FCA requirements.

The Fund recognises the potential conflict posed by its involvement in the pool with LGPS Central and specific governance arrangements have therefore been established reflecting each Partner Fund's role as shareholder and client of LGPS Central. These are managed through the following forums:

The Shareholder Forum – The Forum oversees the operation and performance of LGPS Central and represents the ownership rights and interests of the shareholding Councils. The Forum is independent of LGPS Central Ltd, and its meetings are separate from Company meetings and enshrined within a Shareholders' Agreement.

The Joint Committee – This Committee provides a public forum for shareholding Councils to provide oversight of the delivery of the objectives of the Pool, the delivery client services, the delivery against its Business Plan and to deal with common investor issues. The Company's investment performance and capability is overseen on a day-to-day basis by senior fund officers via a Practitioner's Advisory Forum and, on a bi-annual basis, by this Committee. Agenda's and minutes for the Joint Committee can be found here.

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

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

The Government consulted in late 2024 on potential 'Fit for the Future' proposals which would mean significant changes to the Fund, LPC and LGPS Central will interact. The outcome was reported in June 2025 and will contain key strands of work for the Fund over the forthcoming 2025/26 year. This will include a shareholder, client and company governance review and look at how the Fund can transition all assets by the proposed March 2026 deadline.

Training

A major factor in the governance arrangements of the Fund is to ensure that the Committee and the Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework and are compliant with the General code of practice requirements.

The Fund reviewed its Training Policy in 2024. The Policy was approved by the Committee and applies to all members of the Committee, Board, and senior officers involved in the management and administration of the Fund and recognises that this is necessary to ensure they are best placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of The Pensions Regulator (TPR) and the overarching governance requirements of the scheme.

The Policy has regard to relevant codes of practice and guidelines issued by TPR, CIPFA, the training needs of the Committee and Board and the Fund's current priorities. A copy of the Fund's Training Policy can be found here.

All Members are required to undertake induction training prior to taking up their role and are provided with an Information Pack including all relevant reading material to keep them up to date with pensions issues. Arrangements are also made for further regular training which is delivered through various means including in-house structured training events, conferences, training delivered at meetings, as well as briefings and research material.

Given there have been a number of recent changes both within the LGPS, and externally in the broader pensions environment, all Committee and Board Members are also required to complete training modules on Hymans Robertson Aspire Website within six months of appointment. Other training is also available through the Pension Regulator', and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central at its RI Summit.

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

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

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

Evidencing Standards of Training

In accordance with the Fund's Training Policy, training undertaken by members of the Committee and Board is monitored, recorded and reported to each body. Details for the 2024/245 period in relation to the Committee and Investment Sub-Committee, are at Appendix D. The Board's training is set out within its Annual Report.

Committee and Board Members' subject knowledge is assessed on an annual basis through the completion of a self-evaluation form. The results are analysed, and any gaps identified are addressed as part of individual member training plans, this was reported to January's and April's Committee and Board respectively. Targeted training is provided that is timely and directly relevant to items considered by the Committee and Board. This included asset class training ahead of the Fund's Strategic Asset Allocation review and training provided from LGPS Central on responsible investment, climate and stewardship for Committee members.

Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal.

Hymans Aspire Learning Training

The Fund introduced the Hymans Aspire Learning Academy during November 2021, which was updated in June 2023, and was designed to support the training needs of the Committee, Board and Fund Officers and supplements the Fund's own training plan. It consists of a series of video presentations with supplemental learning material and quizzes. Over 2024 officers hosted in-person training sessions to cover the key modules and allow for discussion. The records of training for the Committee from April 2024 to March 2025 is also attached to this report at Appendix D. Records for Board Members are contained in its Annual Report [To follow]. Previous recorded training is available in past annual reports.

Management of Conflicts of Interest

Leicestershire County Council recognises its dual role as an employer participating in the Fund and as the Administering Authority legally tasked with the management of the Fund can create the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict arises and that all of the Fund's employers are treated fairly and equitably. The Fund manages this risk through its Conflict-of-Interest Policy that was reviewed and approved March 2025. The Policy and other related policies for the management of the Fund can be viewed here.

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

Members of the Committee and Board and key officers involved with the Fund are required to complete a Conflict of Interest form upon appointment and are available for viewing online here. At each meeting members are also asked to declare any interest in items which they are due to consider, and any declarations are recorded in the minutes of that meeting. Where conflicts arise, these are managed in line with the Policy.

Other key elements of governance

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

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

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

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

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

  The policy can be viewed here.

Financial Performance

The LGPS is a defined benefit scheme providing benefits to scheme members according to salary and length of service. The benefits within the scheme are determined by regulation and guaranteed by statute. The Fund exists to help defray the cost of paying pension benefits. This following section provides a range of high-level information on the Funds key financial performance metric for the year.

Income

Contributions to the pension scheme are made by both employees and employers. Employee contributions are set at a national level adjusted on 1 April each year. An individual's contribution rate is determined by their pensionable pay. Any new employee is automatically brought into the scheme unless they opt out. Employer contribution rates are assessed at the triennial valuation and set based on each employer's individual liabilities.

There were a small number of incidences of late payment of contributions by employers over the year, and these were exclusively because of administrative failings on their part. On each occasion the employer was reminded of their responsibilities, however, it was not felt necessary to levy interest on overdue contributions. Employer contributions ranged from 0% to 35.6% with the average employer rate being 26.9%.

Expenditure

Administrative costs (includes investment management costs and transaction fees) were £51.5m for the year compared to £54.4m in the previous year (2023/24). Whilst this total has remained overall constant, there was a notable increase in transaction fees owing to steps taken to rebalance the fund's portfolio of investments in line with the Strategic Asset Allocation. This increase was offset by a large decrease in performance fees as expected, due to the relative performance of different investments during the year, and in part due to a move away from some performance fee-charging managers in line with the rebalancing activity. Action was taken during the year to reduce investment management costs where there was an opportunity to do so. There were no material movements in non-investment assets and liabilities.

Cash flow

The general trend of overall net cash flows is monitored, whether these are derived from investment or non-investment related sources. Non-investment cash flows were positive by £47.6m in 2024/25, compared to £73.4m in 2023/24. In addition, the Fund received investment income of £117.6m. In the context of the Funds £7billion of assets, the cash flow movements are not material. Any short-term cash surpluses or shortfall can be managed through the funds passive investments that have good levels of liquidity.

Cash flows are unlikely to reduce in the near future. Benefits paid are increasing, due to increasing numbers of pensioners and inflation-linked annual increases, the value of this increase is offset by the increasing rate of employers' contribution. In future years this could result in a reduction in the available cashflow and will require monitoring. The Fund also has significant investments in accumulation funds where the investment income is reinvested rather than distributed, and these could, if required, be changed to income producing funds.

The overall impact of a strong positive cash flow is that the Fund has flexibility in the selection of investments and fewer restrictions due to liquidity concerns. There are strong controls in place for ensuring that all income due is received and that benefits are not overpaid.

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

2023/24 £m	**Payments in:**	**2024/25 £m**
(233.9)	Employer Contributions	(246.7)
(54.3)	Member Contributions	(56.8)
(8.1)	Transfers in from other pension funds	(6.8)
(296.3)	**Total Inflows**	**(310.3)**
	Payments out:	
163.3	Pensions	180.6
39.2	Lump Sum Retirement Benefits	54.8
4.3	Lump Sum Death Benefits	6.4
16.1	Payments to and on Account of Leavers	20.9
222.9	**Total Outflows**	**262.7**
(73.4)	**Net Cash (inflows)**	**(47.6)**

2024/25 Performance Vs Budget
The outturn for 2024/25 was:

Heading	**2023/24 Actual**	**2024/25Budget**	**Actual 2024/25**	**2024/25 Variance**
	£000s	**£000s**	**£000s**	**£000s**
Investment Management Expense:				
o Management	27,968	27,518	31,736	4,218
o Transaction	13,251	7,087	8,815	1,728
o Performance	9,268	10,000	6,369	(3,631)
Sub Total	**50,487**	**44,605**	**46,920**	**2,315**
LGPS Central costs	898	1,298	1,510	212

Staffing	1,776	1,848	1,829	(19)
IT costs	476	530	442	(88)
Actuarial costs	97	150	197	47
Support Services/Other	690	650	640	(10)
Total	**54,424**	**49,081**	**51,538**	**2,457**

Cashflow and Forecasting

Due to the positive cash flow the monitoring is focused on making investments to keep the variance to the strategic asset allocation as low as possible. An overview of the Funds cashflow and forecasting approach is shown in the table below.

Cash Flow	£ millions	Forecast approach
Opening Cash Balance 01 April 2024	**511.7**	
Net investment activity	(14.9)	Significant underlying activity, purchases of £0.9billion and sales of £0.9billion reflecting underlying manager transactions and Fund level strategic rebalancing.
Currency hedge profit or loss	19.0	Dependent upon relative currency performance and Aegon's decisions. Difficult to forecast and necessitates the holding of a cash buffer.
Administration oversight and governance expenses	(3.4)	This is the Fund administration, oversight and governance expenses. Most investment management fees are embedded in the underlying fund so do not generate a cash flow. Able to make good level of prediction.
Investment income	117.6	Income paid to the Fund primarily from infrastructure, timberland, private debt, and property mandates, usually a predictable level.
Non-investment income	47.6	Over the reporting year employer and employee contributions have exceeded pension benefit payments made. This net inflow is largely predictable year-on-year with the changes largely dependent on inflation-based pension increases and employer contribution level changes. There is also an impact from transfers in/out of the scheme, which is difficult to forecast.
Change in working capital	3.2	Working capital is the capital the Fund uses for its day-to-day operations and is calculated as current assets minus current liabilities. This is usually predictable as it generally relates to contributions due from employers, investment income, fees, and expenses.

Total increase/(decrease) in cash balance	**169.0**	The aim to keep cash at a level close to the strategic allocation. Cash balances were lower at the start of the reporting period albeit higher than the strategic allocation due to rebalancing towards private markets which commenced in 2022/23. During 2023/24 and 2024/25 the Fund has made in roads to rebalancing towards private markets and reducing exposure to listed public markets. The Fund expects cash balances to fall as capital calls from commitments made to private markets begin to be called. At the end of the reporting period the Fund held uncalled commitments totalling £960million.
Closing Cash Balance 31 March 2025	**680.7**	

Payments, Recoveries, Write-offs, and National Fraud Initiative exercises

The Pension Section, working with Internal Audit, carried out two mortality checking exercises in the year.

In June 2024 it carried out the National Fraud Initiative Mortality Screening Service (MSS) exercise. This identified nine cases, totally £17,862 where pensions continued to be paid to deceased pensioners.

Overpayments totalling £193 for two cases were written off. Invoices were issued for a further two cases, one paid. Another was reclaimed from the ongoing spouse's pension. Four cases remain, totalling £14,420 continue to be pursued.

In early 2025 a further nine cases were identified from the National NFI exercise, totalling £5,637

One overpayment for £747 was recovered. A £321 invoice has been issued for a further case. Death certificates have been requested for two cases. The remaining five cases continue to be pursued by the Pension Service.

No fraud was identified in any of the 18 cases from the two exercises.

Fund Account, Net Assets Statement and Notes, Actuarial Statement and Statement of Responsibilities

Leicestershire County Council Pension Fund Accounts 2024/25

(Registration number: 00328856RQ)

Introduction

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

General

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

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

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

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

The Director of Corporate Resources is responsible for the preparation of the Pension Fund Statement of Accounts. The Corporate Governance Committee is responsible for approving the financial statements for publishing.

Membership

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

Organisations participating in the fund include the following:

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

Membership details are set out below:

	31-Mar-24	31-Mar-25
Number of active employers*	189	196
Number of employees in the scheme (Actives)		
County Council	8,886	8,765
Other employers	31,962	32,218
Total	**40,848**	**40,983**
Number of pensioners		
County Council	12,403	12,711
Other employers	21,499	22,966
Total	**33,902**	**35,677**
Deferred pensioners		
County Council	9,886	9,686
Other employers	22,364	22,916
Total	**32,250**	**32,602**
Total number of members in the pension scheme	**107,000**	**109,262**

*Active employers are defined as employers with one or more actively contributing employees

Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. In 2024/25 the average employer rate was 26.9% of pay (26.8% 2023/24).

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

Fund Account for the Year Ended 31 March 2025

2023/24 £m		Notes	2024/25 £m
	Contributions		
(233.9)	Employer Contributions	6	(246.7)
(54.3)	Member Contributions	6	(56.8)
(8.1)	Transfers in from Other Pension Funds	7	(6.8)
(296.3)	**Total Contributions**		**(310.3)**
	Benefits		
163.3	Pensions	8	180.6
39.2	Commutation of Pensions and Lump Sum Retirement Benefits	8	54.8
4.3	Lump Sum Death Benefits		6.4
16.1	Payments to and on Account of Leavers	9	20.9
222.9	**Total Benefits**		**262.7**
(73.4)	**Net (Additions)/Withdrawals from Dealings with Members**		**(47.6)**
54.4	Management Expenses	10	51.5
(19.0)	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**4.0**
	Returns on investments		
(75.5)	Investment income	11	(117.6)
(522.7)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	(192.5)
(598.2)	**Net Returns on Investments (Sub Total)**		**(310.1)**
(617.2)	**Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year**		**(306.1)**
(5,774.3)	Net assets of the scheme Opening		(6,391.5)
(6,391.5)	**Net assets of the scheme Closing**		**(6,697.6)**

Net Assets Statement as of 31 March 2025

2023/24 £m		Notes	2024/25 £m
6,377.00	Investment assets	12	6,687.4
(2.1)	Investment liabilities	12	(3.6)
6,374.9			**6,683.8**
24.8	Current Assets	15	26.5
(8.2)	Current Liabilities	15	(12.8)

6,391.5	**Net Assets of the Fund at 31 March**	6,697.6

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

The notes form part of the financial statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position as at 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2024/25.

These changes are not expected to have a material impact on the Pension Fund's statements of accounts.

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

The Accounts have been prepared on a going concern basis.

2. Accounting Policies

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

Fund Account – Revenue Recognition

Contribution Income

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

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

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

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

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

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

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

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

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

Fund Account – Expense Items

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

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

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

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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

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

Net Assets Statement

Investments
Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year-end bid price, or if

unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

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

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

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

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

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

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

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

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

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

Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

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

Contingent Assets and Contingent Liabilities

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

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

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

Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS 17 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease.

3. Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £390.9m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or overstated by 5% the value of the investment would increase or decrease by £19.5m
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The carrying value of all property held by the fund is £448.5m. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments. If this was under or overstated by 5% the value of the investment would increase or decrease by £22.4m.
Pooled Bond and Debt Funds (including Private Debt Funds)	Pooled bond and debt funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible	Pooled bond and debt funds are valued at £494.5m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or overstated by 5% the value of the

	management uses the best data available. Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	investment would increase or decrease by £24.7m.
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £623.7m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or overstated by 5% the value of the investment would increase or decrease by £31.2m.
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £116.0m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or overstated by 5% the value of the investment would increase or decrease by £5.8m
Pooled commodity funds	Pooled commodity funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management relies on the best data available	Pooled commodity funds are valued at £17.9m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or overstated by 5% the value of the investment would increase or decrease by £0.9m.

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known). There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2023/24 £m		2024/25 £m
	Employers	
222.8	Normal	233.9
6.9	Deficit Repair	7.0
1.5	Advanced payments for early retirements	3.3
2.7	Additional payments for ill-health retirements	2.5
	Members	
53.9	Normal	56.5
0.4	Purchase of additional benefits	0.3
288.2	**Total**	**303.5**

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

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

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

2023/24 £m		2024/25 £m
71.8	Leicestershire County Council	75.1
204.4	Scheduled bodies	215.3
12.0	Admitted bodies	13.1
288.2	**Total**	**303.5**

7. Transfers In

2023/24 £m		2024/25 £m
8.1	Individual transfers in from other schemes	6.8
0.0	Bulk transfers in from other schemes	0.0
8.1	**Total**	**6.8**

8. Benefits

The benefits paid can be analysed as follows: -

By Category:

2023/24 £m		2024/25 £m
166.9	Pensions	184.7
35.6	Commutation and lump sum retirement benefits	50.8
4.3	Lump sum death grant	6.4
206.8	**Total**	**241.8**

By type of Employer:

2023/24 £m		2024/25 £m
68.2	Leicestershire County Council	76.2
130.5	Scheduled bodies	155.7
8.1	Admitted bodies	9.9
206.8	**Total**	**241.8**

9. Payments to and on Account of Leavers

2023/24 £m		2024/25 £m
1.0	Refunds to members leaving the scheme	1.7
15.0	Individual transfers to other schemes	19.2
0.0	Bulk transfers to other schemes	0
16.1	**Total**	**20.9**

10. Management Expenses

2023/24 £m		2024/25 £m
50.8	Investment Management Expenses (Note 10A)	48.1
2.4	Pension Scheme Administration Costs	2.4
1.2	Oversight and Governance Expenses	1.0
54.4	**Total**	**51.5**

10a. Investment Management Expenses

2023/24 £m		2024/25 £m
28.3	Management Expenses	32.9
13.3	Transaction Costs	8.8
9.3	Performance Related Fees	6.4
50.9	**Total**	**48.1**

11. Investment Income

2023/24 £m		2024/25 £m
0.5	Dividends from equities	1.2
0.9	Income from Government Bonds	0.8
1.5	Income from index-linked securities	2.3
50.3	Income from pooled investment vehicles	84.1
3.6	Net rents from properties	5.0
19.2	Interest on cash or cash equivalents	26.2
(0.6)	Net Currency Profit / (Loss)	(2.1)
75.5	**Total**	**117.6**

11a. Property Income

2023/24 £m		2024/25 £m
6.9	Rental income	6.0
(3.4)	Direct operating expenses	(1.1)
3.6	**Total**	**5.0**

No contingent rents have been recognised as income during the period.

12. Investments

	Value at 1 April 2024 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2025 £m
Equities	24.1	50.5	29.0	1.9	47.5
Government Bonds	53.7	124.8	124.0	(0.1)	54.5
Index-linked securities	250.9	209.3	208.6	(22.3)	229.3
Pooled investment vehicles	5,436.7	514.5	569.9	201.7	5,583.0
Properties	96.0	0	0	(5.6)	90.4
Derivatives contracts	0.4	0.8	19.8	15.9	(2.6)
Cash and currency & other investment balances	513.2	167.7	0	0.9	681.8
Total	**6,374.9**	**1,067.7**	**951.2**	**192.5**	**6,683.8**

	Value at 1 April 2023 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2024 £m
Equities	20.9	19.2	16.9	0.9	24.1
Government Bonds	23.5	70.4	41.1	0.9	53.7
Index-linked securities	265.1	114.2	111.2	(17.2)	250.9
Pooled investment vehicles	5,206.9	1,653.0	1,953.0	529.7	5,436.7
Properties	101.8	0.4	0	(6.2)	96.0
Derivatives contracts	2.7	0	18.7	16.5	0.4
Cash and currency and other investment balances	130.4	384.7	0	(1.8)	513.2
Total	**5,751.3**	**2,241.9**	**2,141.0**	**522.7**	**6,374.9**

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

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

2023/24 £m		2024/25 £m
811.6	LGPS Central – All World Equity Climate Multi Factor Fund	843.3
636.3	LGPS Central - Global Equity Active Multi Manager Fund	783.1
349.5	LGPS Central – Multi Asset Credit Multi Manager Fund	426.0
701.4	Legal and General All World Equity Index	735.8
391.1	Internally Managed Cash Balances	557.1
2,889.9	**Total**	**3,345.3**

2023/24 £m		2024/25 £m
	Equities	
8.4	UK quoted	15.8
1.3	UK unquoted	1.3
14.4	Overseas quoted	30.4
24.1		**47.5**
	Government Bonds	
0.7	UK Government Unquoted	0.7
53.0	Overseas Quoted	53.8
53.7		**54.5**
	Index Linked Securities	
250.9	UK quoted	229.3
250.9		**229.3**
	Pooled investment vehicles (unquoted)	
315.1	Property funds	358.1
411.0	Private equity	390.9
1,177.2	Bond and debt funds	1,176.7
2,705.1	Equity-based funds	2,758.3
21.9	Commodity-based funds	17.9
124.8	Timberland fund	116.0
11.1	Protection fund	9.9
126.2	Targeted return fund	131.6
544.3	Infrastructure fund	623.7
5,436.7		**5,583.0**
	Properties	
96.0	**UK (Note 14)**	**90.4**
511.7	**Cash and currency**	**680.7**
	Derivatives contracts	

2.4	Forward foreign exchange assets	1.0
(2.1)	Forward foreign exchange liabilities	(3.6)
0.4	**Sterling Denominated**	**(2.6)**
1.5	**Other Investment Balances**	**1.1**
6,374.9	**Total Investments**	**6,683.8**

13. Derivatives

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

Forward Foreign Exchange Contracts

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

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	24.8	EUR	29.5	0.1	0
	GBP	15.0	USD	18.6	0.6	0
	GBP	4.4	AUD	8.9	0.2	0
	GBP	0.6	JPY	113.6	0	0
	GBP	0.3	EUR	0.3	0	0
1 - 3 Months	GBP	12.0	CAD	12.1	0	0
	GBP	128.4	EUR	128.4	0	0
	GBP	16.7	TWD	16.6	0	0
	GBP	21.6	CNY	21.5	0.1	0
	GBP	3.5	HKD	3.5	0	0
	GBP	3.9	SEK	3.9	0	(0.1)
	GBP	37.6	CHF	37.6	0	0
	GBP	775.4	USD	778.7	0	(3.3)
	EUR	3.0	GBP	2.6	0	0
	USD	101.9	GBP	78.7	0	(0.2)
Open forward currency contracts at 31 March 2025					**1.0**	(3.6)
Net forward currency contracts at 31 March 2025					**(2.6)**	

Prior Period Comparison:

Open forward currency contracts at 31 March 2024	**2.4**	(2.1)
Net forward currency contracts at 31 March 2024	**0.4**	

14. Property Investments

31 March 2024 £m		31 March 2025 £m
80.5	Freehold	79.0
10.8	Long Leasehold (over 50 years unexpired)	6.6
4.6	Medium/Short Leasehold (under 50 years unexpired)	4.8
96.0	**Total**	**90.4**

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK Limited at 31st March 2025. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

31 March 2024 £m		31 March 2025 £m
101.8	**Opening Balance**	**96.0**
	Additions:	
0	Purchases	0
0.4	Subsequent Expenditure	0
0	Disposals	0
(6.2)	Net increase/(decrease) in market Value	(5.6)
96.0	**Total**	**90.4**

15. Current Assets and Liabilities

2023/24 £m		2024/25 £m
20.3	Contributions due from employers	21.5
3.4	Other Debtors	3.3
1.1	Cash Balances	1.7
24.8	**Current assets**	**26.5**
(2.6)	Due to Leicestershire County Council	(3.0)
(0.9)	Fund Management Fees Outstanding	(1.1)
(4.7)	Other Creditors	(8.7)
(8.2)	**Current liabilities**	**(12.8)**
16.6	**Net current assets and liabilities**	**13.7**

16. Analysis of Investments by Manager

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

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

31 March 2024 £m	%		31 March 2025 £m	%
		Investments Managed by LGPS Central Pool		
811.6	12.7	All World Equity Climate Multi Factor Fund	843.3	12.6
		Global equities multi-manager fund:		
171.7	2.7	*Harris*	202.2	3.0
245.6	3.9	*Schroders*	250.6	3.7
219.0	3.4	*Union*	214.3	3.2
0	0	*Longview*	116.1	1.7
		Global Active MAC Multi Manager Fund		
172.3	2.7	*Western Asset Management*	210.5	3.1
177.2	2.8	CTI	215.6	3.2
		Global Active Investment Grade Corporate Bond MMF		
79.7	1.3	*Neuberger Berman*	95.5	1.4
79.5	1.2	*Fidelity*	96.5	1.4
184.6	3.0	Emerging market equities multi-manager funds	0	0
63.2	1.0	Global Active Emerging Market Bond MMF	0	0
134.8	2.1	LGPSC Credit Partnership I LP	35.8	0.5
81.5	1.3	LGPS Central Core/Core Plus Infrastructure Partnershi LP	143.9	2.2
0	0	LGPS Central Infrastructure Value Opportunistic	2.8	0
53.3	0.8	LGPSC Credit Partnership IV LP	63.9	1.0
33.3	0.5	LGPSC Credit Partnership II LP	158.1	2.4
9.0	0.1	LGPS Central PE Primary Partnership 2018 LP	9.0	0.1
4.8	0.1	LGPS Central PE Primary Partnership 2021 LP	11.7	0.2
0	0	LGPS Central PE Primary Partnership 2023 LP	6.1	1.1
49.1	0.8	LGPS Central UK Direct Property Fund	68.1	1.0
0	0	LGPS Direct Property Portfolio	87.6	1.3
2,570.3	**40.4**	**Sub Total**	**2831.3**	**42.4**
		Investments Managed outside of Pool		
1,063.4	16.9	Legal & General Investment Management Limited	1,122.8	16.8
397.4	6.1	Internally Managed	563.0	8.4
371.5	5.8	Adams Street Partners L.P.	348.5	5.2
346.6	5.4	Aegon Asset Management Limited	333.0	5.0
242.5	3.9	LaSalle Limited	273.4	4.1
200.1	3.1	Partners Group Limited	123.8	1.9
172.9	2.7	Ruffer LLP	199.9	3.0
168.8	2.6	JP Morgan Asset Management (UK) Limited	168.9	2.5
161.2	2.5	IFM Investors (UK) Ltd	169.9	2.5
126.2	2.0	Fulcrum Asset Management	131.6	2.0
124.8	2.0	Stafford Capital Partners Limited	116.1	1.7
108.2	1.6	Colliers Capital UK Limited	0	0
65.6	1.1	Cristofferson, Robb & Company Ltd	57.3	0.9
52.1	0.8	Quinbrook	76.5	1.1
50.1	0.8	DTZ Investment Management	49.9	0.7
49.2	0.7	Kravis Kohlberg Roberts & Co. Ltd	41.8	0.6

47.1	0.7	M&G	40.3	0.6
31.5	0.5	Infracapital	19.9	0.3
24.4	0.4	Aberdeen Standard Life Limited	14.6	0.2
1.2	0	Catapult Venture Managers Limited	0.9	0
0	0	*Van Lanschot Kempen*	0.2	0
3,804.8	**59.6**	***Sub Total***	**3,852.3**	**57.5**
6,375.0	**100.0**	**Grand Total**	**6,683.8**	**100.0**

17. Custody of Assets

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

18. Operation and Management of fund

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

19. Employing bodies and fund members

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

20. Fair value – basis of valuation

Unquoted equities in LGPS Central asset pool are valued at cost, as an appropriate estimate of fair value. All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Market quoted Investments (equities and bonds)	Level 1	Published bid market price ruling on final day of the accounting period	Not required	Not required
Market quoted pooled funds	Level 1	Closing bid price or closing single price at reporting date	Not required	Not required
Forward foreign exchange contracts	Level 1	Market forward exchange rates at reporting date	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not Required
Unquoted Equity (including Private Equity,	Level 3	Value is based on the latest investor reports and financial statements provided	Earnings before interest, tax, depreciation, and amortisation (EBITDA)	Valuations could be affected by material events occurring between the date of the

Infrastructure and Timberland)		by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	multiple, revenue multiple, discount for lack of marketability.	financial statements provided and the Pensio Fund's own reporting date, by changes to expected cash flows, an by any differences between audited and unaudited accounts.
Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled investment vehicles (including targeted return funds, commodity funds and pooled property funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts of the underlying assets.
Freehold and Leasehold Property	Level 3	Stated at open market value based on expert valuation provided by a RICS registered Valuer and in accordance with RICS guidelines.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

Sensitivity of assets valued at Level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2025 and 31 March 2024.

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	27	1.7	0.9
UK Bonds	0.7	5	0.7	0.7
Pooled property funds	358.1	21	433.3	282.9
Pooled private equity funds	390.8	27	496.3	285.3

Pooled bond and debt funds	494.5	9	539.0	450.0
Pooled commodity funds	17.9	19	21.3	14.5
Pooled timberland fund	116.1	15	133.5	98.7
Pooled infrastructure fund	623.7	15	717.3	530.1
UK property	90.5	15	104.1	76.9
Total assets available to pay benefits	**2,093.6**		**2,447.2**	**1,740.0**

Asset Type	Value at 31 March 2024 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	31	1.7	0.9
UK Bonds	0.7	6	0.7	0.7
Pooled property funds	315.1	21	381.3	248.9
Pooled private equity funds	410.9	31	538.3	283.5
Pooled bond and debt funds	545.2	11	605.2	485.2
Pooled commodity funds	21.9	19	26.1	17.7
Pooled targeted return funds	0.0	8	0.0	0.0
Pooled timberland fund	124.8	14	142.3	107.3
Pooled infrastructure fund	544.3	14	620.5	468.1
UK property	96.0	16	111.4	80.6
Total assets available to pay benefits	**2,060.2**		**2,427.5**	**1,692.9**

20a. Valuation of financial instruments and non-financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

Values at 31st March 2025	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,779.3	1,132.7	2,093.6	6,005.6
Financial liabilities at fair value	(3.6)	0.0	0.0	(3.6)
Net financial and non-final assets carried at fair value	**2,775.7**	**1,132.7**	**2,093.6**	**6,002.0**

The above table excludes cash and cash equivalents of £680.7m and other investment balances of £1.1m which are carried at amortised cost.

Values at 31st March 2024	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,729.3	1,074.5	2,060.2	5,864.0
Financial liabilities at fair value	(2.0)	0	0	(2.0)
Net financial and non-final assets carried at fair value	**2,727.3**	**1,074.5**	**2,060.2**	**5,862.0**

The above table excludes cash and cash equivalents of £511.6m and other investment balances of £1.5m which are carried at amortised cost.

20b. Reconciliation of asset held at level 3

	Value at 1 April 2024 £m	Purchases £m	Sales £m	Realised gains / (losses) £m	Unrealised gains or (losses) £m	Value at 31 March 2025 £m
UK Equities	1.3	0	0	0	0	1.3
UK Bonds	0.7	0	0	0	0	0.7
Pooled property funds	315.1	52.9	(26.7)	6.0	10.8	358.1
Pooled private equity funds	410.9	33.3	(59.2)	22.2	(16.4)	390.8
Pooled bond and debt funds	545.2	92.0	(135.2)	16.3	(23.8)	494.5

Pooled commodity funds	21.9	16.2	(16.2)	(6.1)	2.1	17.9
Pooled timberland funds	124.8	14.0	(8.9)	1.4	(15.2)	116.1
Pooled Infrastructure funds	544.3	88.3	(30.7)	9.7	12.1	623.7
UK Property	96.0	0	0	0	(5.5)	90.5
Total	**2,060.2**	**296.7**	**(276.9)**	**49.5**	**(35.9)**	**2,093.6**

21. Classification of Financial Instruments

2023/24 £m				2024/25 £m		
Fair value through profit and loss	**Assets at amort-ised cost**	**Liabilities at amort-ised cost**		**Fair value through profit and loss**	**Assets at amort-ised cost**	**Liabilities at amort-ised cost**
			Financial Assets			
24.1	0	0	Equities	47.5	0	0
53.7	0	0	Government Bonds	54.5	0	0
250.9	0	0	Index-linked securities	229.3	0	0
5,436.7	0	0	Pooled investment vehicles	5,583.0	0	0
2.4	0	0	Derivatives contracts	1.0	0	0
0	511.7	0	Cash and currency	0	680.7	0
0	1.5	0	Sundry debtors and prepayments	0.0	1.1	0
5,767.8	**513.2**	**0**		**5,915.2**	**681.8**	**0**
			Financial Liabilities			
(2.1)	0	0	Derivatives contracts	(3.6)	0	0
0	0	(6.4)	Sundry Creditors	0	0	(10.1)
(2.1)	**0**	**(6.4)**		**(3.6)**	**0**	**(10.1)**

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

2023/24 £m		2024/25 £m
	Financial Assets	
532.9	Fair value through profit and loss	200.8
	Financial Liabilities	
(2.1)	Fair value through profit and loss	(3.6)
530.8	**Total**	**197.2**

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

22. External Audit Fee

2023/24 £		2024/25 £
95,123	Payable in respect of external audit	98,470
95,123	**Total**	**98,470**

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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

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

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

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

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

Other price risk

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

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

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2024/25 reporting period:

Asset type	Potential market movements (+/-)
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	5%
Private equity	27%
Property	15%
Commodities	19%
Global Distressed Debt	14%
Emerging Markets Equity Unhedged	24%
Unlisted Infrastructure Equity	15%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	6%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	9%
Corporate Short AA Low	4%
Corporate Medium BBB	8%
Asia-Pacific Equity Hedged	19%
European Equity Hedged	18%
US Equity Hedged	19%
Japan Equity Hedged	18%
UK REITs GBP	21%

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

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

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	17.1	18%	20.2	14.0
Overseas equities	30.4	18%	35.9	24.9
UK Corporate Bonds	0.7	7%	0.7	0.7
Global Government Bonds	283.1	7%	301.8	264.4
Pooled property funds	358.1	21%	433.3	282.9
Pooled private equity funds	390.8	27%	496.3	285.3
Pooled bond and debt funds	1,176.6	8%	1,266.1	1,087.1
Pooled Protection funds	9.9	9%	10.8	9.0

Pooled equity funds	2,758.1	18%	3,254.6	2,261.6
Pooled commodity funds	17.9	19%	21.3	14.5
Pooled targeted return funds	131.6	9%	143.4	119.8
Pooled timberland fund	116.1	15%	133.5	98.7
Pooled infrastructure fund	623.7	15%	717.3	530.1
UK property	90.5	15%	104.1	76.9
Cash and currency	680.7	0%	680.7	680.7
Other investment balances, current assets and current liabilities	(1.5)	0%	(1.5)	(1.5)
Total assets available to pay benefits	**6,683.8**		**7,618.6**	**5,749.1**

Asset Type	Value at 31st March 2024 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	9.7	16%	11.3	8.1
Overseas equities	14.4	16%	16.7	12.1
UK Corporate Bonds	0.7	7%	0.7	0.7
Global Government Bonds	303.9	7%	324.6	283.2
Pooled property funds	315.1	21%	381.3	248.9
Pooled private equity funds	410.9	31%	538.3	283.5
Pooled bond and debt funds	1,177.4	9%	1,286.8	1,068.0
Pooled Protection funds	11.1	8%	12.0	10.2
Pooled equity funds	2,705.2	16%	3,151.0	2,259.4
Pooled commodity funds	21.9	19%	26.1	17.7
Pooled targeted return funds	126.2	8%	136.3	116.1
Pooled timberland fund	124.8	14%	142.3	107.3
Pooled managed futures fund	0.0	0%	0.0	0.0
Pooled infrastructure fund	544.3	14%	620.5	468.1
UK property	96.0	16%	111.4	80.6
Cash and currency	511.6	0%	511.6	511.6
Other investment balances, current assets and current liabilities	1.9	0%	1.9	1.9
Total assets available to pay benefits	**6,374.9**		**7,272.4**	**5,477.3**

Interest rate risk

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

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark. The Fund's direct exposure to interest rate movements as at 31st March 2025 and 31st March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2024 £m	Asset type	As at 31 March 2025 £m
511.6	Cash and Currency	680.7

303.9	Fixed interest securities	283.1
815.5	**Total**	**963.8**

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits, A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash
equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	**Carrying amount**	**Impact of increase**	**Impact of decrease**
		+100 BPS	-100 BPS
	£m	**£m**	**£m**
Cash and Currency	680.7	680.7	680.7
Fixed interest securities	283.1	245.1	326.1
Total (as at 31 March 2025)	**963.8**	**925.8**	**1,006.8**
Cash and Currency	511.6	511.6	511.6
Fixed interest securities	303.9	260.9	354.6
Total (as at 31 March 2024)	**815.5**	**772.5**	**866.2**

Assets exposed to interest rate risk:

Exposure to interest rate risk	**Interest receivable**	**Impact of increase**	**Impact of decrease**
		+100 BPS	-100 BPS
	£m	**£m**	**£m**
Cash and Currency	26.2	32.2	20.2
Fixed interest securities	3.1	3.1	3.1
Total (2024/25)	**29.3**	**35.3**	**23.3**
Cash and Currency	19.2	22.4	16.0
Fixed interest securities	2.4	2.4	2.4
Total (2023/24)	**21.6**	**24.8**	**18.4**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 30% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2024 and as at the previous period end:

Asset value as at 31 March 2024 £m	Currency exposure – asset type	Asset value as at 31 March 2025 £m
14.4	Overseas equities	30.4
25.3	Overseas government bonds	50.4
978.7	Overseas pooled investment vehicles	957.3
39.8	Overseas cash and currency	51.1
1,058.2	**Total overseas assets**	**1,089.2**

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 6.3% (as measured by one standard deviation).

An 6.3% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.
An 6.3% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 March 2025	Change to net assets available to pay benefits	
		%	-%
	£m	£m	£m
Overseas equities	30.4	32.3	28.5
Overseas government bonds	50.4	53.6	47.2
Overseas pooled investment vehicles	957.3	1,018.0	896.6
Overseas cash and currency	51.1	54.3	47.9
Total change in assets available	**1,089.2**	**1,158.2**	**1,020.2**

b) Credit Risk

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

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

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

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

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

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2025 was £680.7m (31st March 2024: £511.6m).

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2025 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.6bn, which represented 24% of total Fund assets. (31st March 2024: £1.5bn, which represented 23% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2025 are due within one year.

Refinancing Risk

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

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2025.

Reputational Risk

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

24. Related Party Transactions

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

During the reporting period LCC incurred costs of £3.0m in relation to administration and management of the Fund, the full amount has been recharged to the Fund, and is recognised in the expenses outlined in note 10 above. As at the 31 March 2025 £3.0m of this was a creditor balance in the Fund accounts. Contributions of £74.6m were receivable from LCC during 2024/25 (£71.8m 2023/24) of which £5.7m was still outstanding at 31 March 2025 (£5.6m at 31 March 2024).

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.
During 2024/25 a total of £1.2m (£1.7m 2023/24) was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.3m was a creditor balance at the year end. As at 31 March 2025, £2.8bn of LCC LGPS investments were managed by LGPS Central Ltd (£2.6bn as at 31 March 2024).

25. Contingent Liabilities and Contractual Commitments

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

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £3m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2025, the Fund had the following contractual commitments: -

	31-Mar-24 £m	31-Mar-25 £m
Patria (formerly Aberdeen Standard Life Capital SOF III)	8.4	7.5
Adams Street Partners L.P.	69.8	125.6
Infracapital Greenfield Partners I Fund	1.8	0.7
M & G Debt Opportunities Funds IV	0.8	1.9
KKR Global Infrastructure	7.2	6.0
Stafford International Timberland & Carbon Offset Funds	53.3	38.3
LGPS Central PE Primary Partnership 2018 LP	1.8	1.5
LGPSC Credit Partnership IV	60.8	47.1
LGPSC Credit Partnership II LP	106.8	83.0
LGPSC Credit Partnership I LP	29.1	27.7
LGPS Central Core/Core Plus Infrastructure Partnership LP	52.9	96.4
LGPS Central PE Primary Partnership 2021 LP	24.9	19.3
LGPS Central PE Primary Partnership 2023 LP	40.0	73.7
LGPS Central UK Direct Property	69.3	51.0
LGPS Central Value Add /Opp Infrastructure Partnership	0.0	27.2
LGPS Central Low Return 23/24	0.0	180.0
LGPS Central Real assets 23/24	0.0	100.0
CRC Capital Release Fund VI	0.0	32.0
Quinbrook Infrastructure Partners	46.9	30.9
Partners Group Multi Asset Credit VI and VII	11.7	9.5

Total	**585.5**	**959.5**

25a. Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director Finance, Strategic Property and Commissioning (LCC) as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Leicestershire County Council Pension Fund is shown below:

2023/24 £000s		2024/25 £000s
27.1	Short-term benefits	27.2
8.0	Pension contributions	8.0
35.1	**Total**	**35.2**

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. During 2023/24 £3.1m in contributions were paid to Prudential. The capital value of all AVC's at year end 31 March 2024 was £20.3m. The equivalent figures for 31 March 2025 were not available at the time of publishing the draft 2024/25 accounts. This will be updated in the final published audited statements.

27. Policy Statements

The Fund has a number of policy statements which can be found on the LPGS website. They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are : **Investment Strategy Statement, Administration and Communication Strategy, Funding Strategy Statement.**

28. Compliance Statement

Income and other taxes

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

Self-investment

There has been no material employer related investment in 2024/25 (or 2023/24). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

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

Pension Increase

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

Changes to LGPS

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

Leicestershire County Council Pension Fund (the Fund) Actuarial Statement for 2024/25

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates.
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- where appropriate, ensure fairness between employers and between different generations of tax-payers.

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.
Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025, however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Jamie Baxter FFA C.Act

09 May 2025
For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members (£m)	2,222	2,490
Deferred members (£m)	903	1,087
Pensioners (£m)	1,963	2,249
Total (£m)	5,088	5,826

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £958m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £12m.

Financial assumptions

Year ended	31 March 2025	31 March 2024
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.75%	2.75%
Salary Increase Rate	3.25%	3.25%
Discount Rate	5.80%	4.85%

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.0 years	23.9 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.7 years	25.3 years

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

Sensitivity Analysis

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

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	92
1 year increase in member life expectancy	4%	204
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	88

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2025' which identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: -

Tom Hoare FFA C Act

12 May 2025
For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

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

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

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

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2025 and its income and expenditure for the year ended the same date.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
30 JUNE 2025

Investments and Funding

Leicestershire County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee. The Local Pension Committee's (the Committee's) principle aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. More detail on the Committee's activities is set out on page 9 of this report.

The Fund's Investment Strategy Statement (ISS) is approved by the Committee and sets out the long-term asset allocation target in order to meet the Fund's primary objective to provide pension and lump sum benefits as and when they fall due for members or their dependents.

This links to the Funding Strategy Statement (FSS) objectives to use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency. The FSS sets out how employers' contribution rates are set and how employers are managed on entry and exit from the Fund. This is reviewed annually and formally as part of the triennial valuation process and the Fund complied with this throughout the year. Both the ISS and FSS are compliant with statutory guidance.

The Local Pension Committee believes in a long-term investment strategy with regular reviews as part of annual strategic asset allocation reviews. This is with the aim to maximise returns of the Fund while maintaining an acceptable level of risk.

The Fund's target strategic asset allocation (SAA) agreed by the Local Pension Committee in January 2025 is shown below alongside the actual allocation at the end year end. The difference to the January 2025 targets is also shown bearing in mind alignment will take time to enact. The Fund has been moving from growth assets which are more liquid to income assets which primarily invest in the private markets and therefore can take years to get money invested.

Changes to the portfolio holdings are then enacted over the year and sometimes over multiple years to adjust towards the target SAA. In most circumstances specific advice from the Fund's investment consultant is requested to support officer recommendations made at the relevant committee meeting.

The setting of the SAA is the one of the most important decisions that the Committee makes. It is this decision that will have the most significant impact on the investment return achieved. Both careful asset allocation and rebalancing are important for investment returns because they can help to improve risk adjusted returns by tilting towards better asset classes or away from others that may be deemed overvalued from a risk adjusted returns perspective.

Rebalancing mechanically by divesting from assets that have increased in value and reinvesting in those which have fallen is also a method that has historically proven to improve long term investment returns. The Fund has a rebalancing policy which is reviewed each year alongside the SAA to aid this process. It is not a guarantee for success, however, both form part of the Fund's long term investment strategy.

Individual investment manager appointment choices are important as they can produce added value by outperforming their benchmarks, but their influence is smaller in comparison to the selection of benchmark as part of setting the SAA. Variances to benchmark positions can take time to close especially when investments or divestments need to be made to illiquid products such as infrastructure and property that usually have a time lag between committing capital and the money being requested (called) by the investment manager.

At the year end the major differences to the 2025 target SAA is described as being underweight marginally to 'growth' assets by 1.4% and underweight 'income' assets by 6.7%. The underweight is primarily within the private equity asset class where uncalled commitments are awaiting to be called and the gap to target allocation is planned to be closed over a number of years.

The other major variance is within the income asset group where the majority of the Fund's uncalled commitments are awaiting to be called by mangers within infrastructure and private credit in the main. An investment to liquid global credit is planned later in 2025/26 when an investment product from LGPS Central finalises its manager review. Whilst the Fund is awaiting capital calls, available cash is held in a variety of money market funds and term deposits in line with the Fund's cash management strategy.

The UK exposure has been calculated using manager data where provided at the year end. Including the cash balance in GBP, 28% of the Fund is exposed to the UK and 19% excluding cash.

Asset group / class	**Actual Weighting 31 March 2025**	**Target SAA Jan 2025**	**Variance, actual to Jan 2025 SAA target**	**UK exposure % 31 March 2025**
Growth	***52.1%***	***53.5%***	***-1.4%***	***5.9%***
Listed equity	41.1%	41.0%	+0.1%	4.0%

Private equity	6.1%	7.5%	-1.4%	0.6%
Targeted return	5.0%	5.0%	0.0%	1.3%
Income	***31.8%***	***38.5%***	***-6.7%***	***8.7%***
Infrastructure	11.1%	12.5%	-1.4%	1.1%
Property	7.2%	7.5%	-0.3%	6.0%
Private credit	7.1%	9.5%	-2.4%	1.1%
Liquid global credit	6.4%	9.0%	-2.6%	0.6%
Protection	***14.1%***	***8.00%***	***+8.2%***	***13.2%***
Inflation linked bonds	3.2%	3.5%	-0.3%	3.2%
Investment grade credit	3.8%	3.75%	0.1%	1.2%
Cash including hedge collateral	9.1%	0.75%	+8.2%	8.8%
	100.0%	**100.0%**		**27.9%**

During 2024/25 Investment Subcommittee (ISC) decisions were taken to realign to the strategic asset allocation. A protection assets review was presented to the ISC as agreed by the LPC meeting held in January 2024 when the general direction of investment related decisions is agreed. At the time the Fund's advisor felt the current strategy did not see a strong enough case for adding new types of protection investments and did outline a number of options that were considered.

The Fund currently considers the use of index linked bonds (mainly UK), global investment grade corporate bonds and a currency hedge to reduce volatility from the overseas currency exposure as its primary protection assets.

As capital is returned from older investments in line with expectations, proposals to maintain the Fund's exposure to private equity, timberland, infrastructure and bank risk share (sometimes referred to as risk sharing transactions) were presented through the year with all proposals approved.

A summary of investment performance is included below at asset class level.

	1 Year %		**3 Years % p.a**		**5 Years % p.a**	
	Fund	**Benchmark**	**Fund**	**Benchmark**	**Fund**	**Benchmark**
Growth assets	4.6	6.3	6.3	8.1	12.8	12.9
Income assets	5.9	7.9	3.4	4.9	4.8	5.2
Protection assets	-1.7	-1.8	-6.4	-7.6	-2.9	-3.4
TOTAL FUND ex HEDGE	**4.5**	**6.3**	**4.2**	**6.6**	**8.8**	**8.7**

The Fund has a large number of investment managers although with careful management of the years it has been reducing this to make the Fund governance simpler whilst maintaining adequate diversification. It is inevitable that some of them will have periods of disappointing performance and sometimes this disappointing performance can last multiple years. This can be the result of a particular investment 'style' not being in favour with market sentiment. It is therefore expected that at any given time there will be parts of the Fund that are not performing as well as others and this is to be expected.

It is, however, important to understand why managers are performing in the manner they are, regardless of whether this is above or below their benchmark and to assess whether this is a cause for concern. Spontaneous reactions that are based on relatively short periods of poor performance are not usually sensible and understanding the reasons for poor performance is important.

The Fund undertakes regular reviews of asset classes with the investment advisor and reports on performance of each manager at Local Pension Committee meetings highlighting and providing commentary. Manager reports and overall portfolio investment performance, which are compiled on a quarterly basis are appended to every set of Local Pension Committee papers.

It is not likely that all managers appointed by the Fund can simultaneously perform well, in fact the Fund is positioned such that some assets should perform well in traditional market downturns. The Fund needs to have a reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they provide diversification of returns from other managers within the overall portfolio. There are a number of managers that the Fund has appointed that evidenced this in 2022 when both equity and bond markets fell in tandem whilst certain mandates were able to perform strongly.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate. An investment manager is usually invited to each Local Pension Committee to present their strategy, investment performance, views on market they operate in and how they demonstrate their responsible investing credentials in practice. With LGPS Central now firmly the Fund's largest manager in terms of assets managed, more frequent updates are to be expected.

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

Growth Assets

The Fund has a global passive equity manager (Legal and General) that manages against both market capitalisation benchmarks and also against alternative benchmarks such as low carbon transition global equity index. The Fund has one active equity investments with LGPS Central, a global equity multi manager investment, this is the Fund's only active equity mandate. The Fund also has invested into a passive product in 2020 with LGPS Central, a climate multi factor fund which is deemed semi passive given its regular planned amendments to the benchmark. The management fees are more closely aligned with that of a traditional passive mandate than an active mandate.

Within the growth assets group, the Fund also includes private equity investments (investments in unquoted companies), the majority of which are managed by Adams Street Partners as well as investments in three LGPS Central Private Equity vintages. As time has progressed the value of investments with LGPS Central have increased within the private equity asset class as proportion of all private equity investments.

The final constituents of the growth asset group are two managers classed within the targeted return class. This exposure can generally be categorised as investments that are seeking to make a return of 4% p.a. more than could be achieved by an investment in cash and with the expectation that the return will be achieved with relatively low volatility. There are many different ways of achieving this goal and the Fund uses two managers who aim to reach this goal in different methods.

Income Assets

Property – DTZ investors manage the Fund's directly owned property portfolio. LaSalle Investment Management manage a portfolio of pooled property funds, which includes exposure to a wider range of property sectors. They invest in funds which allows the Fund to access global property exposure.

The Fund has also invested in two stand-alone non-core property funds which are closed ended and will be returning capital over the next few years.

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

Other asset classes included within the income class include exposure to credit investments. Private credit to corporates feature in this class. LGPS Central are now the single largest private credit manager based on assets under management with whom the Fund invests.

Protection assets

UK inflation is one of the Fund's biggest risks, due to the direct link to pension benefits and the less-direct link to salary growth of active members. Protecting against this risk is therefore sensible but can be expensive. It involves taking money out of assets that are seeking investment growth (e.g. equities) and investing it in safer, and therefore lower-returning, index-linked bonds. Aegon Asset Management manages a portfolio of largely UK index-linked bonds for the Fund.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds. This asset class has suffered over the last few years as a combination of negative factors pushed prices lower severely in 2022 and has now stabilised during 2025. The Fund in accordance with its SAA rebalances where possible by adding to or divesting from an asset class when valuations deviate from the target allocation a large enough margin to warrant a rebalance.

The Fund has other avenues to obtaining protection against inflation, investment in property, infrastructure, and timberland, all of which have a good historic link to inflation. In the case of infrastructure inflation protection is afforded by exposure to underlying assets which are subject to contracted or regulated income.

Other mandates included within protection assets include a short dated investment grade bond fund with Aegon Asset Management and a LGPS Central investment grade corporate bond fund. Both aim to provide stable and safer rates of returns in a variety of economic conditions.

Other portfolios

Active foreign exchange hedging is undertaken by Aegon Asset Management to reduce the impact of currency fluctuations from the Fund’s holdings which are held in currencies other the sterling.

At the year end the benchmark level of hedge as advised by Hymans and approved by the Pension Committee is 30% of foreign currency exposure. Aegon actively manage the level of hedge of currencies the Fund is exposed to between fully unhedged and fully hedged based on their view of the prevailing market conditions and costs of hedging.

Responsible Investment

The Fund's approach to incorporating Environmental, Social and Governance (ESG) factors into the investment approach, as well as wider responsible investment stewardship issues is set out within the Fund's Investment Strategy Statement.

The Fund believes it has a responsibility to take these issues seriously and incorporates ESG considerations into investment decisions to better manage risk and generate sustainable, long-term returns. This is considered by the Fund in two key areas:

- Sustainable Investment/environmental and social factors: Considering the financial impact of environmental factors (including climate risk, social and governance factors) on the Fund's investments.

- Stewardship and governance: Acting as a responsible and active investor/owner through considered voting of shares and engaging with investee company management as part of the investment process.

The Fund has a fiduciary duty to act in the best interests of its members and therefore expects its investment managers to take account of financially material factors in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process, which has fed through as part of all investment decisions.

The Committee annually agrees a Responsible Investment plan which is reported against quarterly which sets further detail on engagement with managers and their processes and considerations across environmental, social and governance areas with our partners LGPS Central, the Local Authority Pension Fund Forum and investment managers.

Over 2024/25 this has included:

- Engaging with investment managers on specifics on climate considerations and their broader stewardship activities as part of an annual questionnaire reported to Committee in November 2024.
- Considering examples of engagement covering environmental, social and governance issues at each quarterly meeting.
- Considering how our investment managers and aligned with Local Authority Pension Fund Forum Vote Alerts in September 2024, while there was a high level of alignment our Managers set out reasonings for where they did not align.

The Fund's managers vote on Leicestershire's behalf at many meetings. This included voting recommendations at 6079 company meetings (72,161 resolutions).

A small snapshot of these are set out below, and are reported quarterly.

> Shell – LGPS Central voted against the climate transition plan due to concerns over the opacity of the energy transition plan, especially the company's long-term net zero commitment for 2030-2050. Central wrote to the company prior to the AGM outlining rationale for dissent and sought a meeting to discuss concerns further.

Amazon – Central supported two shareholder resolutions which received over 30% support each. This included supporting a resolution requesting an assessment of the Company’s commitment to freedom of association. Further disclosure and transparency to comprehensively assess how the Company is managing human rights risks would benefit shareholders.

Mitchells and Butlers PLC – Given the Board and Committee members fell short of the Financial Conduct Authority expectations to have 40% of women on the Board Central voted against the re-election of the Chair. Dissent was significant at 29.6% which sends a clear signal to the company around investor expectations.

Palo Alto Networks Inc – Central voted against an advisory vote to ratify the executive officers’ compensation given total CEO pay was valued at nearly double the total median CEO pay of peers. The proposal recorded a significant level of dissent at 49.6%.

LGPS Central has a Responsible Investment and Engagement Framework, Net Zero Strategy and voting principles. More detail on LGPS Central’s actions can be read in the 2024 Annual Stewardship report available here which include the four key themes that they engage on.

Net Zero Climate Strategy Progress

The Fund recognises almost all asset classes, sectors, and geographical regions that the Fund invests in are likely to be affected by the physical, policy or market-related consequences of climate change over the long term. Failure to consider risks and opportunities or exercise effective stewardship, will risk inferior investment performance. Ultimately any deficit would be covered by increase employers’ contributions which could affect employers’ ability to provide their primary function.

The latest report of the Fund’s activities in managing climate risk and opportunities over is available here:

Net Zero by 2050, with an ambition for sooner

Achieve a 40% reduction in absolute carbon emissions for the equity portfolio by 2030

Halve the carbon intensity of the Equity portfolio by 2030

Increase the Fund’s exposure to climate solutions.

Reduce the Fund’s exposure to fossil fuel reserves.

90% of the Fund’s assets under management in material sectors are classified as achieving Net Zero, aligned or aligning by 2030.

90% of the Fund’s financed emissions are classified as achieving Net Zero, aligned or aligning, or subject to an

Increase asset coverage analysed to 90% by 2030	engagement programme to build that about by 2030 Operational targets for Leicestershire County Council (Scheme Manager) and LGPS Central to achieve net zero operations by 2030.

- Step 1: Evaluation
- Step 2: Engagement
- Step 3: Voting
- Step 4: Divestment

These targets and measures support real-world emissions reduction and are in line with the Institutional Investor Group for Climate Change's Net Zero Investment Framework which support the goals of the Paris Agreement to limit global temperature well below 2degrees with the aim of achieving a 1.5degree limit. The Fund will support this through its approach to Stewardship with a four step plan.

To monitor progress against the NZCS the Fund produces an annual Climate Risk Report that performs top down and bottom-up analysis of the Funds investment portfolio. The NZCS and the Fund's latest Climate Risk Report can be viewed here.

In brief:

- Governance - The Local Pension Committee has overall responsibility for all issues relevant to the Fund, including regular engagement on the oversight and management of risks and opportunities related to climate change. The report shows a snapshot of the Committee's activities which include engaging with external representations, consideration within the Strategy Asset Allocation review and agreement of the annual Responsible Investment Plan.

  Fund Officers, Advisors, and Investment Managers support the Committee in development and delivery of the Fund's Net Zero Climate Strategy, investment decisions and stewardship activities.

- Strategy - Climate risk and opportunities have impacted the Fund's approach to investment decision making. The Fund's Net Zero Climate Strategy defines the key climate related risks and opportunities across the Fund and how it is managed. This has led to over £1billion in climate related investments and a focus on real-world impact.

  These considerations take into account advice from the Fund's Investment Advisor who provided an assessment of the impact of climate change on asset classes as a whole, and over the long-term, as exemplified below.

Exposure to:	Transition risk	Physical risk	Climate opportunities
Gilts (Protection)	**Low**: financing the transition may require more borrowing from the UK government, but we would expect some of this to be priced into markets already.	**Low**: there would be no direct impact, although serious damage to e.g. infrastructure may lead to additional borrowing being required, possibly pushing down gilt prices to some extent.	**Low**: green gilts available, although limited ability to influence government through gilts purchase. Opportunity to engage on climate risks/opportunities through ASCOR project.
Investment Grade Credit (Protection)	**Medium**: companies who do not prepare adequately for the transition may suffer more than others, albeit the risks are less than with owning the equity due to position in the capital structure, fixed (often short to medium term) lending terms and re-pricing in of risks upon reinvestment (companies not aligned or aligning to the transition risk facing increased cost of capital/ borrowing costs).	**Medium**: possible direct impact in terms of disruption to business operations (e.g. through supply chains); companies in certain sectors or geographies may be more exposed. Bonds of a company expected to suffer less than equity.	**Medium**: green bonds (use of proceeds to fund projects that have positive environmental and/or climate benefits) and Sustainability Linked Bonds (linked to climate KPIs) offer some ability for investors to gain exposure to decarbonisation opportunities and/or influence companies. Opportunity to influence/engage for positive environmental outcomes at point of reissuance.
Infrastructure / Property (Income)	**Medium**: property which does not meet evolving standards may find itself obsolete, although we would expect most managers are preparing for this. Some assets in this class may see improvements in value e.g. renewable energy infrastructure.	**Medium**: possibility of direct damage to assets depending on geographical location, though may be mitigated through insurance / avoiding assets in areas exposed to the worst physical impacts.	**High**: ability to participate in the low carbon transition e.g. through building renewable infrastructure, retrofitting existing properties to highest standards etc.
Global Equities (Growth)	**High**: companies who do not prepare adequately for the transition may suffer greater falls than others, though some may already be reflected in the current share price.	**High**: possible direct impact in terms of disruption to business operations (e.g. through supply chains); companies in certain sectors or geographies may be more exposed. Equity of a company expected to suffer more than bonds.	**High**: high scope for investment in climate opportunities. Ability to engage where investing for impact or in private markets.

FIGURE 1 HYMANS ROBERTSON TABLE FROM PROTECTION ASSETS REVIEW FOR LCCPF.

- Risk Management - Climate change risk is embedded within day-to-day risk management processes and investment decisions. Committee considers the Fund risk register and stewardship activities on a quarterly basis and climate risk metrics on at least an annual basis. This supports identification of risks and supports decision making in management of them.

  Based on the findings of previous Climate Reports, the Fund has developed a priority list for climate engagements. This list is designed to identify the Fund's top contributors of financed emissions, as well as aligning with LGPS Central's climate stewardship priority companies. This alignment of the Fund's climate stewardship plan and LGPS Central's climate stewardship priority list is intended to support the delivery of meaningful portfolio company research and updates.

  These companies are chosen following an assessment of issuer contributions to financed emissions and the Fund's capacity to leverage change through engagement. The Climate Risk Management report sets out specific updates to engagements with Shell and BP, and the Fund continues to monitor these any other engagements undertaken by LGPS Central.

Company Name	Weight in Total Portfolio (%)	Financed Emissions	Contribution to Total Financed Emissions
SHELL	0.4%	5,975	4.3%
CEMEX	0.1%	4,758	3.4%
CRH	0.1%	3,570	2.5%
HOLCIM	<0.1%	2,885	2.1%
GLENCORE	0.2%	2,271	1.6%
BP	0.2%	1,494	1.1%
LINDE	0.2%	1,492	1.1%
TAIWAN SEMICONDUCTOR MANUFACTURING CO	1.2%	1,271	0.9%

- Metrics and Targets -The Fund reports progress annually against its nine targets, including to become net zero by 2050, with an ambition for sooner. As of 31st March 2024, the Fund is on track against each metric for its equity portfolio where baseline data as of 31st December 2019 is available and has met both interim targets. The Fund is due to review this over 2025/26.

Pooling

As mentioned earlier in the report the Fund is an investor in LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other funds is a joint owner of the company.

The company has its own governance and risk management structures in place. The aim of the Company is to use the combined buying power of its partner funds to reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit of local government pensioners, employees and employers.

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

LGPS Central ltd is based in Wolverhampton and their details can be found below:
Address:
LGPS Central Ltd
Floor 1
i9
Wolverhampton Interchange
Wolverhampton
WV1 1LD

Website: https://www.lgpscentral.co.uk
e-mail: enquiries@lgpscentral.co.uk

Assets under management

In total as at 31 March 2025, £2.8bn worth of assets were managed directly by the LGPS Central Pool. Further to this the Fund has £1.1bn worth of passive equities which are invested in a low cost collectively pooled vehicle. Taken together as at 31 March 2025 59% of the Fund's assets could be defined as pooled.

Post Pooling Report (as issued by LGPS Central for Leicestershire Pension Fund)

The information request set out in the following tabs reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2024/25. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPSC should relate to the specific Partner Fund. The provision of the information by LGPSC to each Partner Fund should ensure consistent reporting across Partner Funds, and allow LGPSC to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company's financial statements.

1. Set-Up Costs

£000	Cumulative 2014/15 to 2018/19 Total
Set Up Costs	
Recruitment	27
Procurement	2
Professional Fees	187
IT	97
Staff Costs	142
Other Costs (provide details)	
Premises	49
Staffing-Related Costs	5
Travel and Expenses	1
Training and Events	1
FCA Fees	1
General Admin Costs	2
Set-Up Costs Before Funding	514
Share Capital	1,315
Debt	685
Other Costs	-
Set-Up Costs After Funding	2,514

Transition fees	
Taxation (seeding relief)	
Other transition costs	
Transition Costs	

Please note that CIPFA has not provided a set definition of Indirect Costs but notes that ‘‘these would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities’’.

£000	Cumulative 2014/15 to 2018/19 Total
Set-Up Costs Before Funding	514
Set-Up Costs After Funding	2,514
Transition Costs	

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

£000	At 1 April-24	Charges in Year	Settled in Year	At 31 March-25
Governance Costs	-	283	-	-
Operator Costs	-	832	-	-
IMMC (*)	-	884	-	-
Product Development Costs	-	67	-	-
Total	**928**	**2,066**	**-1,394**	**1,599**

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

3. Other Transactions between Partner Funds and LGPSC (e.g. service support provided by West Midlands to LGPSC)

£000	At 1 April-24	Charges in Year	Settled in Year	At 31 March-25
Interest Payable	65	65	(65)	65
Total	**65**	**65**	**(65)**	**65**

4. LGPSC Investment Management Expenses Charged to Partner Funds

	£000	Direct	Indirect	Total	Bps Charge
1	Ad Valorem	4,654	0	4,654	20.33
2	Performance	0	0	0	0.00
3	Research	0	0	0	0.00
4	PRIIPS Compliance	0	0	0	0.00
5	Other (provide details)	132	0	132	0.58
	Management Fees	**4,786**	**-**	**4,786**	**20.91**
6	Commissions	701	0	701	3.06
7	Acquisition/issue costs	0	0	0	0.00
8	Disposal costs	0	0	0	0.00
9	Registration/filling fees	0	0	0	0.00
10	Taxes and Stamp Duty	798	0	798	3.49
11	Other (provide details)	0	0	0	0.00
	Investment Administration	0	0	0	0.00

	Other administration charges	0	0	0	0.00
	Implicit Costs	3,848	0	3,848	16.81
	Transaction Costs	**5,347**	**0**	**5,347**	**23.36**
					-
12	**Custody/Depositary**	**239**	**0**	**239**	**1.04**
13	**Other (provide details)**	**0**	**0**	**0**	**0.00**
	Fund Accounting	196	0	196	0.86
	Transfer Agent	4	0	4	0.02
	Property Expenses	198	0	198	0.87
	External Audit	22	0	22	0.10
	Performance Reporting	10	0	10	0.04
	Transaction Charges	1	0	1	0.00
	MACS Fees	-13	0	-13	-0.06
	Total Costs	**10,790**	**0**	**10,790**	**47.14**

5. Investment Management Expenses By Product / Service

£'000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2024/25 Costs	AUM At 31 March 2025 £m	2024/25 Bps Charge
Global Multi-Manager	1633					192				272	1508	71	27	3,703	783	49.11
Climate Factor Fund	289					454				440	1094	91	9	2,377	843	28.06
Emerging Market Equities	203					53				86	61	14	19	436	0	85.49
Corporate Bonds	166					0				0	503	15	5	689	192	42.27
Emerging Market Debt	29					0				0	27	1	1	58	0	41.43
Direct Property	140				132	0				0	0	12	330	614	121	105.86
Multi-Asset Credit	837					2				0	655	35	27	1,556	426	38.71
ACS Sub-Funds	**3,297**	**0**	**0**	**0**	**132**	**701**	**0**	**0**	**0**	**798**	**3,848**	**239**	**418**	**9,433**	**2,365**	
Private Equity 2018 V'tage	7													7	10	6.62
Private Equity 2021 V'tage	11													11	30	3.82
Private Debt	59													59	417	1.41
Private Equity 2023	60													60	80	7.45
Private Credit 2024	46													46	280	1.65
Infrastructure	42													42	265	1.59
Alternative Vehicles	**225**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**225**	**1,082**	
Discretionary Mandate 1														-		
Discretionary Mandate 2														-		

Discretionary Mandates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LGIM Passive Funds Oversight and Stewardship	1132													1132	1123	10.08
Advisory Mandates	**1132**	-	-	-	-	-	-	-	-	-	-	-	-	**1132**	**1123**	
Total	**4,654**	-	-	-	**132**	**701**	-	-	-	**798**	**3,848**	**239**	**418**	**10,790**	**4,570**	**47.14**

6. Asset Under Management & Performance By Product / Service

£'000	AUM at 1 April-24 £m	AUM at 31 March 2025 £m	One Year Gross Performance %	One Year Net Performance %	Passive Benchmark Used	One Year Passive Index %
Global Multi-Manager	636	783	4.17%	3.94%	FTSE All World Index	5.46%
Climate Factor Fund	812	843	3.99%	3.93%	FTSE All-World Climate Balanced Comprehensive Factor Index	3.73%
Emerging Market Equities	185	0	6.57%	5.47%	FTSE Emerging Markets Index	10.14%
Corporate Bonds	159	192	5.00%	4.90%	ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50%	3.82%
Direct Property	48	121	9.60%	8.80%	MSCI Quarterly index	0.50%

Emerging Market Debt	63	0	6.51%	6.29%	JPMorgan EMBI Global Diversified Index, hedged to GBP	6.43%
Multi-Asset Credit	348	426	6.02%	5.81%	3-month GBP SONIA	4.97%
ACS Sub Funds	**2,251**	**2,365**				
Private Equity 2018 V'tage	10	10				
Private Equity 2021 V'tage	30	30				
Private Debt	417	417				
Private Equity 2023	0	80				
Private Credit 2024	0	280				
Infrastructure	100	265				
Alternative Vehicles	**557**	**1,082**				
Discretionary Mandate 1						
Discretionary Mandate 2						
Discretionary Mandates	**-**	**-**				
LGIM Passive Funds Oversight and Stewardship	-	1123				
Advisory Mandates	**0**	**1123**				
Total	**2,808**	**4,570**				

7. Transition Costs

No transitions in 2024/25.

ASSET TABLE

A supplementary table in line with new guidance is included below showing allocations to UK investments across four asset classes in sterling.

£million asset values as at 31 March 2025	Pooled	Under pool management	Not pooled	Total
UK listed equities	266		18	285
UK government bonds	60		275	334
UK infrastructure	42		32	73
UK private equity	1		38	39
Total	**369**		**363**	**731**

The £731m is approximately 11% of total Fund assets. In addition to the above, the Fund holds £401m in UK commercial property which is an additional 6% of total Fund assets.

The table below shows the Fund's assets split by asset classes they are usually reported in. An alternative format illustrates the same but with a different classification for asset classes that might aid comparisons across other LGPS funds.

Asset values as at 31 March 2025 £m (2)	Pooled (LGPS Central)	Under LGPS Central advisory management	Not Pooled	Total
Growth	***2,776***	***0***	***713***	***3,489***
Listed equity	2,750		0	2,750
Private equity	26		381	407
Targeted return	0		332	332
Income	***991***	***0***	***1,136***	***2,127***
Infrastructure	146		598	743
Property	156		325	481
Private credit	264		214	478
Liquid global credit	426		0	426
Protection	***192***	***0***	***890***	***1,082***
Inflation linked bonds	0		216	216
Investment grade credit	192		64	256
Cash including hedge collateral	0		610	610
Total	***3,959***	***0***	***2,739***	***6,698***
% of total AUM	***59%***	***0%***	***41%***	

Alternative table to aid comparison with other LGPS funds showing pooling progress.

£m Asset Values as at 31 March 2025 (2)	Pooled	Under LGPS Central advisory management	Not Pooled	Total

Equities	2,750		0	**2,750**
Bonds	618		280	**898**
Property	156		325	**481**
Hedge Funds	0		332	**332**
Diversified Growth Funds	0		0	**0**
Private Equity	26		381	**407**
Private debt	264		214	**478**
Infrastructure	146		598	**743**
Derivatives	0		0	**0**
Cash and net current assets	0		610	**610**
Other	0		0	**0**
total	3,959	0	2,739	**6,698**
% of total AUM	***59%***	***0%***	***41%***	

[2]The figures used for the disclosures in the annual report are based on the figures produced by Hymans as part of their external quarterly investment monitoring & valuation report (produced in early May). There are therefore minor differences between these numbers and those reported in the financial statements.

Administration

Summary of Activity

The Pension Section dealt with various areas of administration throughout 2024/25. Areas include deaths, retirements, transfers, refunds, divorce calculations, new joiners, aggregations, optants out.

The Pension Section used the information contained within its Administration and Communication strategy to communicate with various stakeholders including, members or their representatives (including actives, deferred, pensioners, prospective members), employers, Members of the Local Pension Board and Committee, and various other stakeholders including HMRC, The Pensions Regulator, and MHCLG.

Communication was provided in various formats, website, member self-service, phone calls, face to face, employer forums, training sessions, written letters and email.

Key Performance Indicators

Key performance indicators are split into 5 categories and are found in Appendix A of the report and summarised below.

The Funds 10 specific indicators split by business process and customer feedback

- Casework
- Communications and engagement
- Administration - Resources
- Data Quality

Casework

Officers have used the Scheme Advisory Boards recommended layout. It details the number of cases created and completed in the year, and the previous year, for comparison.

Officers are unable to complete the Scheme Advisory Boards recommended layout for this section because the Fund's workflow tasks are not set up to report on certain activities. Officers liaised with a Scheme Advisory Board who agreed the Fund should use our own KPIs in this section.

The Fund has been measuring 10 KPIs, 3 for business process and 7 for customer feedback, for many years and these are reported to the Fund's Board and Committee.

Officers measure results against target, and these are included in Appendix A.

Communication and engagement

Officers have used the Scheme Advisory Boards recommended layout. It provides percentages of the Fund's various scheme members who have registered on the on-line Member Self-Service (MSS) system. Scheme members can run their own estimates, view annual benefit statements and update personal details and officers and employers regularly promote MSS sign up.

Communication includes numbers of phone calls, emails, online enquiries and various other types of communication methods.

Administration – Resources

Officers have used the Scheme Advisory Boards recommended layout. It provides the full time equivalent number of Officers working in pensions administration and the average length of service working at Leicestershire. It does not include previous periods of employment elsewhere.

It also provides staff vacancy rate during the year and ratio of scheme members to officers.

Data Quality

Officers have used the Scheme Advisory Boards recommended layout. The table provides the percentage of annual benefit statements issued by the statutory deadline of the 31 August.

Common data and scheme specific data are data fields the Pension Section should hold for each scheme member. These are scored annually and reported to The Pensions Regulator. Officers monitor these annually and put into place data improvement plans where necessary.

As more people move away from post to email, more email addresses are being captured on member's records.

Employers submit monthly data to the Pension Section. This is monitored and employers are chased where submissions are late.

Fund members

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

Year	Active Members	Preserved Members	Pensioner and Survivor Members	Total
2021/22	37,139	30,704	31,397	99,240
2022/23	38,823	31,811	32,560	103,194
2023/24	40,848	32,250	33,902	107,000
2024/25	40,983	32,602	35,677	109,262
Difference in the year	135	352	1,775	2,262

As of the 31 March 2025 there were 4,501 status 2 records. These are uncomplete cases (known as undecided leavers) that could become a refund, preserved or pensioner.

Fund Employers

A summary of the largest contributing employers is set out in the table below.

2024/25	Total Employers Contributions £000	Total Employees (Members) Contributions £000
Leicestershire CC	58,950	12,774
Leicester City Council	61,250	13,618
The Chief Constable & The OPCC	15,337	3,947
De Montfort University	12,450	3,184
Loughborough University	8,888	2,122
Charnwood Borough Council	5,463	1,035
Rutland CC	4,143	1,017
Hinckley and Bosworth BC	3,905	950
Blaby District Council	3,182	737
North West Leics DC	4,883	1,064
ESPO	2,893	673
Harborough District Council	2,089	447
Oadby and Wigston BC	2,129	355
Melton BC	1,808	423
Leics Fire Service (Civilians)	1,497	390
Town and Parish Councils	851	228
Academies, Free Schools and Others	49,349	11,846
FE and Sixth Form Colleges	7,641	1,965
	246,708	56,775

A summary of the number of employers in the Fund analysed by scheduled bodies, admitted and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) is set out within Appendix E.

Communications Policy

The Pension Section used the information contained within its Administration and Communication strategy to communicate with various stakeholders including, members or their representatives (including actives, deferred, pensioners, prospective members), employers, Members of the Local Pension Board and Committee, and various other stakeholders including HMRC, The Pensions Regulator, and MHCLG.

Communication was provided in various formats, website, member self-service, phone calls, face to face, employer forums, training sessions, written letters and email.

The Fund has a website that provides details of the scheme. New members receive a welcome letter introducing them to the scheme with a link to the website and member self-service to enable members to run their own estimate projections.

Employers auto enrol eligible new employees into the scheme and re-enrol non-members through their auto enrolment duties.

Fund officers may provide sessions with employers and scheme members when requested.

The Fund's administration and communication strategy provides details of how we communicate with various stakeholders.

Value for Money Statement

Administration Costs

Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership on 31 March 2025. To compare the 2024/25 costs, information from three years prior is included.

The Fund has 40 full time equivalent working in Pension Scheme Administration. Scheme membership is equating to an increase of members per FTE in the year.

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

Year	Members	Full Time Equivalent – Pensions Administration	Administration Costs £000	Cost per member (Admin cost / members)
2021/22	99,240	36	2,576	£25.96
2022/23	103,194	38	2,919	£28.29
2023/24	107,000	37	3,039	£28.40
2024/25	109,262	40*	3,108	£28.45

*Includes two full time apprentices and a full-time temporary member of staff working on the McCloud remedy.

Our cost per member is comparable to other similar sized Funds; for example, our neighbouring Fund Derbyshire's 2023/24 cost per member is £28.58

The following table compares spend between 2023/24 and 2024/25 in the five administration areas.

Year	Staffing	IT	Actuarial	Support Services	Other	Total
2023/24	1,776,000	476,000	97,000	606,000	84,000	3,039,000
2024/25	1,829,000	442,000	197,000	555,000	85,000	3,108,000
Difference	53,000	(34,000)	100,000	(51,000)	1,000	69,000

- Staffing - Staffing costs were £19,000 below budget. However, the costs increased from 2023/24 due to inflationary pay increases and pay progression for colleagues, moving through the pay bands.

- IT – 2024/25 costs were £88,000 lower than budget. In 2024/25 the Pension Section purchased a replacement web and member self-service solution as the existing version reaches end of life. Work has commenced on the replacement that will go live in 2025/26.

- Actuarial – Actuarial charges were budgeted at £150,000 for 2024/25. However, the actual spend was £47,000 above budget. This accounted for an element of the 31 March 2025 Fund valuation work that was brought forward into 2024/25 (from 2025/26). Fund valuations only take place every three years and calculate the total Fund value and the employer contribution rates for the next three-year period (1 April 2026 to 31 March 2029). There is always increased actuarial work and budget in Fund valuation periods.

- Support Services – There was a decrease in support services charges in 2024/25 from process improvements with a £45,000 underspend against budget.

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

- The total budget was £3,178,000 and actual spend was £3,108,000 causing an underspend of £70,000 in 2024/25.

Fund Administration Charge

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

Dispute Resolution

In line with legislation the Fund has an Internal Disputes Resolution Procedure that deals with formal complaints against the Scheme. During 2024/25 the Fund had one Stage 2 complaint via the formal Internal Resolution Disputes process.

During 2024/25 the Fund had three cases with the Pensions Ombudsman relating to periods prior to 2024/25. One of these was discontinued by the Ombudsman and two remained outstanding at the start of 2025/26.

A copy of the Fund's complaint process is available on the following link

https://democracy.leics.gov.uk/documents/s189013/Appendix%20G%20Pensions%20Complaint%20Process%20-%20December%202024.pdf

Further advice can be found at the following:

Money Helper	Web:	https://www.moneyhelper.org.uk
LGPS Regulation & Guidance	Web:	https://www.lgpsregs.org/

Contact Details

Help desk arrangements and information are as follows:

Contact Type	From	To	Contact
MSS Helpdesk Phones	08:00	14:00	0116 3057886

Pensions Benefits Queries :	Pensionsbenefits@leics.gov.uk
Email MSS Queries :	PensionsMSS@leics.gov.uk
General Pensions Queries:	Pensions@leics.gov.uk
Address:	Pensions Section Leicestershire County Council County Hall Glenfield Leicester LE3 8RB

External Audit Opinion

To follow

Additional Information

Internal Audit

The Role of Internal Audit

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:
Performance against KPIs is reported to the Local Pension Board on a quarterly basis. The Pension Committee further receives regular updates. KPI performance is reported in the Fund's annual report. Plans to address any workloads are added to the business planning process above.

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

Internal Audit Work Undertaken – 2024/25

Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. In total, seven assurance audits were undertaken in 2024/25. The assurance grading was overall positive and there were no high importance recommendations. Final reports for all completed audits were also shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

In the year, Internal Audit reviewed several areas of the Fund's administration and investment. These areas included, Contribution Banding Changes, Contribution Calculations, annual Pensions Increase, Pension Transfers, Pensions Dashboard Programme, Code of Practice and Investment Risks, including appointment of investment managers.

One planned audit was deferred into 2025/26, purely due to delayed developments nationally. Work was also undertaken on the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Reports for the latest exercise (2024/25) were released in January 2025, and investigations are currently ongoing. The next biennial exercise is due to be undertaken during 2026/27 with reports available around January 2027.

In addition, the Pension Service has continued to subscribe to the NFI Mortality Screening Service, where pension records are checked against the Department for Work and Pensions (DWP) Deceased Persons database. Following the success of the first exercise in June 2022, subsequent exercises, i.e.. June and November 2023 were expanded to include all pension records. The most recent exercise was undertaken in June 2024, which identified nine cases where payments had continued for deceased pensioners, totalling over £18K. Whilst the Risk Register is the responsibility of the Pensions Manager and is maintained and updated by him, Internal Audit continue to review and comment on any updates prior to Board and Committee meetings.

Regarding the internal audit arrangements for LGPS Central, ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback to the wider Internal Audit Working Group (IAWG).

The first four-year cycle of agreed internal audits has now been completed, namely 2018/19 to 2022/23 as part of this arrangement, and a revised four-year plan of audit work from 2023/24 to 2027/28 has been agreed.

The 2024/25 audits were assigned to colleagues at Shropshire County Council (Investments), and Leicestershire County Council (Governance). The overall assurance level assigned for the Investments report was 'Good.' The Governance report has been completed, and a draft report is currently with the Governance Working Group members for comments.

At the end of August 2024, LGPS Central's Chief Legal, Compliance and Risk Officer issued an 'Assurance Pack' to support each Council's annual financial audit for the year to 31 March 2024. This contained: -

- LGPS Central Limited AAF 01/20 (Type 1) at 31 March 2024.
- A Supplemental Assurance Pack for the period to 31 March 2024; and
- Bridging Letters from the date of the last AAF 01/20 audit period to 31 March

The above information, i.e. Type 1 report was reviewed by the IAWG with further information requested from LGPS Central Limited to provide assurance on controls. A Type 2 report is due to be produced for the period April 2024 to March 2025. This should be available early July 2025.

Freedom of Information Requests summary

All Freedom of Information requests are logged by Leicestershire County Council who keep a record of Freedom of Information requests and response in the disclosure log available here.

Area	2024/25
Investments	27
Administration	2

Glossary

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

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

Appendix A – Administration Key Performance Indicators

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	175	986	986	100.00%	954	101.49%
A2	New dependent member benefits	0	329	329	100.00%	296	100.00%
A3	Deferred member retirements	120	1293	1343	103.87%	1382	93.94%
A4	Active member retirements	516	2136	2059	96.39%	1660	90.31%
A5	Deferred benefits	1274	2419	2485	102.73%	1948	92.76%
A6	Transfers in (including interfunds in, club transfers)	139	193	152	78.75%	112	72.73%
A7	Transfers out (including interfunds out, club transfers)	274	355	361	101.69%	359	77.20%
A8	Refunds	829	3991	4126	103.38%	3428	97.11%
A9	Divorce quotations issued	30	186	204	109.68%	153	84.53%
A10	Actual divorce cases	6	13	18	138.45%	1	16.6%
A11	Member estimates requested either by scheme member and employer	162	1328	1168	87.95%	1277	99.76%
A12	New joiner notifications	0	9733	9733	100.00%	9552	100.00%

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A13	Aggregation cases	2014	5212	4906	94.13%	1004	49.12%
A14	Optants out received after 3 months membership	2	60	17	28.33%	11	45.83%

Table A Comment

A2 – No specific task for dependants – created as part of the deceased task – figures show Dependants created in period.

A12 – No specific task for new starters – created directly from i-connect – iconnect start date used for record creations.

A14 – Low numbers as cases are often created as Frozen cases.

Ref	**Casework KPI**	**Suggested fund target***	**% completed within fund target in year**	**% completed in previous year**
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	Still to be confirmed	Not available
B2	Communication issued confirming the amount of dependents pension	10 days	61%	Not available
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	80%	Not available

B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	80%	Not available
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	98%	Not available
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	88%	Not available
B7	Payment of lump sum (both active and deferred)	15 days	93.7%	Not available
B8	Communication issued with deferred benefit options	30 days	25.2%	Not available
B9	Communication issued to scheme member with completion of transfer in	15 days	38.5%	Not available
B10	Communication issued to scheme member with completion of transfer out	15 days	50%	Not available
B11	Payment of refund	10 days	93.4%	Not available
B12	Divorce quotation	45 days	90.9%	Not available
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	15 days	82%	Not available
B14	Communication issued to new starters	40 days	47.5%	Not available
B15	Member estimates requested by scheme member and employer	15 days	46.2%	Not available

Table B Comments

Due to the pressure and complexity of McCloud some work areas had to be prioritised over others. The greatest impact was on dependent's pensions, transfers and deferred benefit options.

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	52.67%
C2	% of deferred member registered	37.13%
C3	% of pensioner and survivor members	51.04%
C4	% total of all scheme members registered for self-service	47.54%
C5	Number of registered users by age.	0-20 = 846 21-30 =6537 31-40 = 14972 41-50 = 19903 51-60 = 26230 61-70 = 22361 71-80 = 13120 81-90 = 4878 Over 90 = 912
C6	% of all registered users that have logged onto the service in the last 12 months	61.20%
	Communication	
C7	Total number of telephone calls received in year	13,525
C8	Total number of email and online channel queries received	25,632
C9	Number of scheme member events held in year (total of in-person and online)	5
C10	Number of employer engagement events held in year (in-person and online)	40

C11	Number of active members who received a one-to-one (in-person and online)	71
C12	Number of times a communication (i.e. newsletter) issued to:	
	a) Active members	2
	b) Deferred members	2
	c) Pensioners	3

Table C Comments

C7 - Average queue waiting time: 1.54 mins / Average call time: 6.11 mins / Calls transferred: 327

C8 – Pensions Email Box 18,136 / MSS Email Box 7,496

Table D: Resources

Ref	Resources	
D1	Total number of all administration staff (FTE)	40.00
D2	Average service length of all administration staff	11.70 years
D3	Staff vacancy rate as %	2.50%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2732:1
D5	Ratio of administration staff (excluding management) to total number of scheme members	3122:1

Table E - Data Quality

	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	100.00%
	Short commentary if less than 100%	Not Applicable
	Data category	
E3	Common data score	97.50%
E4	Scheme specific data score	96.73%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	2.20%
E6	Percentage of active, deferred and pensioner members with an email address held on file	53.33%
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	92.58%
E8	Percentage of employers who submitted monthly data on time during the reporting year	92.29% based on March 2025 return

Appendix B: Governance Compliance Statement

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

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

Principle	Compliance/Comments
Structure	
The strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant
That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee.	Fully compliant
That where a secondary committee has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee has been established, at least one seat on the main committee is allocated for a member of the secondary committee.	Fully Compliant - All Investment Subcommittee will be full LPC members
Representation	
That all key stakeholders are afforded the opportunity to be represented within the main committee structure (including employing authorities, scheme members, independent professional observers and expert advisors)	Fully Compliant
That where lay members sit on a main committee, they are treated equally and are given full opportunity to contribute to decision making, with or without voting rights.	Fully Compliant
Selection and Role of Lay Members	
That committee members are fully aware of their status, role and function they are required to perform.	Fully Compliant
Voting	
The policy of the administering authority on voting rights is clear and transparent, including the justification for not extended voting rights to certain groups.	Fully Compliant
Training/Facility Time/Expenses	
That the policy applies equally to all members of committees.	Fully Compliant
Meetings (frequency/quorum)	
That the main committee meet at least quarterly	Fully Compliant
That secondary committees meet at least twice a year and the meetings are synchronised with the main committee.	The Investment Subcommittee meets regularly, so Fully Compliant
If lay members are not included in formal governance arrangements, a forum is available outside of these arrangements by which their interests can be represented.	Lay members are included on main committee, so not relevant.
Access	

That, subject to any rules in the Council's constitution, all members have equal access to committee papers, documents and advice that falls to be considered by the main committee.	Fully Compliant
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of the governance arrangements.	Fully Compliant
Publicity	
That the administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Fully Compliant. A copy of this statement has been sent to all employing authorities.

Appendix C: Meeting Attendance

The attendance figures for the Local Pension Committee and Investment Sub-Committee for 2024/25 are recorded in the table below:

	REPRESENTING	May - ISC	June - LPC	July - ISC	September - LPC	October – ISC	November – LPC	January - LPC	%
VOTING MEMBERS (EMPLOYER REPRESENTATIVES)									
Mr. T. Barkley CC	Administering Authority	✓	✓	✓	✓	✓	✓	✓	100%
Mr. D. Bill CC	Administering Authority	✓	x	✓	✓	✓	✓	x	71%
Mr. D. Grimley CC	Administering Authority	✓	x	✓	✓	x	✓	✓	71%
Mr. P. King CC	Administering Authority	\	x	\	x	\	✓	x	25%%
Mrs. H. Fryer	Administering Authority	\	✓	\	✓	\	✓	✓	100%
Cllr. A. Clarke (to August 2024)	Leicester City Council	✓	x	✓ (v)	x	\	\	\	50%
Cllr. M. March (to June 2024)	Leicester City Council	\	\	\	x	\	\	\	0%
Cllr. G. Whittle (from September 2024)	Leicester City Council	\	\	\	✓	✓	✓	x	75%
Cllr. R. Denney	District Representative	✓	x	✓	✓	x	✓	✓	71%
Cllr. M. Cartwright	District Representative	\	✓	\	✓	\	x	x	50%
Mr. Z. Limbada (to May 2024)	Universities Representative	✓	\	\	x	\	\	\	50%

	REPRESENTING	May - ISC	June - LPC	July - ISC	September - LPC	October – ISC	November – LPC	January - LPC	%
Mr. J. M. Henry (from June 2024)	Universities Representative	\	✓	x	✓	x	✓	✓	67%
NON-VOTING MEMBERS (EMPLOYEE REPRESENTATIVES)									
Mr. N. Booth	Employee Representative	\	✓	✓	x	\	✓	✓	80%
Mr. C. Pitt	Employee Representative	\	x	\	✓	✓	x	x	40%
Mr. V. Bechar	Employee Representative	x	✓	\	✓ (v)	\	x	✓ (v)	60%
VOTING MEMBERS (EMPLOYER REPRESENTATIVES) SUBSTITUTES									
Mr. D. Harrison Substitute	Administering Authority	\	\	\	✓ for Mr King	\	\	\	100%
Mrs. B. Seaton – Substitute		\	\	\	\	\	\	\	\
Mr. C. Smith – Substitute	Administering Authority	\	\	\	\	\	\	\	\
Mrs. M. Wright – Substitute		\	✓ for Mr. Grimley	\	\	\	\	✓ for Mr King	100%

(v) = Members attended virtually online, but in line with regulations are not classed as being formally in attendance and were not allowed to vote on any matters arising during the meeting.
\ = Not a member at the time, or not required.

Appendix D: Training Attendance

Local Pension Committee 2024/25

		Joint Training – Hymans Modules – April 2024	Joint Training – Hymans Modules – May 2024	LGPS Central RI Summit	Infrastructure – LGPS Central	Joint Training – Hymans Modules – September 2024	LGPS Fundamentals Training	Joint Training – Hymans Modules – November 2024	Climate Update – LGPS Central	LGPS Online Learning Academy – Conflict of Interest – Hymans	Asset Class and SAA
Mr. T. Barkley CC	Leicestershire County Council	✓	✓	x	✓	✓	✓	✓	✓	✓	✓
Mr. D. Bill CC	Leicestershire County Council	✓	x	x	x	✓	\	✓	✓	\	x
Mr. D. Grimley CC	Leicestershire County Council	x	x	x	x	x	\	✓	✓	\	✓
Mr. P. King CC	Leicestershire County Council	✓	✓	x	x	✓	\	✓	✓	\	x
Mrs. H. Fryer CC	Leicestershire County Council	✓	✓	x	✓	✓	\	✓	✓	\	✓
Cllr. A. Clarke (to August 2024)	Leicester City Council	✓	x	x	x	\	\	\	\	\	\
Cllr. M. March (to June 2024)	Leicester City Council	x	x	x	\	\	\	\	\	\	\
Cllr. G. Whittle (from September 2024)	Leicester City Council	\	\	\	\	x	✓	x	✓	✓	x
Cllr. R. Denney (from June 2023)	District Representative	x	x	x	x	x	\	x	✓	\	✓
Cllr. M. Cartwright (from June 2023)	District Representative	✓	✓	x	✓	✓	\	✓	x	\	x
Mr. Z. Limbada (to May 2024)	University Representative	x	\	x	\	\	\	\	\	\	\
Mr. J. M. Henry	University Representative	x	x	X	✓	x	\	x	✓	\	✓
Mr. N. Booth (from 2023 AGM)	Employee Rep Elected 2023 AGM	x	✓	x	✓	x	\	x	✓	✓	✓

Mr. C. Pitt	Employee Rep Elected 2022 AGM	✓	x	x	x	x	✓	✓	x	\	x
Mr. V. Bechar (from 2023 AGM)	Employee Rep Elected 2023 AGM for I year	x	x	✓	✓	x	\	x	x	\	x
Mr. D. Harrison (from January 2023) - Substitute	Leicestershire County Council	\	\	x	\	✓	\	\	\	\	\
Mrs. B. Seaton (from July 2024) Substitute	Leicestershire County Council	\	\	\	\	\	\	\	\	\	\
Mr. C. Smith (from January 2023) - Substitute	Leicestershire County Council	\	\	x	\	\	\	\	\	\	\
Mrs. M. Wright (from May 2024) – Substitute	Leicestershire County Council	\	✓	x	✓	\	\	✓	\	\	✓

\ = Not a member at the time, or not required.

Training for the Investment Sub-Committee 2024/25

INVESTMENT SUB-COMMITTEE TRAINING		Protection Assets	LGPS Infrastructure Assets	Bank Risk Share Investments
		1 May 2024	24 July 2024	2 October 2024
Mr. T. Barkley CC	Administering Authority	✓	✓	✓
Mr. D. Bill CC	Administering Authority	✓	✓	✓
Mr. D. Grimley CC	Administering Authority	✓	✓	x
Cllr. R. Denney (from June 2023)	District Representative	✓	✓	x
Cllr. A. Clarke (to August 2024)	Leicester City Council	✓	✓ - virtual	\
Cllr. G. Whittle (from September 2024)	Leicester City Council	\	\	✓
Mr. Z. Limbada (to May 2024)	University Representative	✓	\	\
Mr. J. M. Henry (from June 2024)	University Representative	\	x	x
Mr. N. Booth – on rotation	Employee Representative	\	✓	\
Mr. C. Pitt – on rotation	Employee Representative	\	\	✓
Mr. V. Bechar – on rotation	Employee Representative	x	\	\

\ = Not a member at the time, or not required.

Hymans Robertson Aspire Training – the Local Pension Committee Members 2024/25

The table below show training undertaken by members following the updating of modules in June 2023.

	1 - Committee Role and Pensions Legislation	2 - Pensions Governance	3 - Pensions Administration	4 - Pensions Accounting and Audit Standards	5 - Procurement and Relationship Management	6 - Investment Performance and Risk Management	7 - Financial Markets and Product Knowledge	8 - Actuarial methods, Standards and Practices
Mr. T. Barkley CC	C	C	C	C	C	C	C	C
Mr. D. Bill CC	C	E	C	E	C	C	C	C
Mr. D. Grimley CC	C	C	C	C	C	C	C	C
Mr. P. King CC	C	C	C	C	C	C	C	C
Mrs. H. Fryer CC (from May 2024)	C	C	C	C	C	C	C	C
Cllr. A. Clarke (to August 2024)	E	E	C	E	C	E	E	E
Cllr. M. March (to June 2024)	E	E	E	E	E	E	E	E
Cllr. G. Whittle (from September 2024)	C	C	C	C	C	C	C	C
Cllr. R. Denney	C	C	C	C	C	C	C	C
Cllr. M. Cartwright	C	C	C	C	C	C	C	C
Mr. N. Booth	C	C	C	C	C	C	C	C
Mr. V. Bechar	C	C	C	C	C	C	C	C
Mr. C. Pitt	C	C	C	C	C	C	C	C
Mr. Z. Limbada (to May 2024)	E	E	E	E	E	E	E	E
Mr. J. M. Henry (from June 2024)	C	C	C	C	C	C	C	C

E – Enrolled C – Completed

Appendix E: Employer List by Type, Active, Admission, Cease

Employer Name	Employer Type	Employer Sub Type	Actives	Admission Date	Admission Cease Date
Scheduled Bodies					
Leicestershire CC	Scheduled Body	--	TRUE		
Leicester City Council	Scheduled Body	--	TRUE		
Blaby District Council	Scheduled Body	--	TRUE		
Charnwood Borough Council	Scheduled Body	--	TRUE		
Harborough District Council	Scheduled Body	--	TRUE		
Hinckley and Bosworth BC	Scheduled Body	--	TRUE		
Melton BC	Scheduled Body	--	TRUE		
North West Leics DC	Scheduled Body	--	TRUE		
Oadby and Wigston BC	Scheduled Body	--	TRUE		
Rutland CC	Scheduled Body	--	TRUE		
The Chief Constable & The OPCC	Scheduled Body	--	TRUE		
Leics Fire Service (Civilians)	Scheduled Body	--	TRUE		
East Midland Shared Services	Scheduled Body	--	TRUE		

ESPO	Scheduled Body	--	TRUE	

Further Education Bodies				
Loughborough University	Admission Body (CAB)	Higher Education (Uni)	TRUE	Pre 1972
SMB Group(Brook/Melton/Steph)	Scheduled Body	Further Education	TRUE	31-Mar-05
Loughborough College of FE	Scheduled Body	Further Education	TRUE	01-Apr-93
South Leics College	Scheduled Body	Further Education	TRUE	01-Apr-93
WQE and Regent College Group	Scheduled Body	Further Education	TRUE	01-Apr-93
Leicester College	Scheduled Body	Further Education	TRUE	31-Mar-05
Leics De Montfort University	Scheduled Body	Higher Education (Uni)	TRUE	06-Apr-78

Academies				
Uppingham Community College	Scheduled Body	Academy	TRUE	01-Apr-93
Better Futures MAT (Gateway)	Scheduled Body	Academy	TRUE	01-Apr-93
Rutland&District Schools Fed	Scheduled Body	Academy	TRUE	01-Sep-96
Tudor Grange Academies Trust	Scheduled Body	Academy	TRUE	01-Jan-07
Casterton B&EC AT	Scheduled Body	Academy	TRUE	01-Apr-96

Welland Park CC	Scheduled Body	Academy	TRUE	01-Aug-11	
Lutterworth High School	Scheduled Body	Academy	TRUE	01-Aug-11	
OAK Multi Academy Trust	Scheduled Body	Academy	TRUE	01-Aug-11	
Brooke Hill Academy	Scheduled Body	Academy	TRUE	01-Sep-11	
Avanti Schools Trust	Scheduled Body	Academy	TRUE	01-Sep-11	
The Mowbray Education Trust	Scheduled Body	Academy	TRUE	01-Nov-11	
Woodbrook Vale School	Scheduled Body	Academy	TRUE	01-Sep-11	
Stephenson Studio School	Scheduled Body	Academy	FALSE	01-Mar-12	28-Jun-24
Forest Way School	Scheduled Body	Academy	TRUE	01-Mar-12	
LIFE Academy Trust	Scheduled Body	Academy	TRUE	01-Apr-12	
Bradgate Education Partnership	Scheduled Body	Academy	TRUE	01-Apr-12	
Redmoor Academy	Scheduled Body	Academy	TRUE	01-Apr-12	
The Market Bosworth School	Scheduled Body	Academy	TRUE	01-May-12	
Symphony Learning Trust	Scheduled Body	Academy	TRUE	01-Jun-12	
Open Thinking Partnership	Scheduled Body	Academy	TRUE	01-Jun-12	
Gartree High School	Scheduled Body	Academy	TRUE	01-Jun-12	
Lutterworth Academies Trust	Scheduled Body	Academy	TRUE	01-Jun-12	

Learn Academies Trust	Scheduled Body	Academy	TRUE	01-Jul-12
Discovery Schools Acad Trust	Scheduled Body	Academy	TRUE	01-Jul-12
Long Field Academy	Scheduled Body	Academy	TRUE	01-Sep-12
Futures Trust (Hinckley Acad)	Scheduled Body	Academy	TRUE	01-Jul-12
St Thomas Aquinas CMAT	Scheduled Body	Academy	TRUE	01-Jul-12
Brookvale Groby Learning Trust	Scheduled Body	Academy	TRUE	01-Jul-12
The Success Academy Trust	Scheduled Body	Academy	TRUE	01-Aug-12
Embrace AT	Scheduled Body	Academy	TRUE	01-Aug-12
Lady Jane Grey Primary Academy	Scheduled Body	Academy	TRUE	01-Oct-12
Castle Donington College(EMET)	Scheduled Body	Academy	TRUE	01-Oct-12
Birkett House School	Scheduled Body	Academy	TRUE	01-Nov-12
Church Hill CofE Junior School	Scheduled Body	Academy	TRUE	01-Nov-12
Wigston Academies Trust	Scheduled Body	Academy	TRUE	01-Apr-12
Queensmead Primary Academy	Scheduled Body	Academy	TRUE	01-Nov-12
Rendell Primary School	Scheduled Body	Academy	TRUE	01-Nov-12
Barwell CofE Academy	Scheduled Body	Academy	TRUE	01-Nov-12

Holywell Primary School	Scheduled Body	Academy	TRUE	01-Nov-12
Lift Schools	Scheduled Body	Academy	TRUE	01-Dec-12
Outwoods Edge Primary School	Scheduled Body	Academy	TRUE	01-Dec-12
LEAD Academy Trust	Scheduled Body	Academy	TRUE	01-Jan-13
Stonebow Primary School	Scheduled Body	Academy	TRUE	01-Feb-13
Rise A CofE MAT	Scheduled Body	Academy	TRUE	01-Mar-13
Asfordby Hill Primary School	Scheduled Body	Academy	TRUE	01-Mar-13
South Charnwood High School	Scheduled Body	Academy	TRUE	01-Apr-13
Lionheart Academies Trust	Scheduled Body	Academy	TRUE	01-May-13
The Pastures Primary School	Scheduled Body	Academy	TRUE	01-May-13
Battling Brook Primary School	Scheduled Body	Academy	TRUE	01-Jun-13
Scholars Academy Trust	Scheduled Body	Academy	TRUE	01-Jun-13
Thringstone Primary School	Scheduled Body	Academy	TRUE	01-Jun-13
Odyssey Educational Trust	Scheduled Body	Academy	TRUE	01-Aug-13
The OWLS AT	Scheduled Body	Academy	TRUE	01-Jul-13
Inspiring Primaries AT	Scheduled Body	Academy	TRUE	01-Jul-13

Rothley CofE Primary School	Scheduled Body	Academy	TRUE	01-Jul-13
Hastings High School	Scheduled Body	Academy	TRUE	01-Sep-13
Old Dalby CofE Primary School	Scheduled Body	Academy	TRUE	01-Sep-13
Stanton under Bardon Primary	Scheduled Body	Academy	TRUE	01-Oct-13
Hall Orchard Primary School	Scheduled Body	Academy	TRUE	01-Oct-13
Kirby Muxloe Primary School	Scheduled Body	Academy	TRUE	01-Nov-13
Robert Bakewell Primary School	Scheduled Body	Academy	TRUE	01-Dec-13
Falcon Primary School	Scheduled Body	Academy	TRUE	26-Aug-14
David Ross Education Trust	Scheduled Body	Academy	TRUE	01-Sep-14
Ryhall CE Academy	Scheduled Body	Academy	TRUE	01-Oct-14
The Rutland Learning Trust	Scheduled Body	Academy	TRUE	01-Oct-14
Townlands CofE Primary Academy	Scheduled Body	Academy	TRUE	01-Jan-15
The Mead Educational Trust	Scheduled Body	Academy	TRUE	01-Nov-15
Learning Without Limits AT	Scheduled Body	Academy	TRUE	01-Oct-16
The Priory AT Belvoir Academy	Scheduled Body	Academy	TRUE	01-Oct-17
Nova Ed Trust (Melton Vale)	Scheduled Body	Academy	TRUE	01-Oct-17

Attenborough Learning Trust	Scheduled Body	Academy	TRUE	01-Apr-19
St Mary & St John Rutland	Scheduled Body	Academy	TRUE	01-Apr-20
Aspire Learning Partnership	Scheduled Body	Academy	TRUE	01-Jun-23
United Learning Trust	Scheduled Body	Academy	TRUE	01-Dec-23
Resolution Bodies				
Mountsorrel PC	Resolution Body	--	TRUE	14-Sep-73
Shepshed TC	Resolution Body	--	TRUE	01-Oct-82
Ashby Town Council	Resolution Body	--	TRUE	30-Jun-85
Lutterworth TC	Resolution Body	--	TRUE	10-Jan-90
Glen Parva PC	Resolution Body	--	TRUE	01-Apr-95
Braunstone Town Council	Resolution Body	--	TRUE	01-Feb-00
Thurmaston Parish Council	Resolution Body	--	TRUE	02-Apr-01
Countesthorpe PC	Resolution Body	--	TRUE	01-Nov-01
Broughton Astley PC	Resolution Body	--	TRUE	01-Jan-04
Anstey Parish Council	Resolution Body	--	TRUE	31-Mar-97
Sileby Parish Council	Resolution Body	--	TRUE	01-May-97

Syston Town Council	Resolution Body	--	TRUE	01-Jul-98
Kirby Muxloe PC	Resolution Body	--	TRUE	01-Aug-04
Leics Forest East PC	Resolution Body	--	TRUE	01-Apr-05
Whetstone PC	Resolution Body	--	TRUE	01-Jul-05
Oakham Town Council	Resolution Body	--	TRUE	01-Dec-05
Ashby Woulds Town Council	Resolution Body	--	TRUE	01-May-07
Market Bosworth PC	Resolution Body	--	TRUE	01-Jun-07
Barwell Parish Council	Resolution Body	--	TRUE	01-Apr-13
Blaby Parish Council	Resolution Body	--	TRUE	01-Jan-14
Bagworth & Thornton PC	Resolution Body	--	TRUE	01-Apr-16
Thurcaston & Cropston PC	Resolution Body	--	TRUE	01-Oct-16
Groby Parish Council	Resolution Body	--	TRUE	01-Feb-17
Enderby Parish Council	Resolution Body	--	TRUE	01-Feb-17
East Goscote Parish Council	Resolution Body	--	TRUE	01-Apr-17
Bottesford Parish Council	Resolution Body	--	TRUE	01-Jan-21
Scraptoft Parish Council	Resolution Body	--	TRUE	01-Oct-18

Croft Parish Council	Resolution Body	--	TRUE	01-Jan-23
Dadlington & Sutton Cheney PC	Resolution Body	--	TRUE	01-Apr-24
CABs				
EMH Homes	Admission Body (CAB)	--	TRUE	01-Oct-11
Melton Learning Hub	Admission Body (CAB)	--	TRUE	01-Apr-11
TABs				
Rushcliffe Care Ltd	Admission Body (TAB)	--	TRUE	08-Mar-04
SLM (Blaby DC 2006 contract)	Admission Body (TAB)	--	TRUE	03-Jul-06
G4S (City Council)	Admission Body (TAB)	--	TRUE	19-Dec-07
Capita IT City of Leicester	Admission Body (TAB)	--	TRUE	01-Jan-14
Idverde Ltd (formerly Quadron)	Admission Body (TAB)	--	TRUE	01-Apr-14
Chartwells(LeicsCC Ravenhurst)	Admission Body (TAB)	--	TRUE	01-Sep-15
Solo Service Group (Leics CC)	Admission Body (TAB)	--	TRUE	01-Aug-16
SLM (O&W BC)	Admission Body (TAB)	--	TRUE	01-Aug-18
SLM (North West DC)	Admission Body (TAB)	--	TRUE	01-May-19

SLM (Blaby DC 2019 contract)	Admission Body (TAB)	--	TRUE	01-Apr-19	
Govindas Limited	Admission Body (TAB)	--	TRUE	01-Nov-18	
Aspens (Nova ET)	Admission Body (TAB)	--	TRUE	27-Aug-19	
Coombs Catering Ltd (Ashby Hilltop)	Admission Body (TAB)	--	TRUE	01-Oct-20	
Caterlink (Tudor Grange AT)	Admission Body (TAB)	--	TRUE	01-Aug-20	
OCS Food (Soar & Moat)	Admission Body (TAB)	--	FALSE	01-Jan-21	21-Aug-24
Mitie Care (Chief Constable)	Admission Body (TAB)	--	TRUE	17-Sep-20	
Compass Services (City, Shaf)	Admission Body (TAB)	--	TRUE	12-Apr-21	
Caterlink (DRET)	Admission Body (TAB)	--	TRUE	04-Apr-20	
OCS Food (City of Leicester)	Admission Body (TAB)	--	FALSE	13-Feb-21	21-Aug-24
Hutchison Catering (Lift Schs)	Admission Body (TAB)	--	TRUE	07-Jan-22	
Compass Services (City, Marr)	Admission Body (TAB)	--	TRUE	23-Aug-21	
Taylor Shaw Limited (MET)	Admission Body (TAB)	--	TRUE	01-Aug-21	
Caterlink (Odyssey - Humb Prim)	Admission Body (TAB)	--	FALSE	01-Jan-22	31-Dec-24
MCS Cleaning (South Charnwood 2021)	Admission Body (TAB)	--	TRUE	01-Sep-21	
Turning Point (County 2022)	Admission Body (TAB)	--	TRUE	01-Apr-22	
Turning Point (City 2022)	Admission Body (TAB)	--	TRUE	01-Apr-22	
Cucina (Lutterworth AT)	Admission Body (TAB)	--	TRUE	08-Apr-22	

Total Swim (Life MAT)	Admission Body (TAB)	--	TRUE	07-Jun-21	
Freshstart (LWLAT)	Admission Body (TAB)	--	FALSE	03-Jan-23	30-Sep-24
Caterlink (City, Granby)	Admission Body (TAB)	--	TRUE	01-Aug-22	
Caterlink (City, St Barnabas)	Admission Body (TAB)	--	TRUE	01-Aug-22	
Coombs Catering (Hastings Sch)	Admission Body (TAB)	--	TRUE	10-Jul-22	
Capita (ex Charnwood 2020)	Admission Body (TAB)	--	FALSE	01-May-20	31-Oct-24
Ingeus (LCC)	Admission Body (TAB)	--	TRUE	01-Apr-22	
Aramark (NWSLC (LCC))	Admission Body (TAB)	--	FALSE	01-Oct-22	25-Oct-24
Churchill Contract (Lift Schs)	Admission Body (TAB)	--	TRUE	01-Sep-22	
Caterlink (Bradgate EP IH)	Admission Body (TAB)	--	TRUE	01-Aug-22	
Caterlink (Bradgate EP (LCC))	Admission Body (TAB)	--	TRUE	01-Aug-22	
Compass (MEAD ET) Primary	Admission Body (TAB)	--	TRUE	01-Aug-22	
Compass (MEAD ET) Secondary	Admission Body (TAB)	--	TRUE	01-Aug-22	
Compass (Rich Hill (Vines AT))	Admission Body (TAB)	--	TRUE	24-Aug-21	
Dolce (LCC Belvoirdale Sch)	Admission Body (TAB)	--	TRUE	13-Jul-23	
Caterlink (City, Mellor)	Admission Body (TAB)	--	TRUE	01-Aug-22	
CleanTEC (Bradgate EP-Wreake)	Admission Body (TAB)	--	TRUE	01-Aug-23	
Coombs (LCC, Hemington)	Admission Body (TAB)	--	TRUE	01-Apr-23	

Coombs (LCC, St Edward's)	Admission Body (TAB)	--	TRUE	01-Apr-23
Dolce (LCC, Sir John Moore)	Admission Body (TAB)	--	TRUE	13-Oct-23
Coombs (Lionheart ET)	Admission Body (TAB)	--	TRUE	01-Oct-23
CSE (TGAT, Samworth Acad) 2023	Admission Body (TAB)	--	TRUE	01-Sep-23
Coombs (VofB - LCC Schools)	Admission Body (TAB)	--	TRUE	01-Oct-23
Caterlink (Cobden Primary)	Admission Body (TAB)	--	TRUE	01-Aug-23
Relish (Symphony LT)	Admission Body (TAB)	--	TRUE	14-Oct-23
Coombs (VofB - Old Dalby)	Admission Body (TAB)	--	TRUE	01-Oct-23
Voluntary Action Leic (2023)	Admission Body (TAB)	--	TRUE	01-Oct-23
Aspens (City, Herrick)	Admission Body (TAB)	--	TRUE	01-Sep-22
CleanTEC (Lionheart ET)	Admission Body (TAB)	--	TRUE	01-Sep-23
BAM FM (Tudor Grange AT)	Admission Body (TAB)	--	TRUE	01-Aug-23
Bradgate Park Trust (2023)	Admission Body (TAB)	--	TRUE	01-Oct-23
Taylor Shaw (United Learning)	Admission Body (TAB)	--	TRUE	01-Dec-23
Relish (LCC, Be Skilled Group)	Admission Body (TAB)	--	TRUE	15-Jul-23
Caterlink (City, Hazel)	Admission Body (TAB)	--	TRUE	01-Aug-24

Innovate Services (Aspire LP)	Admission Body (TAB)	--	TRUE	22-Aug-24
Coombs (LCC, St Bartholomew's)	Admission Body (TAB)	--	TRUE	01-Jan-24
Caterlink (BEP, Mountfields)	Admission Body (TAB)	--	TRUE	01-Apr-24
ABM (City, Crown Hills)	Admission Body (TAB)	--	TRUE	01-Jan-24
Dolce (Discovery Trust)	Admission Body (TAB)	--	TRUE	01-Aug-24
Dolce (Badgerbrook PS)	Admission Body (TAB)	--	TRUE	01-Aug-24
Hands (Cleaners) (City, LPS)	Admission Body (TAB)	--	TRUE	11-Nov-24
CleanTEC (LWLAT)	Admission Body (TAB)	--	TRUE	01-Oct-24
Dolce (LCC, Little Bowden Sch)	Admission Body (TAB)	--	TRUE	01-Jan-25
Relish (RISE)	Admission Body (TAB)	--	TRUE	26-Aug-24
Coombs (Odyssey Trust)	Admission Body (TAB)	--	TRUE	01-Jan-25
Aspens (ALT, Uplands Inf)	Admission Body (TAB)	--	TRUE	29-Mar-25
Aspens (Attenborough Trust)	Admission Body (TAB)	--	TRUE	29-Mar-25
Aspens (LEAD AT, Uplands Jr)	Admission Body (TAB)	--	TRUE	29-Mar-25
Dolce (Discovery, Ashfield)	Admission Body (TAB)	--	TRUE	22-Feb-25
Relish (City, Rolleston PS)	Admission Body (TAB)	--	TRUE	01-Jan-25

Kindred (The Futures Trust)	Admission Body (TAB)	--	TRUE	01-Feb-25
Miquill Catering (Learn AT 1)	Admission Body (TAB)	--	TRUE	15-Feb-25

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

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, and the total value of the Fund’s investments as at 30 June 2025.

Markets Performance and Outlook

2. Global growth forecasts for 2025 have slipped since President Trump’s April ‘Liberation Day’ tariff announcements. Despite subsequent delays and trade deals, the US effective tariff rate is much higher than it was. Meanwhile, US and UK inflation is expected to rise in the near term. Within this backdrop major stock indices continued to move higher, with global equities rebounding from the early April selloff, rising strongly in the second quarter ending 30 June 2025.

3. Equity markets post the quarter end largely moved ahead with major US stock indexes posting even higher highs. Even the more unloved indexes have moved higher this year such as the FTSE100 which at the time of writing is up 13.5% year to date which compares well with the broad global MSCI World index (over 1,300 stocks covering 23 developed markets) which is up 15.4% at the time of writing, both at or near all-time highs.

4. Despite the US passing bilateral trade agreements (notably with China) the US effective tariff rate has risen materially from the low single digits pre liberation day. New sectoral tariffs are also being applied across trading partners. This is expected to weigh on both US and global growth in the years ahead. These tariffs are likely to eventually burden the consumer where consumer demand can ultimately dampen affecting corporate profitability.

5. The Fund’s investment advisor Hymans Robertson (Hymans) believes that President Trump’s Budget Reconciliation Bill, which enacts sweeping tax cuts and increases federal debt, might provide a modest short-term boost to US growth, but it’s unlikely to fully offset the tariff headwinds. The Bill adds to concerns about US debt and places an upward pressure on longer-term bond yields, both domestically and globally. Confidence, it seems, on many Governments policies is being tested with longer-term government bond yields highlighting the growing unease.

6. The US has continued its path on cutting ‘base’ interest rates and in the second quarter the Bank of England cut rates by 0.25% to 4.25%. Both economies forecast inflation rates to stay ahead of their respective targets until 2026 at least.

7. With respect to corporates' health, Hymans believe companies are more indebted than when interest rates were last at these levels, and interest coverage (ability to pay interest) has continued to fall towards long-term averages. However, they believe interest coverage remains healthy, providing support amid ongoing rises in effective interest rates.

8. Although some time has passed since the two historically good years (2023 and 2024) for listed equity returns, 2025 has continued to prove to be quite resilient in terms of listed equity returns as mentioned earlier considering the headwinds which include slowing global growth, higher for longer interest rates, and stickier inflation.

9. Currently there are two more interest rate cuts forecast for the US (Federal Open Market Committee median projection) to the end of 2025, bringing the rate 4.00% by the end of the year. The level of interest rate cuts priced in for the UK, which has had three 0.25% cuts in 2025 to date, has, depending on the forecast one more cut likely in November to bring the year end rate to 3.75%.

10. The table below shows a handful of developed market interest and inflation rates as at 11 September 2025. The general direction of interest rate moves has been lower through 2025, the notable exception being Japan which has had its first rate increase in 17 years in response to inflation near the Bank of Japan's target amongst other factors.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.60	Down	August 2025	2.8	July 2025	Consumer Price Index (CPI)
Canada	2.75	Down	March 2025	1.7	August 2025	Consumer Price Index (CPI)
Euro Area	2.00	Down	June 2025	2.1	August 2025	Harmonised Index of Consumer Prices (HICP)
Japan	0.50	Up	Jan 2025	3.0	July 2025	Consumer Price Index (CPI)
Sweden	2.00	Down	June 2025	3.2	August 2025	Consumer Price Index with Fixed Interest Rate (CPIF)

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
United Kingdom	4.00	Down	August 2025	3.8	August 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	4.25–4.50	Down	January 2025	2.9	August 2025	Consumer Price Index (CPI)

Source: various including Investopedia, tradingeconomics.com and global-rates.com

11. Longer term views of markets have proved to be valuable from an asset allocation point of view. The Fund does not make short term decisions and instead attempts to stay always invested and rebalances to the strategic asset allocation (SAA) at regular intervals.

12. There has no rebalancing activity over the last quarter. The last rebalance was actioned during March 2025 with an additional £25million invested into the Central investment grade bond fund which the Fund had a small underweight to. Information on the Fund's current valuation and variances to the SAA are reported later within this paper.

13. The Fund is now in a better funded position, meaning the Fund's assets are larger than the liabilities. Although the valuation is not completed yet, Hymans report a draft funding level 140%. Although funding levels can reverse, the current higher level affords the Fund the ability to navigate volatility in the value of the investment assets with a reduced effect on employer contributions than if the Fund was on a lower funding level and therefore may need to increase employer contributions.

14. The Fund would expect requests for the lowering of investment in asset classes that in the past are known to have higher volatility and higher returns, in exchange for increasing allocations to those asset classes that have traditionally been known to be of lower volatility and more predictable returns. The Fund assesses its SAA annually alongside its investment advisor and takes a measured approach to understanding the investment markets and aims to make considered changes to investment strategy to avoid moving rapidly towards areas where investment trends might be short term and avoids shorter term biases from leading long term investment choices.

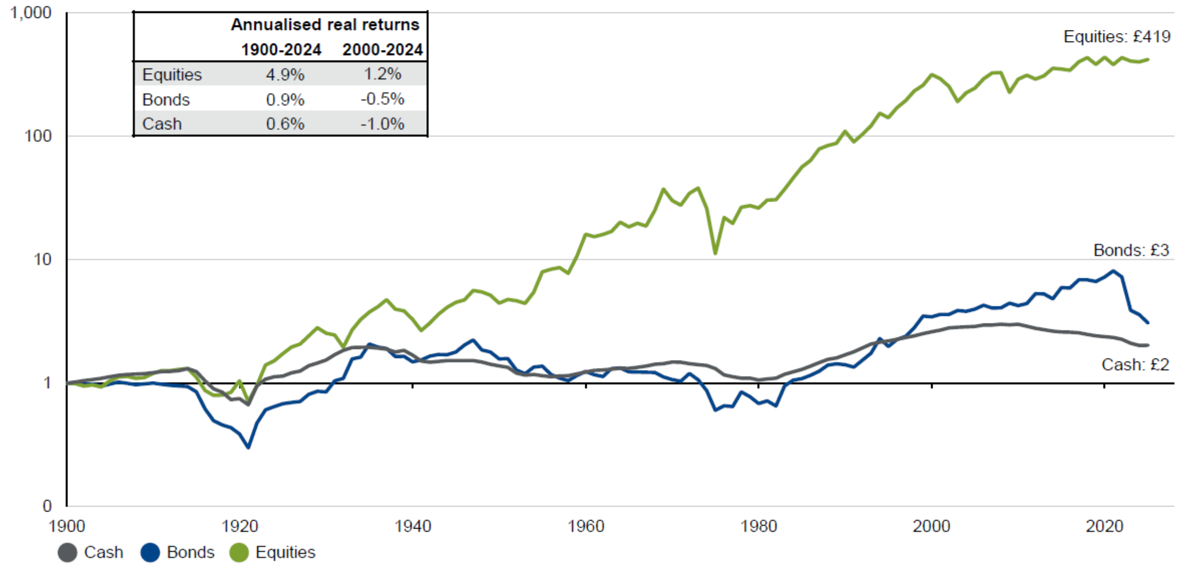
15. The following graph is reproduced from last quarter's Committee meeting and is still relevant now whilst actuarial results are becoming known and the annual SAA exercise will begin to be worked on. The graph shows long term real returns from three assets types, equities, bonds and cash (real returns being nominal returns being adjusted for inflation), the takeaways being:

    a. Equities have outpaced inflation by a quite a margin over the very long term (+4.9% pa) and less so over the last two decades (+1.2%).

b. Although both bonds and cash have done well over the long term (1900-2024) considering the lower risks and volatility associated with both compared to equities, over the last two decades, both have produced negative real returns (-0.5% and -1.0% respectively).

c. The Fund's liabilities are linked to inflation given pensions are uplifted each year based on the year-on-year change in the consumer prices index (CPI) and if the CPI is negative then pensions are held. In order to improve funding levels and reduce the cost of the scheme to employers, investment returns have to be set at a reasonable level as proposed by the Fund's investment advisor.

Total return of £1 in real terms
GBP, log scale for total returns



Source: JP Morgan, Equites - FTSE100; bonds - JP morgan GBP government bond index; cash – three month GBP LIBOR and short dated treasury bills prior to 2008

16. Hymans' capital markets review for the June 2025 quarter ending is attached to the report at Appendix A, and 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:

- Global equities rebounded in Q2, led by mega-cap tech stocks, but dollar weakness reduced returns for unhedged UK investors.
- Valuations are high, especially in the US, with cyclically adjusted earnings yields suggesting low equity risk premia.
- Caution is advised, particularly on US equities, given elevated valuations and materially positive real bond yields.

b. Government bonds:

- Short-term yields fell due to rate cuts and weaker growth, but long-term yields remain elevated amid rising issuance and reduced demand.

- 10-year gilt yields are seen as attractive relative to long-term growth and inflation forecasts, even accounting for a persistent term premium.
- Index-linked gilts benefit from higher real yields and inflation upgrades, improving their valuation and technical appeal.

c. Corporate credit:

- Investment-grade spreads are near historic lows but still offer a premium over long-term default and downgrade risks.
- High all-in yields support medium-term returns, though short-term investors face risks if spreads widen.
- Speculative-grade credit is more vulnerable, with tighter spreads and greater risk of actual losses warranting caution.

d. UK Property:

- Nominal rental growth remains positive, but real rental growth is negative due to rising inflation.
- Prime assets outperform, with energy-efficient buildings driving rental value growth despite rising vacancy rates.
- Capital appreciation potential exists, but sentiment is weighed down by economic uncertainty and high redemption queues.

17. A summary of global asset class performance over various time frames as at quarter end 30 June 2025 is shown below. The ‘since last valuation’ has been reset to 31 March 2025 now and has less relevance given it reports on the last three months only. The standout classes over the longer term remain, listed global equity, US listed equity, private equity and gold. The first two exhibit a high degree of correlation given the US equity market makes up the majority of global equity returns. Private equity depends on the types of strategy employed and as such can be less correlated with global equity returns. Gold has against most asset classes the lowest levels of correlation when measured over a 10-year period.

Sub Asset Class	Return 3 Months	Annualised Total Returns to 30/6/25 (GBP unless stated) 1 Year	3 Years	5 Years	10 Years	20 Years	Since Valuation*
Global	5.2%	7.6%	13.2%	11.8%	12.0%	10.3%	5.2%
US	4.5%	6.0%	15.0%	14.2%	15.2%	12.2%	4.5%
UK	4.3%	11.1%	10.5%	10.7%	6.7%	6.9%	4.3%
EM (USD)	9.9%	16.7%	10.4%	8.0%	5.4%	7.1%	9.9%
US Investment Grade	-4.0%	-1.4%	0.2%	-2.4%	4.5%	5.6%	-4.0%
US Non Investment Grade	-2.4%	2.0%	5.5%	3.5%	6.3%	7.0%	-2.4%
UK Investment Grade	2.2%	2.4%	-1.9%	-4.9%	0.4%	2.8%	2.2%
European High Yield (EUR)	2.1%	8.2%	9.2%	4.3%	3.8%	5.9%	2.1%
Emerging Markets	3.3%	10.5%	7.9%	1.0%	2.5%	4.9%	3.3%
UK Gilts	1.9%	2.4%	-3.1%	-5.9%	-0.1%	2.5%	1.9%
UK Index Linked Gilts	0.8%	-5.2%	-7.7%	-8.8%	-0.6%	3.3%	0.8%
Cash	1.2%	5.1%	4.6%	2.9%	1.9%		1.2%
Gold	-0.5%	30.5%	17.5%	10.9%	12.4%	12.1%	-0.2%
Cat Bonds	-4.2%	6.2%	8.1%	6.9%	8.0%	8.9%	-4.2%

	Return 3 Months	Annualised Total Returns to 31/3/25 (USD) 1 Year	3 Years	5 Years	10 Years	15 Years	Since Valuation*
Private Equity	0.9%	7.1%	4.5%	15.9%	13.9%	14.2%	0.9%
Private Credit	1.8%	7.9%	7.5%	10.8%	8.5%	9.4%	1.8%
Real Estate	-0.9%	-0.8%	-1.2%	5.7%	7.4%	9.4%	-0.9%
Infrastructure	1.9%	9.2%	9.2%	11.2%	9.9%	9.4%	1.9%

Source: Bloomberg for listed markets, *Since valuation is change from 31 March 2025.

Portfolio changes during the quarter ended June 2025

18. No changes other than capital calls for past private market commitments.

19. The net effect on cash, quarter on quarter, has seen a small increase from £556million to £569million. Further information on the cash position is given from paragraph 22 below.

Strategic Asset Allocation (SAA) 2025

20. The annual meeting of the LPC on 31 January 2025 was attended by representatives from Hymans who presented the proposed changes to the SAA alongside a review of the performance of the Fund.

21. The proposals were approved and the changes to allocations are described below

   a. Listed equity: An increase to 41% (from 37.5%) of total fund assets was approved for listed equity. The current allocation as at 30 June 2025 is 42% to listed equity.

   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 as at 30 June 2025 is 7.1% of total Fund assets which is marginally below the current 7.5% target.

   c. Private credit: A 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 30 June 2025 with 6.8% of total Fund assets. Existing commitments are in place and at the time of writing total over £400million. There is currently a review taking place of this asset class with proposals planned to be presented to the October 2025 meeting of the Investment Sub-Committee (ISC) where further commitments may be proposed.

Cash holdings and outstanding commitments

22. The level of cash held by the Fund is higher than the SAA limit of 0.75% of total Fund assets. This, alongside a cash flow is presented to the ISC each quarter. At the quarter ended 30 June 2025 the Fund held £569million (£556m previous quarter) in cash and an additional £72million (£54million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 9.4% (9.1% last quarter) of total Fund assets.

23. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets, although some switch has been reduced as part of the 2025 SAA review. There are now over £900million in outstanding commitments awaiting to be called for private market asset classes which has increased since last quarter.

24. In addition, there a number of proposals planned to present over the remainder of 2025 covering private credit and private equity. These proposals will likely increase the value of outstanding commitments if approved. They will not immediately decrease the level of cash but at some point it is expected that new calls will outweigh distributions returning. The Fund will keep reviewing the levels of new commitments by asset class and take appropriate action.

25. The private market illiquid assets take time for money to be invested (called) by the underlying managers. In the meantime, the majority of the cash that would be used to satisfy calls will be held within cash which includes the use of money market funds, fixed cash deposits and UK treasury bills.

26. The Fund currently has approval to commit a further £130million to Central products in 2026 across infrastructure asset classes.

27. The Fund, at the time of writing has £370million invested in fixed deposits with a weighted average interest rate of 4.23% (was 4.39% at the last update) with an average term to maturity of 3.4 months (was 3.6 months at last update). In addition, at the time of writing, the Fund holds £206million across four money market funds (MMF) and a USD account with rates ranging from 4.06% and 4.10%. At present, securing money for a longer period without access is still yielding around 0.15% to 0.2% pa over a next day option like the MMFs.

28. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £320million. 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 by the underlying managers.

    b. The level of new commitments made by the Fund.

c. The pace at which closed ended funds return capital, in particular private equity, private credit and infrastructure funds.

d. The pace at which investments into the LGPS Central MAC fund are made. The Fund has a £180million 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 review is due to be completed in Quarter 4 of 2025. The Fund will then start to close the underweight over a period of time. The Fund has assumed around two thirds of the underweight is closed by the end of the financial year ending 31 March 2026.

29. The table below shows the current position of the Fund's actual investments against the 2025 SAA targets.

30. 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 other cashflows / divests column shows expected movements until 31 March 2026. In summary, the Fund is overweight cash, and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called.

	30/06/25 £m	2025 SAA	30/06/25 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	3,616	53.5%	52.8%	-0.7%	-49	180	-50	81	1.2%
Income	2,114	38.5%	30.9%	-7.6%	-523	938	-94	320	4.7%
Protection	551	8.0%	8.0%	0.0%	3	0	0	3	0.0%
Cash	569	0.0%	8.3%	8.3%	569				
	6,850	**100.0%**	**100.0%**						

The Protection asset group includes hedge collateral at 0.75% of total fund assets

Growth	30/06/25 £m	2025 SAA	30/06/25 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
	2,878	41.00%	42.0%	1.0%	69			69	1.0%
ı Funds	341	5.00%	5.0%	0.0%	-1			-1	0.0%
	397	7.50%	5.8%	-1.7%	-117	180	-50	13	0.2%

Income	30/06/25 £m	2025 SAA	30/06/25 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	725	12.50%	10.6%	-1.9%	-132	300	-30	138	2.0%
Global private credit	468	9.50%	6.8%	-2.7%	-183	420	-50	187	2.7%
Property	484	7.50%	7.1%	-0.4%	-30	41	-14	-4	-0.1%
iquid MAC	438	9.00%	6.4%	-2.6%	-179	177		-2	0.0%

Protection	30/06/25 £m	2025 SAA	30/06/25 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	217	3.50%	3.17%	-0.3%	-23			-23	-0.3%
Investment grade credit	197	3.25%	2.87%	-0.4%	-26			-26	-0.4%
Short dated IG credit	65	0.50%	0.95%	0.5%	31			31	0.5%
hedge	72	0.75%	1.05%	0.3%	21			21	0.3%

Cash	569	0.00%	8.3%	8.3%	569				

Overall Investment Performance

31. Investment performance analysis over various time frames to the period quarter ending 30 June 2025 is conducted by Hyman. Hymans collate information directly from investment managers and calculate performance, which provides an independent check of manager valuations. The valuation summary is included within the exempt part of today's agenda together with the managers reports.

32. 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.

33. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+5.1%	+6.3%	+7.4%
vs benchmark	-2.5%	-2.0%	-0.1%

34. 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.

35. At present the returns over the one, three and five-year timeframes versus the benchmarks have turned negative. 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 many cases the old benchmarks were

replaced with tougher comparisons, for example, moving of the private equity benchmark from FTSE all world to FTSE all world plus 3% per annum. Many infrastructure funds banchmarks were moved to an absolute return target from a cash returns benchmark. Both examples move the target return higher for the Fund and add a higher level of focus during oversight and annual strategy refreshes. The Fund is still making positive returns over the longer term in line with overall expectations, however, we will be looking into oversight of managers in further detail as the Fit for the Future guidance recommends delegation of more Fund matters including implementation of strategy to LGPS Central.

36. 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 the Ruffer and Fulcrum funds, and most of the private credit funds for example.

Private Equity (PE)

37. The Fund is hearing from Central today, during their presentation the Committee will hear detail around their private equity offering and performance of the three vehicles the Fund has invested in via Central.

38. The Fund currently has a PE allocation totalling £397million or 5.8% of total Fund assts. This is 1.7% or £117million underweight. There is c170million in uncalled commitments across the Fund's two main PE managers, Central and Adams Street Partners (ASP).

39. The make-up of the Fund's £397million PE exposure is illustrated below:

Manager	**£m 30.09.25**	**% of total fund**	**Origination ***
Central PE 2018	9.2	0.1%	Primary
Central PE 2021	11.2	0.2%	Primary
Central PE 2023	6.5	0.1%	Primary
ASP various years	355.2	5.2%	Primary, Secondaries, co invs
Patria 2018	14.0	0.2%	Secondaries

*origination and lifestages is described within the appendix.

40. The Fund at its last PE framework review approved a strategy proposed by Hymans which allows for a broad PE exposure covering origination channels, lifestage and geography. Ranges were chosen for each in order to allow the Fund's managers to take advantage of opportunities as and when they arise. PE is a long-term asset class and opportunities that might seem appropriate at a point in time could change by the time a manager has had time to deploy the committed capital. The table below illustrates the Fund's current framework.

		Target min	Target max	Target mid
Geography	**NA**	30%	60%	**45%**
	Europe	20%	40%	**30%**
	Asia Pacific	10%	30%	**20%**
	EM	0%	10%	**5%**
Lifestage	**Venture**	10%	30%	**20%**
	Growth	10%	30%	**20%**
	Buyout	40%	70%	**55%**
	Special Sits	0%	10%	**5%**
Orgination	**Primary**	50%	70%	**60%**
	Secondaries	10%	30%	**20%**
	Co invs	15%	25%	**20%**

41. The Fund is considering future PE commitments with a paper being taken to the October meeting of the ISC, the outcome will be presented to the LPC meeting on 5 December 2025.

42. The Fund's blended return for the longest running Adams Street Partners (ASP) portfolio is over 10% per annum net in USD since inception as measured from the Funds first investment with ASP in 2002. The returns for the three PE Central funds will be discussed during the presentation from Central,

43. The Fund has invested in a secondaries fund with Patria Capital Partners (Secondaries opportunities Fund 3, SOF3) which has performed well but is in now returning capital with just £14million left to return. The fund invested investors capital from 2017 to 2022 and to date has an internal rate of return (IRR) in the high teens. The internal rate of return is a percentage measure of investment returns that takes into account the time money is invested by investors. As with secondary fund strategies, investments were made to acquire positions in private equity funds, including fund of funds (FoF) or secondary funds and direct private equity funds. SOF3 has had a good last few quarters with strong liquidity being generated by sales which has been distributed to investors during a time when many PE funds are struggling in difficult IPO markets.

44. Both the Fund's two main PE managers are 'Fund of Funds' FoF managers. This means that they complete due diligence and select underlying fund managers to invest directly in companies or other funds.

45. The benefits for an investor like the Fund include:

a. **Diversification**

- Exposure to multiple strategies (venture, growth, buyout), geographies, sectors, and vintage years.
- Reduces concentration risk compared to investing in a single manger fund.

b. Access to Top-Tier Managers

- FoFs often have established relationships with leading private equity managers, including those with limited capacity.

c. Professional Expertise

- Experienced managers conduct rigorous due diligence, portfolio construction, and ongoing monitoring.
- Helps mitigate operational and investment risks.

d. Simplified Administration

- Reduces the complexity of managing multiple GP relationships, capital calls, and reporting.

e. Liquidity and Flexibility

- Many FoFs include secondaries and co-investments, providing quicker deployment and potential for enhanced returns.

f. Risk Management:

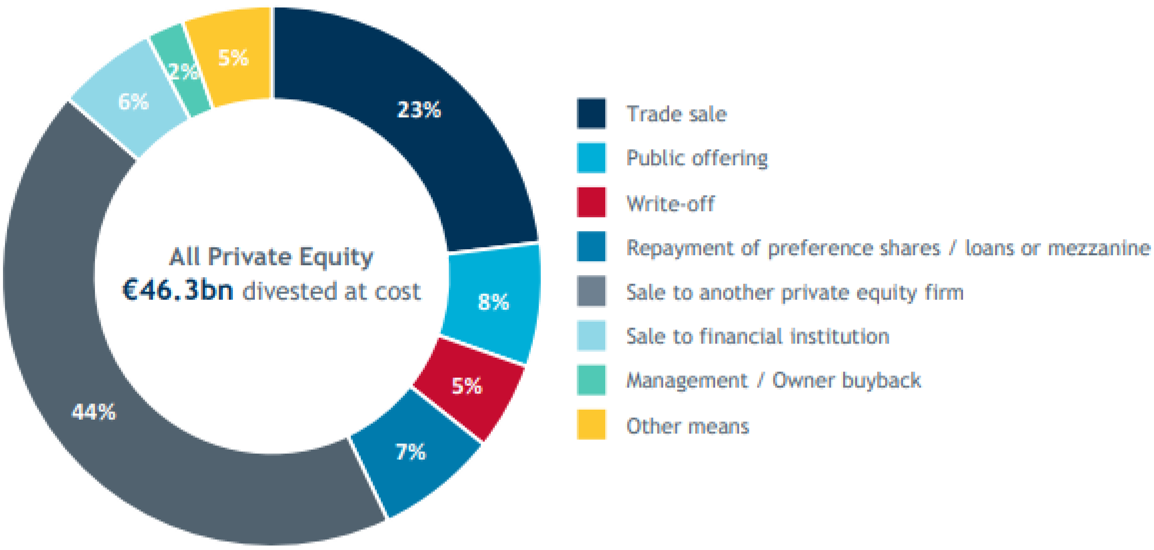
- Built-in diversification and disciplined portfolio balancing help manage downside risk.

For a LGPS fund which has a long term view with a requirement to control exposure to single areas (geography, origination channel or lifestage) a FoF approach offers board exposure without the burden of building a team to be able to select, maintain and oversee individual PE manager exposures.

46. PE over the three-year time frame (between July 2022 and June 2025) has proved to difficult to achieve the new benchmark of FTSE all world + 3% per annum. The benchmark return over this three-year period is 16.4% per annum with the actual over three years being 0.2% per annum. It is important to note that PE investing is a long term strategy and 3 and 5 year periods are not long enough periods to judge performance alone.

47. PE strategy relies on supportive and positive public markets. Many PE strategies rely on exiting investments by selling to the public market. The initial public offering (IPO) market has been subdued over the three years in particular with initially the Russia and Ukraine (2022) conflict and global interest rate and inflation increases thereafter supressing demand. Companies ‘going public’ via IPOs are now generally older than they historically have been at close to 15 years old per the chart below. This emphasises the point that investors are at a point in the cycle where PE might need to ‘wait’ to realise returns and other parts of a diversified portfolio provide returns. For example the last few years for listed equity have proved to be lucrative.

48. In Europe, exit routes have been mainly via routes other than IPOs. Over 2024, sale to another PE firm 44% and trade sales accounted for 23% of exits (by original cost). Just 8% were via public offerings. (source Invest Europe)



Pooling progress

49. The Government's ambition is to have all investments pooled by 31 March 2026.

50. The Fund's current pooled total is over £4.0billion for the first time or 58.6% of total fund assets. The Fund invests with LGPS Central across most asset classes having collectively built the investment products over the life of Central and continually refining the individual mandate characteristics.

51. The Fund has at the time of writing over £750million in uncalled commitments to LGPS Central products.

Investment Sub-Committee (ISC) approval

52. The ISC meetings scheduled for 16 April 2025 and 9 July 2025 were cancelled. The next meeting of the ISC will have the items agreed at the January 2025 LPC presented. Due diligence on the individual items has commenced for:

   a. A private credit asset class review
   b. A property asset class review
   c. A private equity commitment

53. The Hymans tail risk review, which was recommended at the January meeting of the LPC, has largely completed but decision making is on hold given the complexity in setting up a new strategy so close to the time when Central are likely to take on the oversight of managers and implementation of the SAA. It would be more appropriate to include Central and their client advisors once Central have a service ready and the Fund is aligned to an advisor.

Leicestershire Pension Fund Conflict of Interest Policy

54. 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

55. The Committee are recommended to note the report.

Environmental Implications

56. 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

57. 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

58. 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

Appendix

Hymans Robertson, Capital Markets update Summer 2025
PE Lifestage and origination

Officers to Contact

Declan Keegan, Director of Corporate Resources
Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Bhulesh Kachra, Senior Finance Business Partner - Investments
Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

This page is intentionally left blank

HYMANS ROBERTSON

Capital Markets Update

Summer 2025

Global growth forecasts for 2025 have slipped since April's 'Liberation Day' tariff announcements. Despite subsequent delays and trade deals, the US effective tariff rate is much higher than it was. Meanwhile, US and UK inflation is expected to rise in the near term.

Global equities rebounded from an early-April sell-off, rising strongly in the second quarter (Q2). Credit spreads retraced their earlier widening to end the quarter tighter, close to historic lows. UK 10-year gilt yields fell amid slowing growth and interest-rate cuts, but concerns over higher bond issuance and waning demand kept long-term yields elevated.

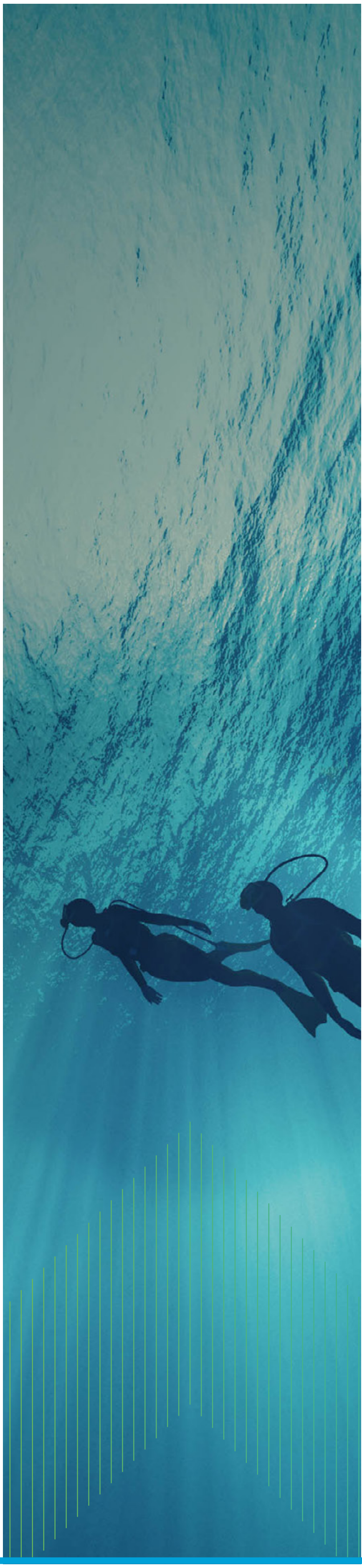
Global themes

Full-year global growth forecasts fell in June. If realised, these would mark a sharp slowdown from the growth registered in 2024. While a global recession is not the base case, risks are skewed to the downside.

Despite bilateral trade agreements (notably with China) and a temporary pause on tariffs for most countries, the US effective tariff rate has risen from low single digits to the high teens. New sectoral tariffs affecting steel and aluminium are also being applied across trading partners. This is expected to weigh on both US and global growth in the years ahead. Trade-policy uncertainty is also dampening business and consumer confidence, curbing spending and investment decisions.

Trump's budget reconciliation bill, which enacts sweeping tax cuts and increases federal debt, might provide a modest short-term boost to US growth, but it's unlikely to fully offset the tariff headwinds. The bill adds to concerns about US debt and places upward pressure on longer-term bond yields, both domestically and globally. Government spending may also help offset these effects in Europe, where, unlike many major advanced economy peers, Germany has ample space to increase defence and infrastructure spending.

Chris Arcari
Head of Capital Markets



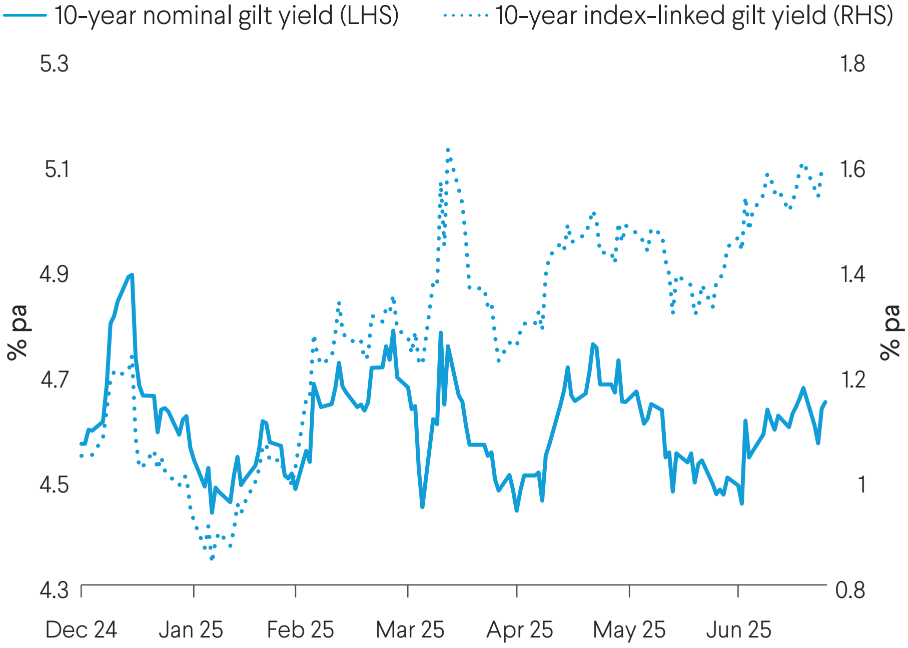
Meanwhile, US and UK inflation forecasts have risen, reflecting anticipated supply disruption and persistent domestic price pressures. Inflation in both regions is expected to stay above target until at least 2026. The US is being hit with both supply and demand shocks, which will raise near-term inflation, but the direct tariff impact on inflation elsewhere is more uncertain. Falls in commodity prices and currency appreciation against the dollar might lower headline inflation, while some imported goods could become cheaper if exports previously destined for the US enter non-US markets. On the other hand, damage to global supply chains could raise inflation.

In Q2, the Bank of England (BoE) cut rates a further 0.25% pa, to 4.25% pa. To some extent, the BoE is expected to look through the near-term uptick in inflation, as it's at least partly due to supply-side developments and therefore likely to be temporary. Given the BoE estimates that interest rates are slightly restrictive, further rate cuts are likely. However, the central bank will proceed cautiously amid persistent domestic price pressures. Markets expect a couple more BoE cuts in 2025 and one more in 2026, which would take the base rate to 3.5% pa.

Government bonds

Despite high near-term inflation, slightly weaker real GDP growth means that average forecast nominal GDP growth is within our 'neutral' band. Downside economic surprises and rate cuts pulled shorter-term yields lower in Q2, but longer-dated yields were little changed over the quarter. They remain elevated, given a challenging technical backdrop characterised by rising issuance and waning institutional demand. We think 10-year gilt yields are attractive relative to longer-term growth and inflation forecasts – even when adjusting our assessment of fair value to account for persistence in a positive 'term premium'.

Chart 1: A larger rise in real than nominal yields means 10-year implied inflation is no longer particularly expensive



Source: Bloomberg

Weaker growth and higher inflation, meanwhile, make a slightly more supportive fundamental backdrop for index-linked gilts. Ten-year real yields have risen to around 1.5% pa, becoming more attractive from a valuation perspective too. The rise in real yields relative to their nominal counterparts also means that 10-year gilt-implied inflation has cheapened significantly in 2025. However, long-term implied inflation protection is still slightly expensive. Moreover, a lower proportion of index-linked gilt issuance and ongoing demand for real exposure contribute to our more constructive technical view. As a result, we have a balanced view between nominal and index-linked gilts, despite a slightly better valuation assessment for nominal bonds.

Robert Kotlar
Senior Investment Research Analyst

Credit

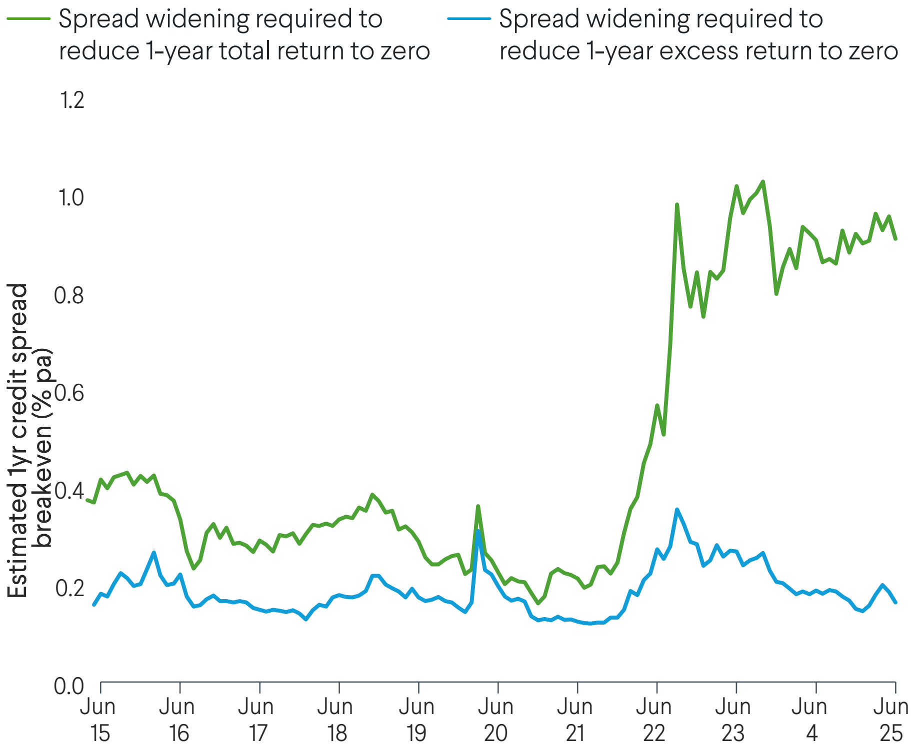
Companies are more indebted than when yields were last at these levels, and interest coverage has continued to fall towards long-term averages. However, interest coverage remains healthy, providing support amid ongoing rises in effective interest rates. This, alongside low spreads and solid earnings forecasts, suggests that companies can navigate the gradual decline in debt affordability.

Global investment-grade credit spreads have recovered from the widening sparked by the Liberation Day announcements at the start of April, ending Q2 marginally tighter. They also tightened further through the first half of July, with spreads returning close to historic lows.

That said, investment-grade credit markets continue to offer a spread premium over long-term losses due to defaults and downgrades. But investors with shorter time horizons run the risk of underperforming gilts, should spreads widen even modestly. While investment-grade credit spreads are low by historical comparison, high all-in yields mean medium-term risk-adjusted returns look relatively attractive to an absolute-return investor and provide a cushion from the prospect of negative total returns due to spread widening (Chart 2).

The same is not entirely true of speculative-grade markets. Global speculative-grade spreads, which more than recovered from April's widening over the rest of Q2, are more vulnerable to downside risks. The greater risk of credit losses in speculative-grade markets warrants a degree of caution.

Chart 2: Investors with shorter time horizons should be cautious on credit spreads at these levels, but spreads still offer compensation versus long-term default and loss, and all-in yields are attractive



Source: ICE Index Platform. Sterling Corporate Index

Chiara Beaton
Investment Research Analyst

Equities

Global equities rebounded strongly from their early-April tariff-induced sell-off in Q2. However, dollar weakness stemming from policy uncertainty reduced returns for an unhedged sterling investor. After underperforming in Q1, growth stocks fared well as mega-cap tech stocks drove the US to ultimately outperform in Q2.

Cyclically adjusted global equity valuations have returned to high levels relative to history and are approaching their 2021 peak. But the US market, which was around 72% of the MSCI World Index at the end of June, is primarily responsible for this apparent expensiveness. US equities have performed well in recent years. Earnings growth has been strong, but share prices have risen even faster. As a result, US equities have become expensive. This can be informative for medium-term returns, as the cyclically adjusted earning yield is often interpreted as a proxy for the expected real medium-term market return. Furthermore, given rises in real yields since 2022, the excess earnings yield, which can be interpreted as an implied 'equity risk premium', looks low relative to history. As a result, we are a little more cautious on global equities, particularly the US.

Andrew McCollum
Investment Research Analyst

Property

Nominal rental growth remains positive but has eased in recent months. Meanwhile, a rise in inflation means that real rental growth is negative in UK commercial property markets. There's an increasing divergence between market average rental growth and rental growth of prime quality assets across the retail, office and industrial sectors. Better-quality and more energy-efficient buildings continue to drive positive rental value growth. Vacancy rates, however, are increasing and are high relative to historic averages, particularly in the office sector, where they're more than double their long-term average. Vacancies in the industrial sector have also been rising, albeit from a much lower base, but are also above their historical average.

Net initial yields (based on current rents) are below gross reversionary yields (based on future estimated rent when leases expire or are renegotiated). This suggests that there is scope for further capital appreciation. We continue to see signs of technical factors improving, but redemption queues on some of the pooled funds are quite high, which indicates that selling pressure persists. Furthermore, elevated economic uncertainty and a narrow gap between property and gilt yields, which deters leveraged buyers, are weighing on sentiment.

Viran Patel
Investment Research Associate Consultant

Conclusion

While the outlook is not terrible, growth is slowing, and forecasts are lower than they were. Higher government spending has scope to provide near-term support. However, this spending, alongside lingering inflation pressures, will make it more difficult for central banks to lower interest rates.

That said, we find attraction in positive real sovereign bond yields, which look high relative to longer-term growth and inflation forecasts. Moreover, recent downgrades to real UK growth forecasts, alongside upgrades to inflation forecasts, improve the relative attraction of index-linked gilts. Implied inflation is also cheaper.

Investment-grade credit spreads are very low relative to history, which should make short-term investors cautious, but they still provide a premium relative to longer-term expected default and loss. Furthermore, high all-in yields mean potential medium-term absolute risk-adjusted returns look relatively attractive. We are more cautious on speculative-grade credit, where spreads are tighter relative to history and the risk of actual loss is greater.

Cyclically adjusted global equity valuations have risen and are high relative to history. Moreover, materially positive real yields mean the excess earnings yield, which can be interpreted as an 'equity risk premium', looks very low. This indicates that equity risk does not look particularly well rewarded at the moment.

It's important to focus on longer-term strategic objectives and the assets that are most likely to achieve them. But it may not be unreasonable to be underweight risk markets, given a backdrop of materially positive real bond yields, elevated equity valuations and thin credit risk premia.

Chris Arcari
Head of Capital Markets

chris.arcari@hymans.co.uk
0141 566 7986

London | Birmingham | Glasgow | Edinburgh   T 020 7082 6000 | www.hymans.co.uk

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

Appendix – valuation summary

PE lifestages

Lifestage >>	**Venture Capital**	**Growth Equity**	**Buyout**	**Special Situations**
Stage of Company	Early-stage, pre-profit	Established, scaling	Mature, stable cash flows	Distressed or complex situations
Risk Profile	Very High	Moderate	Lower (operational risk remains)	High (turnaround or restructuring risk)
Capital Use	Product development, market entry	Expansion, new markets	Acquisition, operational improvements	Debt restructuring, recapitalization
Ownership Stake	Minority	Minority or significant minority	Majority (control)	Varies (often control or influence)
Return Drivers	Innovation success, market adoption	Revenue growth, margin expansion	Leverage, operational efficiency	Asset recovery, restructuring gains
Time Horizon	7–10 years	5–7 years	3–5 years	2–5 years

PE origination

Origination >>	**Primary Investments**	**Secondaries**	**Co-Investments**
Definition	Direct commitments to new funds	Buying existing LP interests in funds	Direct investment alongside a GP
Capital Deployment	Gradual (as GP calls capital)	Immediate (buy into existing portfolio)	Immediate (deal-specific)
Liquidity Profile	Longest (10+ years)	Shorter (depends on fund maturity when acquiring)	Similar to underlying deal (3–7 years)
Visibility on Assets	Low (blind pool risk)	High (existing portfolio known)	Very High (specific deal diligence)
Pricing	At par (commitment amount)	Discount or premium to NAV	No fee or reduced fee (deal-by-deal pricing)
Diversification	High (across fund portfolio)	Moderate (depends on purchased fund)	Low (single or few deals)
Governance	Indirect (via GP)	Indirect (via GP)	Limited rights, GP-led

Agenda Item 10

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL PRESENTATION

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update on the outcome of the Government's 'Fit for the Future' consultation and pooling matters with LGPS Central (Central), including a PowerPoint presentation appended to the report, which will be delivered at the meeting by representatives from Central.

Policy Framework and Previous Decisions

2. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of Central, which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund owns Central alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. As set out in the Investment Strategy Statement (ISS) it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.

3. Central has been in operation since 1 April 2018. As of 30 June 2025, the Fund has circa £4.0bn invested in Central, as well as over £750m in uncalled commitments which will increase its overall pooled exposure.

Background

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

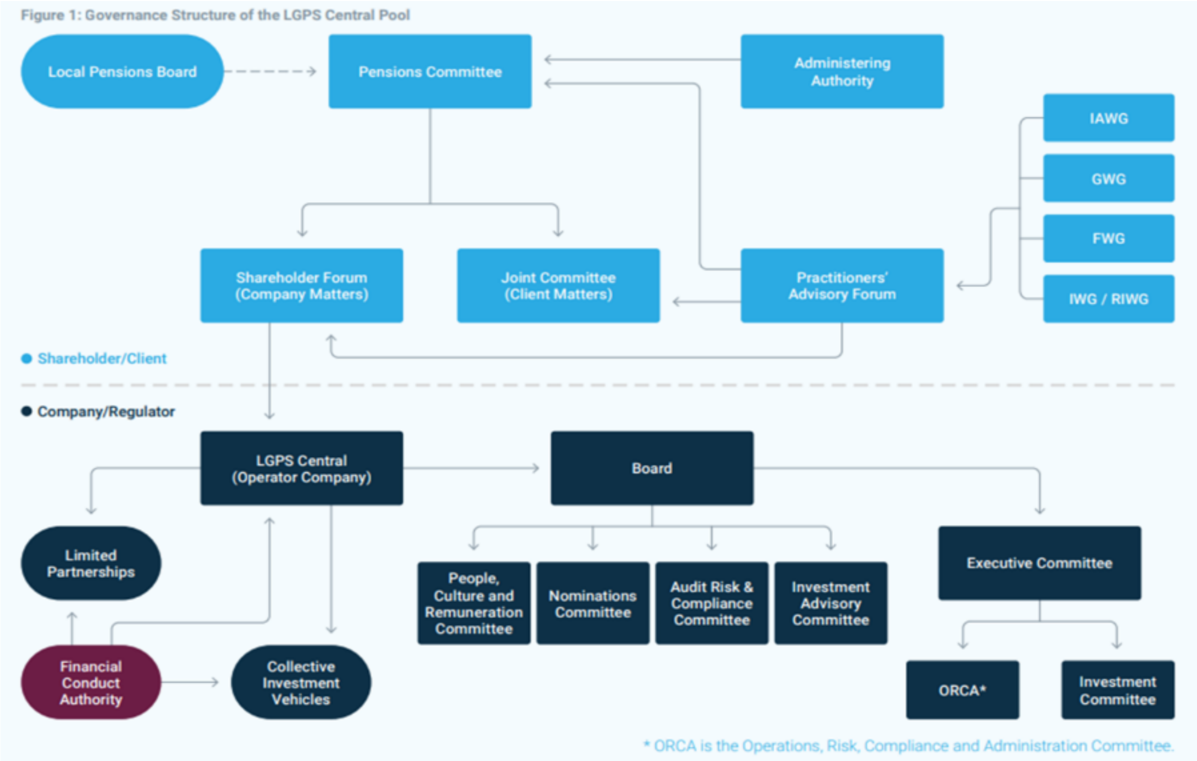
5. In accordance with Section 101 of the Local Government Act 1972 the County Council has delegated the responsibility for decisions relating to investment of the Fund's assets to the LPC.

6. In 2016 the Local Government Pension Scheme Regulations 2016 came into force. These regulations mandate that the separate LGPS funds in England and Wales combine their assets into a small number of investment pools. To meet the requirements of these regulations Leicestershire County Council, alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, Worcestershire helped develop LGPS Central Limited, which they each jointly own.

7. By leveraging the scale of the underlying partner funds Central aims to reduce costs, enhance investment returns, and expand the range of available asset classes, all for the benefit of local government pensioners, employees and employers.

8. The Fund is a stakeholder in Central from two different perspectives:
    a. A co-owner of the company (shareholder) alongside the other owners, and;
    b. As a recipient of investment services (client)

9. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy (FSS) Statement, Investment Statement Strategy (ISS) and Conflict of Interest Policy. The figure below illustrates the relationships between the various bodies.



10. In November 2024 Government initiated the 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. The focus of which was to look at how tackling 'fragmentation and inefficiency' can unlock the investment potential of the scheme, including through asset pooling and enhanced governance, while strengthening the focus on local investment. On 29 November 2024 the LPC considered key themes and initial views, and authorised the Director of Corporate Resources, following consultation with the Chairman of the LPC to prepare a detailed response.

Fit for the Future Developments

11. Since the last update in June 2025, officers, Central and partner funds have been working closely to progress the outcomes from the Fit for the Future consultation, including:

    a. All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.
    b. A March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to pool management, where funds are continuing with their existing partner funds, like Leicestershire.

c. Local and Regional Investment - Fund's will be required to set target ranges for local investment in their ISS's and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.

12. To enact these proposals the Government have introduced the Pensions Bill which Government hope will achieve royal assent in early 2026, this will be followed by consultation on regulations and statutory guidance which will set out much more of the detail required to be implemented.

13. As highlighted in June 2025, out of eight existing pools around England and Wales, support was expressed for six (including Central). The two other pools represent 21 LGPS funds who Government invited to engage with the remaining pools to determine which they wish to form a new partnership with. For affected funds they have been asked to provide an in-principle decision between themselves and the pool they wish to work with by 30 September 2025, with shareholder or client agreements in place by March 2026.

14. Clarity from paragraphs 12 and 13 with enable further reports and recommendations to be brought for Committee approval, such as around the review of the Investment Strategy Statement, and other fund policies. Committee will be kept updated.

LGPS Central Presentation

15. Representatives from Central will be in attendance to deliver a presentation to Committee. This will provide highlights of Central's work, their approach to investment and private markets with a particular focus on private equity (PE) this quarter.

Resource Implications

16. It is noted that while pooling has delivered substantial benefits so far these proposals will accelerate the transfer of assets and responsibilities to pools.

17. Officers will address potential resource implications as part of working through the outcome of the consultation and further awaited guidance to consider how this may impact Fund resources.

Recommendations

It is recommended that the Local Pension Committee note the report and presentation.

Background papers

31 January 2025 Local Pension Committee: Fit for the Future Consultation response
https://democracy.leics.gov.uk/ieListDocuments.aspx?MId=7986

Equality Implications

18. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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

19. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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.

Officer to Contact

Declan Keegan, Director of Corporate Resources
Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Bhulesh Kachra, Senior Finance Business Partner - Investments
Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

Cat Tuohy, Responsible Investment Analyst
Tel: 0116 305 5483 Email: Cat.Tuohy@leics.gov.uk

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 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 Local Pension Board (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 27 June 2025.

10. Officers meet quarterly to discuss the risk register and there has been a handful of changes to three existing risks since the previously approved risk register. These changes are highlighted below, alongside broader discussions on reasoning behind some of the remaining risk scores.

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 the report on 3 September 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.

Revisions to the Risk Register

Risk 2: Market Return are acceptable, but the performance achieved by the Fund is below reasonable expectations

13. Updates have been made to the text for the risk cause and further actions to reflect the ongoing risk of implementing the fit for the future recommendations. This risk remains amber and there has been no change to the risk scores at this time given continuing unknowns on potential impact to the Fund which is being closely monitored.

Risk 8: Employer and employee contributions are not paid accurately and on time.

14. Further actions have been updated to reflect the fact that the Pensions Investment Team will escalate any late payers to the Pensions Manager as required. There are no changes to the risk score as a result which remains green.

Risk 9 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

15. The cause of this risk has been updated to reflect the risk which could arise from system or administrative change at the Prudential. As well as updates to the list of current controls following the new contract agreed from 2025 and reflecting the Prudential having attended LPC in June, this has reduced the current risk score to 3 from 9 and changed the risk response to 'tolerate'. The Pensions Manager will continue to work closely with the Prudential to improve administrative processes such as employer data directly to the Prudential via secure link.

Risk 10 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

16. Updates have been made to the list of current controls with previous quarters further actions/additional controls being moved across. As a result, the potential impact to the Fund has been reduced moving the current risk score to 8 from 10. In addition, the further actions now reflect that the Fund will review the security required for employers as needed.

Risk 12 - 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.

17. No changes to the risk score, additional text has been added to reflect that the Fund will undertake a six-monthly review of the Fund's continuity plan.

Risk 14 If transfer out checks are not completed fully there may be bad advice challenges against the Fund.

18. Text has been updated to reflect that the Fund follows Local Government Association and the Pensions Regulator national guidance and checks (e.g. £30k plus transfers require members to take professional advice and completion of required forms). Pension officers will also phone members to discuss requests to transfer out when required. There is no change to any risk score.

Risk 18 Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

19. As with risk 2 this is actively monitored in light of 'Fit for the Future' government consultation. While no change to risk scores has been made due to continued

uncertainty, an update to further actions has been made to reflect that careful planning of the Fund's Investment Strategy Statement to take account of member views and Fund beliefs are taken into account in the development of pooling.

Recommendation

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

Equality Implications

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

Human Rights Implications

22. 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

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066
Email: Simone.Hines@leics.gov.uk

Ian Howe, Pensions Manager
Tel: 0116 305 6945
Email: Ian.Howe@leics.gov.uk

Appendix A

All risks owned by the Director of Corporate Resources

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since December 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 2025.	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 especially during this phase of implenting the fit for the future recommendations, 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 second phase of LGPS Central's expansion is likely to be challenging . 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 costs. Some asset classes, and carbon intensive sectors may be overexposed to transition risks, and/or the risk of stranded assets	Net Zero Climate Strategy, targeting by 2050 with an ambition for sooner. Climate metrics, including decarbonisation targets monitored annually through the Climate Risk Report, and reporting under TCFD recommendations. Supporting real world emissions reduction with partners (LAPFF, and LGPS Central) as part of the Fund's Climate Stwarship Plan. Consideration of clmiate change in investment decisions including investment in climate solutions and funds titled towards clmiate factors. Climate scenario analysis is undertaken biennially on impact to Fund assets. The Funding Strategy Statement's resilience to climate risk was also tested through the 2022 triennial valuation	3	4	12	Treat	Annual refresh of the Fund's asset allocation allows for an up to date view of climate risks and opportunities to be incorporated and avoids significant short term changes to the allocation. This will take into account the Fund's latest Climate Risk report. Increased asset coverage for climate metric reporting. Increased engagement with investment managers and underlying companies through Net Zero Climate Strategy and further collaboration. Expected regulatory change on climate monitoring. As part of the actuarial valuation the Fund's Actuary will undertake climate scenario analysis. Climate considerations will also feed into longevity assumptions. 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 over 2025/2026.	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. 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. The pensions investment team will escalate any late payers to the Pensions Manager as required	**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**	System or administrative change at the Prudential.	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	A new contract has been signed from 2025. The contract details the Prudential fund requirement. Quarterly meetings with the Pension Manager. The Prudential attended LPC in June 2025.	**3**	**1**	3	Tolerate	Working closely with the Prudential to improve administrative processes e.g. employer data directly to the Prudential via secure link.	**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. 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 The Department for Education extended its guarantee to provide assurance to LGPS funds that FE bodies should not be treated as high risk employers. The Fund will 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	Treat	Investigate arrangements to de-risk funding arrangements for individual employers. To review the security required as required.	**3**	**1**	**3**		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.	3	3	9		Investments - SFA
12	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. Six monthly review of Fund's continuity plan.	5	1	5		Pensions Manager
13	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. Segregation 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 was approved by the Local Pension Committee in March 2025	4	1	4		Pensions Manager
14	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	Follow LGA and Pensions Regulator (TPR) national guidance and checks, e.g. £30K plus transfers require members to take professional advice, completion of required forms. Internal Audit undertake a review of transfers out every two years. 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. Pension officer phones member to discuss when required.	2	3	6		Pension Manager
15	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

16	**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
17	**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
18	**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. Review the outcome of the Fit for the Future consultation and Pensions Bill considerations in collaboration with LGPS Central, the chair of the Local Pension Committee and the section 151 officer. Careful planning of the 2026 ISS to take into account member views, fund beliefs and fit for the future consultation recommendations.	3	4	12		Investments - SFA
19	**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%

This page is intentionally left blank

Leicestershire County Council

LOCAL PENSION COMMITTEE - 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – BUDGET MONITORING UPDATE

Purpose of the Report

1. The purpose of this report is to update the Local Pension Committee (LPC) on the Leicestershire County Council Pension Fund (Fund) budget and forecast for 2025/26 and forecast for future years.

2. The report also provides an update in respect of the increased in year (2025/26) costs as a consequence of the Fit for the Future (FFTF) government pooling guidance.

Background

3. To demonstrate good governance, the Pension Fund's Budget and Business Plan were presented to the Local Pension Board (LPB) for consideration on 5 February 2025 and to the LPC on 14 March 2025.

4. The 2025/26 Budget was designed to provide sufficient funding to maintain the level of service required by scheme members and Fund employers over the current financial year. It did not propose to build in any additional costs that may arise from the FFTF consultation which was in progress at the time.

5. The LPC approved the Pension Fund budget and annual business plans for investments and administration for the Fund at the February meeting.

6. The 'Fit for the Future' consultation set out plans to accelerate pooling and each LGPS pool was invited to submit a transition proposal on how they would meet minimum standards. In the Government's response to the consultation, they expressed support for maintaining six (including Central) out of eight pools on 11 April 2025. Government invited funds from the remaining two pools (Brunel and Access) to engage with the other pooling companies to determine which they wish to form a new partnership with. For the affected 21 funds they have been asked to provide an in-principle decision to Government on which pool they wish to work with by 30 September 2025, with shareholder or client agreements in place by 31 March 2026.

7. In summary the core proposals within the FFTF consultation which were confirmed on the 29 May 2025 are:

Reforming the LGPS asset pools by mandating certain minimum standards which are:

- All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.

- Pools must become Financial Conduct Authority (FCA)-regulated investment management companies. This is already the case for LGPS Central.

- A March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to pool management, where Funds are continuing with their existing partner funds, like Leicestershire.

8. In addition, for Local and Regional Investment, Fund's will be required to set target ranges for local investment in their Investment Strategy Statements and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.

9. Local investment is defined as broadly local or regional to the Fund or pool. It will be for the Fund to work with the pool and other new and existing partner funds on any appropriate framework and collaborate as necessary.

Pension Fund Budget

10. 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 is the Fund's LGPS (Local Government Pension Scheme) senior officer who is responsible for the delivery of the LGPS function and as such must be able to ensure that the Fund is sufficiently resourced.

11. The Pension Fund budget has been considered independently taking into account the needs of the service. Whilst the Good Governance project has not been finalised, Phase 3 of the report includes the following proposal:

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

12. The original 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.

13. The Fund's expected share of costs was 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.

14. The current budget covers the financial year 2025/26. A new forecast is added for 2025/26 given the scale of changes associated with the implementation of FFTF. A forecast for 2026/27 is not available at partner fund level at the time of writing. The LGPS Central 2024/25 are actuals.

15. Current year forecasts are likely to change for the following reasons and the numbers shown are based on the best available forecasts from LGPS Central at the time of writing:

- The current 2025/26 forecast does not include any recharge to new partners/shareholders or clients to LGPS Central. Any apportionment of the 2025/26 costs to new partners is subject to, numbers of new joiners, their relative sizes with respect to assets, any amendments to the costs sharing arrangements and shareholder approvals.

- As such, whilst none of the above listed variables are completed it is prudent to forecast in a conservative manner.

Budget Heading	**2023/24 Actual £'000s**	**2024/25 Budget £'000s**	**2024/25 Actual £'000s**	**2025/26 Budget £'000s**	**2025/26 Forecast £'000s**
Investment Management Expenses (split into three areas)					
○ Management	27,968	27,518	32,812	31,706	35,636
○ Transaction	13,251	7,087	8,815	14,257	10,576
○ Performance	9,268	10,000	6,369	10,500	10,500
Sub Total	**50,487**	**44,605**	**47,996**	**56,463**	**56,711**
LGPS Central costs (Governance, operator running costs, product development)	1292	1298	1182	1231	1860
Staffing	1,776	1,848	1,829	2,116	2,116
IT costs	476	530	442	530	500
Actuarial costs	97	150	197	350	350
Support Services / other	690	650	640	820	820
Total	**54,818**	**49,081**	**52,286**	**61,510**	**62,357**
% of assets under management	**0.92%**	**0.78%**	**0.80%**	**0.90%**	**0.91%**
Average assets under management in year	**5,939,220**	**6,265,488**	**6,560,150**	**6,850,771**	**6,850,771**

Overall forecast

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

17. The total budget being forecasted is currently £62.3million for 2025/26. This is a £0.8million increase largely due to the FFTF outcomes and increased investment management fees forecast based on the 2024/25 outcome.

18. A LGPS Central company meeting is scheduled for 23 September 2025 where a revised 2025/26 budget will be presented to shareholders for approval. The draft increase for 2025/26 for the Fund is shown at point 15. The £0.6m increase is driven largely by the requirements of building a company to comply with the Fit for the future consultation outcomes. It includes increases in headcount to provide governance and oversight to increased mandates that will now have Central oversight and the provision of an internal investment advice function. The creation of a new investment team focusing on local investments. Fees relating to programme from legals and one other off costs are also included within the increase.

19. Discussions between the company and shareholders or their representatives is ongoing to more fully understand the budget increase and so it has not yet been approved by shareholders.

20. The increase in investment management fees takes into account the actual fees incurred in 2024/25. A small upward adjustment is made to take into account of a higher proportion of assets in private markets from public markets in line with the Fund’s approved strategy. Management fees are higher in private markets (such as private credit and infrastructure) than listed equity. This investment management fee rate is then applied to the higher average asset under management forecast for 2025/26 to derive the £35.6million investment management forecast.

21. The overall cost also includes a prudent estimate for performance fees which is explained further later.

Investment Management Expenses

22. 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.

23. 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 and transaction costs which can be material but are one offs given the longer term holding periods for this asset class.

24. The 2025/26 investment management expenses are a forecast based on prior year costs and expected changes in asset class mix and overall assets under management which is forecasted to increase by a conservative 5.5% per annum. The Fund has assumed a prudent long-term investment return for the purpose of this forecast estimate.

25. Performance fee estimates can be highly volatile and given the Fund would not expect meaningful performance fees when general market returns are depressed, an increase in performance fees is usually accompanied by an increase in assets under management. The Fund is 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. Most of the Fund's private market commitments are via LGPS Central who are able to negotiate lower investment management and performance fees given their scale. The forecast for performance fees has been kept at the budgeted level which is prudent until the year is completed.

26. Assets under management (AUM) has been estimated to grow over time and includes an estimate for net contributions which is the sum of employer and employee contributions less pensions and lump sums paid.

27. As the AUM increases, the absolute pounds value of investment managers fees will increase given investment management fees are paid based on a percentage of asset values. 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. These fixed costs however are a smaller proportion of the total cost.

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

Staffing

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

30. The McCloud legislation went live on the 1 October 2023, backdated to April 2014. The 31 March 2025 annual benefit statements for active and preserved members have been calculated with the McCloud underpin included, where applicable. Pension Officers are currently working on existing retirements, where a McCloud underpin applies, amending the pension in payment and paying arrears and interest. A review of other historic cases will then take place, including deaths and transfers. The Pension Section has until the 31 August 2026 to complete the McCloud exercise.

31. McCloud exercise remains the most complex and resource intensive administrative area in the Pension Section.

32. Overtime has exceeded forecast, but there has been an underspend against expected salary due to several vacancies. Some of the vacancies have now been filled and the others will be shortly. In time, this will reduce the need for increased overtime. Staffing costs for 2025/26 are expected to be in line with the £2,116,000 budget.

33. For 2025/26 Officers have assumed an increase of 5% and 3.5% in the following year in line with the County Council's assumptions.

34. In 2025/26 Officers were offered opportunity to further enhance their pension knowledge and experience by completing external pension qualifications. Three colleagues have commenced a year-long pension qualification (equivalent to GCSE level), and four colleagues commence an 18-month long pension qualification in the autumn (equivalent to A level). The training is being funded from the pension budget.

35. The 2025/26 budget is £530,000. During 2025/26 there will be some system costs for a new website and member self-service solution, as the existing version is coming to the end of its life term. There have been some additional system charges to account for the McCloud remedy. There will also be some minor system changes to account for the national pension dashboard programme, but the total expected spend is likely to be slightly under budget.

36. Due to the likely IT underspend in 2025/26, the Pensions Manager has reviewed 2026/27 forecast and reduced this to £500,000.

Actuarial Charges

37. Actuarial charges are budgeted at £150,000 each year, and £400,000 during Fund valuation years.

38. 2025/26 is a valuation year so the expected spend was £400,000, however, an element of the work was completed early (in 2024/25) so the actuarial budget for 2025/26 was amended to £350,000 to reflect this.

39. Actuarial valuation costs are being closely managed, and the 2025/26 costs are expected to be in line with the £350,000 budget.

Support Services/Other

40. Support Services are made up of Strategic Financial and Operational Finance charges, East Midlands Shared Services, Internal Audit, Central Print, Democratic Services and Legal Services. Other charges are made up of annual subscriptions, member tracing service, external training and officer qualifications.

41. The budget for 2025/26 is £820,000 and the expected spend is in line with the budget.

Benchmarking

42. Officers undertook a review of the Leicestershire administration charges and compared this with a sample of other Funds. The costs covered administration areas and excluded investment costs. The charges were based on the 2023/24 values taken from other Fund's annual reports.

43. The 2023/24 exercise identified Leicestershire's administration charge was £28.40 per member. Our cost per member is comparable to other similar sized Fund, for example our neighbouring Fund Derbyshire's 2023/24 cost per member is £28.58.

44. 2023/24 information available on the Scheme Advisory Board website details administration and governance costs of £290.8m with 6.7m scheme members, which equates to a national cost per member of £43.40

45. The Leicestershire Fund's 2024/25 cost per member is £28.45. Information is not yet available for other Funds.

Budget Summary

46. Around 90% 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.

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

Recommendation

48. It is recommended that the Local Pension Committee note the increased forecast for the current year.

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 voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

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 voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendices

None

Officers to Contact

Mr D Keegan, Director of Corporate Resources
Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Mr B Kachra, Senior Finance Business Partner - Investments
Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

Leicestershire County Council

LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with:
   a. An update on the progress of the responsible investment plan 2025 (Appendix A);
   b. An update on the Fund's quarterly voting report (Appendix B) and stewardship activities;
   and;
   c. To seek the LPC's approval to commence an engagement exercise with employers and scheme members with respect to responsible investment and climate risk. The questions being proposed are appended to this report. (Appendix C).

Policy Framework and Previous Decisions

2. Leicestershire County Council Pension Fund's (the Fund) Investment Strategy Statement (ISS) sets out that all prospective investment managers are required to take account of all financial, environmental, social and governance (ESG) factors as part of their decision-making processes before they can be considered for appointment. This is in-line with the Fund's fiduciary duty.

3. The LPC agreed the Fund's first Net Zero Climate Strategy (NZCS) on 3 March 2023, following extensive engagement with the LPC, scheme members, employers, and investment managers.

4. Climate change is one of many risks the Fund manages within the risk register. The NZCS recognises the systematic impact climate change could have on the Fund and sets out how the Fund would monitor and manage these risks and opportunities posed. Alongside other financially material factors, these considerations have fed into all decisions made since approval of the NZCS.

5. The LPC approved the annual Responsible Investment (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.

Background

6. For the Fund, the term 'responsible investment' refers to the integration of financially material 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. The approach taken by the Fund, as set out in the ISS, is distinct from 'ethical investment,' which may look to exclude companies engaged in activities deemed 'unethical' by the investor, whereby the moral persuasions of an organisation or individual take primacy over financial factors.

7. Climate change is considered a systematic risk, given it is possible it will affect all investment asset classes, sectors and regions, as well as having implications on inflation and longevity. For example, higher average and absolute global temperatures together with extreme weather events pose risks to physical assets, while the impact to markets from a transition towards a more decarbonised economy will have its own risks and opportunities with changes in consumer behaviour, and considerations around resilience and resource efficiency. There is also a clear uncertainty around any impacts, this leads to uncertainty which markets can react to. These risks may also impact scheme members and their longevity, and impacts from crop failures, and changes in how diseases spread in warmer climates.

8. Given the Fund's long-term horizons this may result in greater exposure to climate risks, therefore identification of these vulnerabilities can inform risk management processes, helping to ensure that appropriate controls and mitigations are in place.

9. The LPC previously undertook engagement on potential net zero targets from July to September 2022 and consulted on the draft Strategy from November 2022 to February 2023 which resulted in 1,700 responses from scheme members, employers and other stakeholders, a response rate which compared well against other council and LGPS fund consultations. From this 70% of scheme members supported net zero by 2050 with an ambition for sooner, other responses either did not have an opinion, or

wanted the Fund to be more ambitious with its target, and to divest from fossil fuel companies, or believed climate change was not a concern to the Fund. The Net Zero Climate Strategy (NZCS) was formally approved by the LPC in March 2023.

10. As set out in the NZCS, the Fund is targeting net zero by 2050, with an ambition for sooner. This ambition is one that considers the risks, and potential opportunities, such as investing in emerging technologies. It is also expected that government will align private pension scheme requirements to LGPS funds, which will require Fund's to consider and disclose their climate-related financial risks and opportunities fully in line with recommendations by the Task Force on Climate-related Financial Disclosures. The Fund is also required to report on its climate scenario analysis undertaken as part of the Fund's triennial valuation which will feed into considerations.

11. Failure to consider these aspects, or exercise effective stewardship of the Fund's assets risks inferior investment performance which would negatively impact contributing employers.

Fiduciary duty

12. The LPC has a fiduciary duty to act in the best interests of employers and scheme members. Case law on fiduciary duty explains the duty as the exercise of discretionary power rationally and reasonably and for a proper purpose, by reference to relevant legal considerations. This duty can be summarised as achieving what is the best for the financial position of the Fund. Investment powers must be directed to achieving what is the best for the financial position of the Fund, to ensure the Fund is able to pay benefits.

13. With regard to ESG considerations, the guidance states that the Funds should consider any factor financially material to the performance of their investments, including ESG factors. Although pursuit of a financial return should be the predominant concern, Funds may take purely non-financial (i.e. ethical) considerations into account provided that doing so would not involve significant risk of financial detriment to the Fund and where they have good reason to think that scheme members would support their decision. To gauge scheme members support, or otherwise, Funds should explain the extent to which the views of the LPC and other interested parties (namely Fund employers and members) are taken into account when making an investment decision based on nonfinancial factors and explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments.

14. The appetite of the Fund for taking risk when making investment decisions is ultimately for local consideration and determination by the LPC subject to the aim and purpose of the Fund. As a reminder this is to maximise the returns from investment returns within reasonable risk parameters.

15. Therefore, based on the present law and guidance the LPC would not be acting lawfully with regard to approving investment decisions where Hymans Robertson or any successor external advisor believe a decision:

    - risks conflict with the fiduciary duty to the Fund
    - risks lower investment returns.

Responsible Investment (RI) Plan 2025 Progress

16. As set out above, progress made to date on the 2025 RI Plan is appended. This includes work to begin the refresh of the NZCS. The current NZCS states it would be reviewed every three years and so is due in 2026. Further detail is set out below.

Proposed scheme member survey

17. Following the June 2025 report, and LPC member engagement as part of a workshop and circulated questions, officers have developed a survey based on the key strands highlighted for the Net Zero Climate Strategy (NZCS).

    A. Managing climate risk and opportunities
    B. Evolution not revolution
    C. Stewardship for real-world impact
    D. Remaining Asset Classes

18. The survey will also look to seek wider scheme member views on responsible investment issues so these can be considered when forming policy. These can then help inform areas of interest when engaging with investment managers and LGPS Central. The proposed questions are attached at Appendix C

19. The considerations as part of the survey will not be to the detriment of the Fund’s fiduciary duty to achieve what is the best for the financial position of the Fund. However, it will support the Fund in taking considerations into account where they are not to its detriment, where there is good reason to think that scheme members would support a decision. This is set out in more detail in paragraph 44 onwards, and is in line with the Scheme

Advisory Board's legal advice on investments and non-financial considerations.

20. It is important to note that these questions are not about developing exclusions or limitations, but ensuring the Fund's approach to engagement with companies addresses issues scheme members feel are most important. The outcome will also need to be considered in the context of pooling and practicalities.

21. It is proposed to conduct a stakeholder survey through Leicestershire County Council's inhouse consultation webpage. Subject to approval by the LPC, the process will be conducted in line with best practice guidance for a period of about 10 weeks, expected to extend from 8 October to 17 December 2025.

22. This will be undertaken by emailing all scheme members (active, deferred and retired) that have email addresses available (circa 40,000) as they have signed up to the member self-service website, emailing all employers of the Fund, including requesting that they advertise the survey on their intranet pages where possible, and advertisement on the Pension Fund website. This will also be highlighted as part of the Fund's AGM on the 15 December 2025 that is open to all scheme members and employers. This is deemed to be the most cost-effective solution.

23. A proposed timeline is set out below for approval and consultation, while noting these may need to be flexible depending on work also taking place around Fit for the Future. Responses and information will be fed back to the LPC for discussion as part of the NZCS review, and officers will consider organising a LPC workshop to go over key considerations.

Date	**Comment**
26 September 2025	Proposals for Committee to agree regarding engagement with scheme members and employers of the Fund on key themes for the strategy.
8th October to 17th December	Consultation period
5 December 2025	Committee to review Climate Risk Report for data as at 31 March 2025.
February 2026	Local Pension Board oversight of Climate Risk Report and Strategy considerations.
March/ June 2026	Engagement outcome and redrafted strategy.

Voting and Engagement

24. Appendix B sets out the Fund's voting report from April to June 2025. This incorporates circa 42% 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).

25. A brief breakdown is set out below:

- The Fund made voting recommendations at 3449 meetings (48515) resolutions)
- At 2371 meetings the Fund opposed one or more resolutions.
- The Fund voted with management by exception at 39 meetings, abstained at three meetings and supported management on all resolutions at the remaining 1036 meetings,.
- The majority of votes where the Fund voted against management were related to board structure (36%). These votes include issues such as over boarding, diversity, and inadequate management of climate risk.

26. This quarters report covers March to June which is a key period where many public companies' annual meetings occur. Key highlights include:

a. In the US the number of shareholder proposals filed dropped considerably, following changes to the US Securities and Exchange Commission which has seen some investor actions struck down.
b. There was an increase in the volume of 'Anti-ESG' shareholder resolutions, however these continued to receive minimal support, averaging 2.5% in 2025 (2.4% in 2024).
c. Proposals related to artificial intelligence received relatively high level of support compared to other environmental and social-related shareholder proposals, showing investors see an increasing need for additional risk management with AI's rapid development.
d. Proposals mainly around protecting shareholder rights, increasing board accountability and establishing fair voting procedures saw an increase.
e. Only governance-related shareholder proposals received over 50% support, a change from previous years where these were more evenly distributed across ESG themes. This is likely as a result of the changing political environment but also asks becoming more ambitious after earlier AGM's covered easier wins.

Local Authority Pension Fund Forum (LAPFF) Voting Alerts and Stewardship Plan Companies

27. LAPFF issue voting alerts for consideration by investment managers. LGPS Central are also a member of LAPFF, over the voting period were aligned or had partial alignment over 66% with misalignment for 33%. Misalignment largely related to Central's view that companies already provided sufficient information to shareholders, or wanting to ensure companies had the discretion to manage potential risks effectively, or using different votes to indicate concern over a specific issue.

28. Below sets out key vote alignment from LGPS Central in relation to Stewardship Plan Companies where LAPFF had issued a vote alert. A more detailed analysis of progress with broader Stewardship Plan Companies will be included in the Climate Risk Report in December.

Company	LAPFF Voting Alerts Issued	Commentary
BP	Yes	Misalignment between Central and LAPFF on 3/5 LAPFF recommendations, these are largely due to differences of where Central feel votes against management recommendations are placed to address concerns on climate governance, and executive pay – for example not voting against the annual financial statements given they reflect a true and accurate representation of the business with a unqualified auditor opinion, and instead voting against the Chairman and others in their roles.
Shell	Yes	LAPFF issued 3 recommendations which Central did not align with. One of these included an abstention on a shareholder resolution due to Central continuing to progress ongoing dialogue with the company, and noting the steps taken by Shell to increase disclosure on liquid natural gas (LNG).

29. Officers will continue to monitor key votes and alignment, and progress on Central's engagement initiatives. As part of the preparation for the Climate Risk Report with LGPS Central the Fund will review these companies to understand if they should remain on the Climate Stewardship list, either given progress achieved or changes to the portfolio which mean other companies should be prioritised

30. Some further highlights from engagement activity from partners and investment managers are set out below.

LGPS Central – April to June 2025

31. Central is the pooling company of the Fund. It is a strong supporter of responsible investment through the Responsible Investment and Engagement Framework.

Company	Theme	Outcome
Bayer	Remuneration.	Central voted against the remuneration report due to concerns with executive pay packages (base salary and pensions increased by 33,3% compared to the previous year above median peers). Pension contributions to some executives amount to 40% of respective base salaries which are particularly high. Central also had a concern that the annual bonus and long term incentive plan is paid all in cash, which does not align with the interests of long-term shareholders. The vote received 32.6% dissent and Central expect the company to consult with shareholders on the executive pay package.

Legal and General Investment Management – Q2 2025

32. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 17.3% of the Fund. LGIM's latest ESG impact report highlights some key activity in the Investment Stewardship team.

33. The latest ESG impact report highlights key engagements across LGIM's global stewardship themes. An example of their activities are as follows:

Theme	**Issue**	**Outcome**
RWE	Due to rising negative sentiment around renewables RWE have come under increasing pressure from short-term focused investors to return capital at the expense of renewable capital expenditure.	LGIM are engaging with RWE to ensure there is not a misallocation of capital and so they do not prioritise short-term shareholder concerns at the expense of long-term value creation. RWE have acknowledged LGIM's analysis on the subject and have called out the view of LGIM and other like-minded investors on their Q1 earnings call when faced with the question of increasing short-term shareholder returns. LGIM will continue to refine their analysis and investment case in this space and will continue to engage with the company.

Local Authority Pension Fund Forum: April to June 2025

34. 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 collaboration in Asia, water stewardship in mining, energy suppliers and transition risks, luxury goods and human rights, conflict affected and high-risk areas and heightened human rights due diligence, and executive pay oversight. As an example:

Topic	**Action**	**Outcome**
Taylor Wimpey – UK housebuilder on climate transition planning	LAPFF met with the Chair who outlined the company's decarbonisation and just transition developments.	Taylor Wimpey along with other housebuilders expressed frustration with the lack of clarity around the forthcoming Future Homes Standard. LAPFF will also continue to monitor and follow how they advances its decarbonisation and just transition plans in practice, including homes and technology testing, contractor training, supply chain resilience, and equitable, workforce adaptation, especially in the face of broader sectoral pressures such as skills shortages and energy-grid limitations.

Ruffer – Q2 2025

35. 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.

36. One of their tools is their resource usage and productivity indicator (RUPI) a quantitative model which assesses companies on nine variables they believe are integral to fostering value creation that should deliver shareholder returns over the long term. This allows Ruffer to identify gaps in disclosure and then engage with the laggard companies. For example, this quarter they engaged with the following company, noting they have low absolute RUPI scores, lag their global peers, and have low scopes for the disclosure of extra financial data they track.

Company	Issue	Outcome
ArcelorMittal	For the Company to update its Climate Action Report for its European business.	Ruffer tabled a letter at the AGM – this was because a detailed climate transition plan gives investor valuable information, and can be a deeper insight into strategies to protect and grow shareholder value. The company have since outlined its near-term and longer-term actions

37. Ruffer also signed an open letter published by the Forum pour L'Investissement Responsible (FIR), alongside financial institutions which in aggregate manage €2.4 trillion in assets when launching an initiative to support climate plans to ensure economic resilience. The letter highlighted the incentives for investment in adaption, with companies which comprehensively assess their risk exposure estimating that 'their current investments in adaptation and resilience could yield between \$2 and \$19 for every \$1 invested.'

Resource Implications

38. The strategy review is planned and scoped based on existing Pension Fund resource as set out in the Pension Fund Budget and Business plan approved in March 2025.

Recommendations

39. It is recommended that the Local Pension Committee notes the report and approves the proposed engagement process with Employers and Scheme Members (Appendix C).

Background papers

Net Zero Climate Strategy

https://leicsmss.pensiondetails.co.uk/documents/LCC-Pension-Fund-Net-Zero-Climate-Strategy.pdf?language_id=1

Overview of the Current Asset Strategy and Proposed 2025 Asset Strategy Local Pension Committee Friday 31 January 2025

https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986&Ver=4

Responsible Investment Plan 2025 Local Pension Committee Friday 31 January 2025

https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986&Ver=4

Equality Implications

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

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.

Appendix

Appendix A: RI Plan Update

Appendix B: The Fund's Quarterly Voting Report

Appendix C: Draft survey questions

Officer to Contact

Declan Keegan, Director of Corporate Resources

Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Bhulesh Kachra, Senior Finance Business Partner - Investments

Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

Cat Tuohy, Responsible Investment Analyst

Tel: 0116 305 5483 Email: Cat.Tuohy@leics.gov.uk

This page is intentionally left blank

Appendix A

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. Will look to communicate, subject to engagement approval.	
		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 public markets.	
		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 LGPS Central - private markets 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.	This is scheduled for 15th September.
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.	As per the January SAA review ISC will consider a number of reports over the year in relation to private credit, property, tail risk, and private equity, these will contain net zero and RI considerations.
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.	RIWG met (January) and April 2025. Including a deep dive into carbon allowances, human rights and current stewardship developments and regulatory updates.
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.	In June 2025 the UK Stewardship Code 2026 was published and will need to be considered alongside fit for the future considerations.

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.

Appendix B

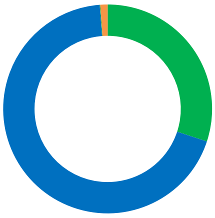
Leicestershire County Council Pension Fund

Voting Report, Q2 2025 (Apr-Jun 2025)

Over the last quarter we voted at **3,449** meetings (**48,515** resolutions). At **2,371** meetings we opposed one or more resolutions. We abstained at **three** meetings. We voted with management by exception at **39** meetings. We supported management on all resolutions at the remaining **1,036** meetings.

Global

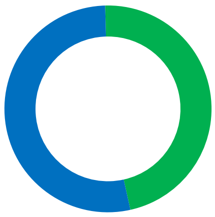
We voted at 3449 meetings (48515 resolutions) over the last quarter.



Meetings in Favour 30%
Meetings Against 69%

Developed Asia

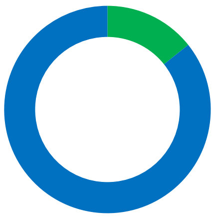
We voted at 705 meetings (7801 resolutions) over the last quarter.



Meetings in Favour 47%
Meetings Against 53%

Australia and New Zealand

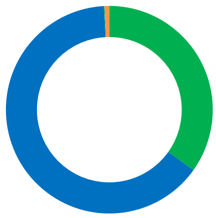
We voted at 14 meetings (114 resolutions) over the last quarter.



Meetings in Favour 14%
Meetings Against 86%

Emerging and Frontier Markets

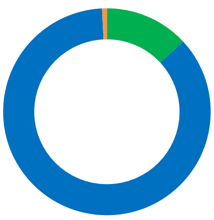
We voted at 1110 meetings (13376 resolutions) over the last quarter.



Meetings in Favour 35%
Meetings Against 65%
Meetings with Management by Exception 1%

Europe Ex-UK

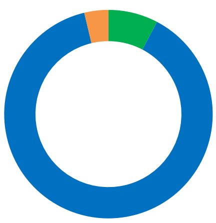
We voted at 526 meetings (11244 resolutions) over the last quarter.



Meetings in Favour 13%
Meetings Against 86%

North America

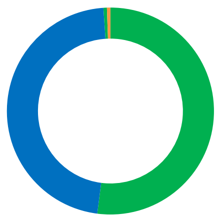
We voted at 725 meetings (9800 resolutions) over the last quarter.



Meetings in Favour 8%
Meetings Against 89%
Meetings with Management by Exception 4%

United Kingdom

We voted at 369 meetings (6180 resolutions) over the last quarter.

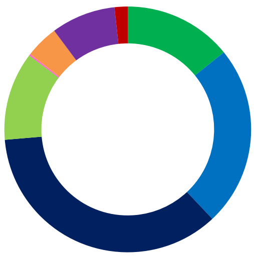


Meetings in Favour 52%
Meetings Against 47%

The Issues on which we voted against management or abstaining on resolutions are shown below.

Emerging and Frontier Markets

We voted against or abstained on 9310 resolutions over the last quarter.



Amend Articles 14%

Audit + Accounts 24%

Board Structure 36%

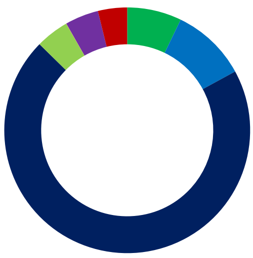
Capital Structure + Dividends 12%

Other 4%

Remuneration 8%

Developed Asia

We voted against or abstained on 3963 resolutions over the last quarter.



Amend Articles 7%

Audit + Accounts 10%

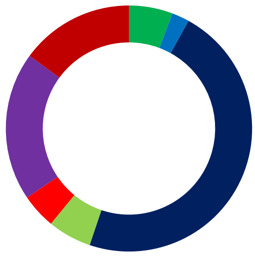
Board Structure 70%

Capital Structure + Dividends 4%

Remuneration 4%

Australia and New Zealand

We voted against or abstained on 87 resolutions over the last quarter.



Amend Articles 6%

Audit + Accounts 2%

Board Structure 47%

Capital Structure + Dividends 6%

Poison pill/ Anti-Takeover Device 5%

Remuneration 20%

Shareholder Resolution 15%

Global

We voted against or abstained on 30085 resolutions over the last quarter.

Amend Articles 9%

Audit + Accounts 14%

Board Structure 50%

Capital Structure + Dividends 8%

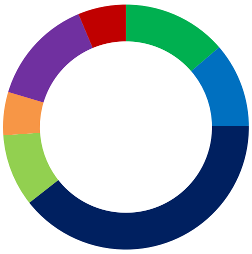
Other 3%

Remuneration 8%

Shareholder Resolution 6%

Europe Ex-UK

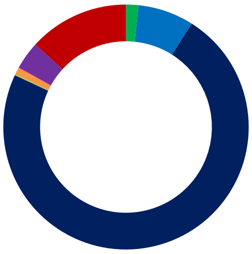
We voted against or abstained on 7553 resolutions over the last quarter.



- Amend Articles 14%
- Audit + Accounts 11%
- Board Structure 40%
- Capital Structure + Dividends 10%
- Other 6%
- Remuneration 14%
- Shareholder Resolution 6%

North America

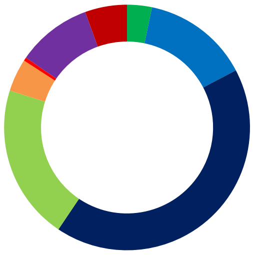
We voted against or abstained on 6530 resolutions over the last quarter.



- Amend Articles 2%
- Audit + Accounts 7%
- Board Structure 73%
- Other 1%
- Remuneration 4%
- Shareholder Resolution 13%

United Kingdom

We voted against or abstained on 2642 resolutions over the last quarter.



- Amend Articles 3%
- Audit + Accounts 14%
- Board Structure 42%
- Capital Structure + Dividends 20%
- Other 4%
- Remuneration 10%
- Shareholder Resolution 6%

This page is intentionally left blank

Appendix C

Responsible Investment Survey

Leicestershire County Council Pension Fund (the Fund) manages investments on behalf of over 100,000 scheme members and 200 employers to meet the costs of paying scheme member benefits in retirement.

The Fund is a defined benefit scheme, meaning members are guaranteed their benefits by law. If investments do not perform well, it is the employers, not members that may have to pay more to cover the shortfall. To avoid any shortfall the Fund invests in lots of different types of assets with the aim to grow the pot of money over time to meet these benefit payments.

We would like to hear your views on the Pension Fund's approach to investment in relation to environmental, social and governance factors, and in particular how it manages climate risk as part of a review into the Fund's Net Zero Climate Strategy. These views will be used in the Fund's policies and engagement with our partners and investment managers.

Do not use the back button on your browser/device as you may lose your response. Use the buttons below to navigate the survey.

Please note: Your responses to the main part of the survey (including your comments) may be released to the general public in full under the Freedom of Information Act 2000. Any responses to the questions in the 'About you' section of the questionnaire will be held securely and will not be subject to release under Freedom of Information legislation, nor passed on to any third party. To find out more about how, why and what information we use please visit https://www.leicestershire.gov.uk/about-the-council/data-protection-and-privacy

Q1 In what role are you responding to this survey? Please select one option only.

- ◯ Active member of the Leicestershire Pension Fund
- ◯ I am currently receiving a pension from the Leicestershire Pension Fund
- ◯ I am a deferred member of the Leicestershire Pension Fund
- ◯ I am an employer within Leicestershire Pension Fund
- ◯ Other (please specify)

Please specify 'other'

Q2 If you indicated that you are an employer within Leicestershire Pension Fund, please provide your details. ASK IF Q1=4

Name:

Organisation:

This information may be subject to disclosure under the Freedom of Information Act 2000

Q3a Did you know that your pension contributions are invested to grow the Pension Fund, and keep employer contributions manageable - without any risk to your benefits? ASK IF Q1=1-3

- Yes
- No
- Don't know

Q3b Did you know that pension contributions are invested to grow the Pension Fund, and keep employer contributions manageable? ASK IF Q1=4-5

- Yes
- No
- Don't know

Q4 The Pension Fund spreads its investments across shares of publicly listed companies, property, forests, infrastructure, government bonds, among others. Investments are chosen by our specialist investment managers who will look at many factors, including Environmental, Social and Governance factors, which can cover a wide range of issues alongside financial considerations.

How important, if at all, do you think the following issues are when discussing and considering investment decisions? LIST RANDOMISED

	Very important	Fairly important	Not very important	Not at all important	Don't know
Climate risks and opportunities					
Natural capital (For example, supporting biodiversity and forests, Water usage and scarcity)					
Labour standards					
Human rights					
Technology and artificial intelligence					
Company management (For example, Board effectiveness, reporting, executive pay, fair tax, political spending)					
Investor protections and rights					

Q5 Do you believe that companies with a focus on Environmental, Social and Governance (ESG) issues are more likely to be well run and deliver stronger financial returns for the pension fund?

- ◯ Yes
- ◯ Maybe
- ◯ No
- ◯ Don't know

Q6 Climate risk may impact the Pension Fund in different ways. For example:

• The physical impact of flooding may damage buildings or infrastructure we invest in.

• Changes in what consumers want, or governmental policy allows for, may make companies that do not adapt less profitable.

To what extent, if at all, do you feel climate change in particular presents a risk to the Pension Fund’s investments?

A great deal	To some extent	Not very much	Not at all	Don't know
◯	◯	◯	◯	◯

Q7 To what extent do you agree or disagree with the Pension Fund’s ambition to achieve net zero by 2050 with an ambition for sooner?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
◯	◯	◯	◯	◯	◯

Why do you say this?

Q8 The Fund does not directly choose which individual companies to invest in. Instead, it appoints professional investment managers that take decisions on what to invest in.

Managing climate risk can involve a range of different actions, depending on the type of investment and the specific risks or opportunities involved. Which approaches do you believe are most important to be considered when forming policy and to focus on when engaging with investment managers? Please select **up to three** LIST RANDOMISED

- ☐ Shift investment away from industries most at risk from climate change, and towards solutions like renewable energy, sustainable forestry, and green technology
- ☐ Keep investing in carbon-intensive sectors like energy, construction, and agriculture but engage alongside partners to encourage change to support real-world impacts
- ☐ By regularly monitoring and reporting on climate related risks and opportunities
- ☐ Prioritise financial returns by giving investment managers the freedom to manage risks as they see fit
- ☐ Support investment managers to set a clear approaches to managing climate risk and climate targets
- ☐ Other (please specify)

Please specify 'other'

Q9 At the moment, the Pension Fund's climate targets apply to only half of its investments. To what extent do you agree or disagree that the Pension Fund should apply these targets to more of its investments, in line with best practice guidance as it develops?

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
○	○	○	○	○	○

Q10 Do you have any other comments?

Characters remaining: left

About you

Leicestershire County Council is committed to ensuring that its services, policies, and practices are free from discrimination and prejudice, address the needs of all sections of the community and promote and advance equality of opportunity.

Many people face discrimination in society because of their personal circumstances and for this reason we have decided to ask these monitoring questions.

We would therefore be grateful if you would answer the following questions. You are under no obligation to provide the information requested, but it would help us greatly if you did.

Q11 What is your gender?

- ◯ Male
- ◯ Female
- ◯ I use another term

Q12 What was your age on your last birthday? (Please enter your age in numbers not words)

Q13 What is your full postcode?
This will allow us to see the areas where people are responding from. It will not identify your house.

Please click the 'Submit' button to send us your response.

Thank you for your assistance. Your views are important to us.

When the survey closes on the 5th of December, we will report the results back to the Local Pension Committee in 2026.

Data Protection: Personal data supplied on this form will be held on computer and will be used in accordance with current Data Protection Legislation. The information you provide will be used for statistical analysis, management, planning and the provision of services by the county council and its partners. Leicestershire County Council will not share any personal information collected in this survey with its partners. The information will be held in accordance with the council's records management and retention policy. Information which is not in the 'About you' section of the questionnaire may be subject to disclosure under the Freedom of Information Act 2000.

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank