



Meeting: **Local Pension Committee**

Date/Time: **Friday, 5 December 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. M. Durrani CC
Dr. J. Bloxham CC	Mr. D. Grimley CC
Mr. N. Booth	Mr. J. Henry
Cllr. M. Cartwright	Mr. B. Piper CC
Cllr. B. Dave	Mr. C. Pitt
Cllr. R. Denney	Cllr. G. Whittle

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 26 September 2025.		(Pages 5 - 20)
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. LGPS Central Presentation.	Director of Corporate Resources	(Pages 21 - 50)



7.	Valuation of Pension Fund Investments.	Director of Corporate Resources	(Pages 51 - 74)
8.	Investment Advisor Objectives 2026.	Director of Corporate Resources	(Pages 75 - 90)
9.	Local Government Reorganisation.	Director of Corporate Resources	(Pages 91 - 96)
10.	Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 97 - 108)
11.	Climate Related Disclosures Report 2025 and Responsible Investment Update.	Director of Corporate Resources	(Pages 109 - 172)
12.	Date of next meeting. The date of the next meeting is scheduled for 30 January 2026 at 10.00am.		
13.	Any other items which the Chairman has decided to take as urgent.		
14.	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).		
15.	Climate Related Disclosures 2025 - Exempt Information.	Director of Corporate Resources	(Pages 173 - 208)
16.	Leicestershire Total Fund Summary.	Fund Manager	(Pages 209 - 212)
17.	LGPS Central Quarterly Investment Report.	Fund Manager	(Pages 213 - 266)
18.	Growth Ruffer Quarterly Report.	Fund Manager	(Pages 267 - 272)
19.	Adams Street Partners Quarterly Report.	Fund Manager	(Pages 273 - 382)
20.	Fulcrum Diversified Core Absolute Return Quarterly Report.	Fund Manager	(Pages 383 - 398)
21.	Legal and General Investment Manager Quarterly Report.	Fund Manager	(Pages 399 - 424)
22.	LGPS Central PE Primary Partnership 2018 LP Quarterly Report.	Fund Manager	(Pages 425 - 428)
23.	LGPS Central PE Primary Partnership 2021 LP Quarterly Report.	Fund Manager	(Pages 429 - 432)

24.	LGPS Central PE Primary Partnership 2023 LP Quarterly Report.	Fund Manager	(Pages 433 - 436)
25.	Patria SOF Quarterly Report.	Fund Manager	(Pages 437 - 482)
26.	Income KKR Global Infrastructure Investors Quarterly Report.	Fund Manager	(Pages 483 - 532)
27.	Saltgate UK AVPUT.	Fund Manager	(Pages 533 - 536)
28.	Christofferson Robb & Company CRC Capital Release Fund Quarterly Report.	Fund Manager	(Pages 537 - 580)
29.	LGPS Central Direct Property Quarterly Report.	Fund Manager	(Pages 581 - 586)
30.	IFM Global Infrastructure Quarterly Investor Report.	Fund Manager	(Pages 587 - 656)
31.	JP Morgan Asset Manager Infrastructure Investments Fund Quarterly Report.	Fund Manager	(Pages 657 - 660)
32.	LaSalle Leicestershire County Council Pension Fund Quarterly Report.	Fund Manager	(Pages 661 - 690)
33.	LGPS Central Core/Core Plus Infrastructure Partnership LP Quarterly Report.	Fund Manager	(Pages 691 - 696)
34.	LGPS Central Credit Partnership Quarterly Report.	Fund Manager	(Pages 697 - 720)
35.	M&G Investments Debt Opportunities Quarterly Report.	Fund Manager	(Pages 721 - 752)
36.	Partners Group Multi Asset Credit Quarterly Reports.	Fund Manager	(Pages 753 - 836)
37.	Quinbrook Infrastructure Partners Net Zero Power Fund Quarterly Report.	Fund Manager	(Pages 837 - 888)
38.	Protection Aegon Asset Management Quarterly Report.	Fund Manager	(Pages 889 - 900)
39.	Aegon Asset Management Global Short Dated Climate Transition Fund Quarterly Report.	Fund Manager	(Pages 901 - 912)
40.	Aegon Asset Management LCCPF IL and FX Update.	Fund Manager	(Pages 913 - 916)

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Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 26 September 2025.

PRESENT

Leicestershire County Council

Mr. P. King CC (Chairman)
 Dr. J. Bloxham CC
 Mr. M. Durrani CC
 Mr. D. J. Grimley CC
 Mr. B. Piper CC

Leicester City Council

Cllr. B. Dave
 Cllr. G. Whittle (online)

District Council Representatives

Cllr. M. Cartwright
 Cllr. R. Denney

Staff Representatives

Mr. V. Bechar
 Mr. N. Booth

In attendance

Hymans Robertson
 Richard Warden

LGPS Central

Jayne Atkinson
 Gillian Day
 Nadeem Hussain
 Jas Sidhu

40. Minutes of the meeting held on 27 June 2025.

The minutes of the meeting held on 27 June 2025 were taken as read, confirmed and signed.

41. Question Time.

The Chief Executive reported that one question had been received under Standing Order 35.

Question asked by Mr. Rupert Simms

“I would like to know details of investments by the LGPS in companies listed in the United Nations OHCHR 2023 update list of business enterprises involved in illegal Israeli settlements.”

Reply by the Chairman:

Thank you for your question. Of the 97 companies listed by the United Nations the Office of the High Commissioner for Human Rights (OHCHR) as having activities in Israeli settlements in the occupied Palestinian territory, the Fund's exposure is set out below, this represents 0.4% of the Fund.

The majority of these investments are held within low-cost passive funds that track market indices and relate to international companies that will have limited exposure to the aforementioned areas.

	£m
Airbnb Inc	5.7
Alstom SA	0.5
Bank Hapoalim BM	1
Bank Leumi Le-Israel BM	2.5
Bezeq The Israeli Telecommunication Corp Ltd	0.05
Booking Holdings Inc	13.7
Delek Group Ltd	0.04
Expedia Group Inc	0.31
First International Bank Of Israel Ltd/The	0.04
Israel Discount Bank Ltd	0.64
Mivne Real Estate KD Ltd	0.025
Mizrahi Tefahot Bank Ltd	0.5
Motorola Solutions Inc	2.6
Shapir Engineering and Industry Ltd	0.01
Shufersal Ltd	0.02
Total	28m

Please note the Fund is subject to government regulations regarding investment decisions ensuring funds are managed responsibly as set out in the Investment Strategy Statement (ISS) which outlines the Fund's approach to responsible investment, with day-to-day investment management decisions regarding which companies or other securities to buy or sell are made by specialist investment managers appointed by the Fund's Local Pension Committee and Investment Sub-Committee. The Fund's ISS follows the government's rules on what it can and can't invest in and is regularly reviewed and considered by the Committee. The ISS sets out that the Fund does not exclude investments to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries unless formal legal sanctions, embargoes and restrictions have been put in place by the Government.

42. 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).

43. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

44. Declarations of interest in respect of items on the agenda.

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

No declarations were made.

45. Report of the Local Pension Board Annual Report 2024/2025.

The Committee considered the Annual Report of the Local Pension Board for 2024 to 2025. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

RESOLVED:

That the Local Pension Board Annual Report for 2024 to 2025 be noted.

46. Pension Fund Valuation, Indicative Whole Fund Results, Draft Funding Strategy Statement.

The Committee considered a report of the Director of Corporate Resources, which provided information on the indicative whole fund valuation results and the proposed changes to the Fund's Funding Strategy Statement (FSS). A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed Mr. Richard Warden from Hyman's Robertson, the Fund's Actuary, to the meeting who was present online.

Arising from discussion, the following points were made:

- i. Members acknowledged the difficult economic climate but welcomed the Fund's 140% valuation. They cautioned that the figure might create unrealistic expectations among employers regarding contribution reductions and emphasised the importance of managing expectations appropriately. Officers confirmed ongoing discussions had already taken place with stabilised employers and the development of a model to allow limited reductions while maintaining a protective buffer of 120%. Communications were being prepared to accompany the release of employer-specific information in November.
- ii. Clarification was sought in relation to the final salary scheme and closed employers, and implications for existing employees. Members were informed that exiting members would remain under current terms if the scheme closed only to new joiners. However, if employers removed existing members, though this was not anticipated, they would be treated as leavers and would need to join a new scheme.
- iii. A Member referred to the FSS, specifically page 49 paragraph 2.6, and raised concern about potential double counting of UK government bonds. Officers clarified that "credit including government bonds" referred to multi-asset credit, while "UK government bonds" entry represented a distinct allocation, specifically 3.5% in UK index-linked bonds, and confirmed that the wording would be amended.

- iv. It was noted that employer decisions to close schemes were confidential. It was further noted that in many cases, staff at the relevant organisations were not yet aware of the proposals. Any decisions would require formal staff consultation and potentially involved trade unions, indicating a lengthy process ahead. Support was expressed for protecting any surplus from exiting employers leaving the scheme, stating that such measures safeguarded both the fund and the interests of employers who remained within it.
- v. In response to a question, employees aged 55 or approaching 57 would not be entitled to unreduced pensions if schemes were closed, as this would be a contractual change, not redundancy. Stabilised employers, such as county councils, were legally required to offer the Local Government Pension Scheme (LGPS). Therefore, even if some employers considered exiting, the fund would remain substantial, with approximately two-thirds to three-quarters of employers mandated to participate.

RESOLVED:

That the Committee noted:

- a) The Whole Fund Valuation Rate of 140%;
- b) The proposed changes to the draft Funding Strategy Statement (FSS), with the amendment to the headings of asset class at point 2.6; and
- c) That employer consultation on the FSS would commence on November 2025, once indicative employer rates were available.

47. Pension Fund Annual Report and Accounts 2024/25.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to request that the Committee approve the Annual Report and Accounts of the Pension Fund for the financial year 2024 to 2025. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member commended the pension training programme for Members, for its quality. It was noted that the programme offered substantial opportunities for members, and those who did not engage simply missed out on the training. The cyclical nature of training was highlighted, as new members required fresh induction, which posed a challenge despite the programme's excellence.
- ii. Clarification was sought regarding the government's target percentage for pooling and the deadline for achieving it. It was explained that the government's Fit for the Future consultation required full pooling by the end of March 2026. Progress had been made with Central towards meeting this requirement. It was confirmed that the target was 100% pooling, with approximately 58% pooled at this time. The intention was to transfer oversight of the remaining c40% to Central by 31 March 2026, and the 40% would remain intact, avoiding unnecessary transition costs. Over time, as existing mandates expired, reinvestment into Central's products was expected, gradually increasing the pooled percentage.

- iii. It was acknowledged that the transition from 50% to 100% pooling by 2026 represented a significantly accelerated process compared to previous progress and is attributed to legislative changes. It was noted that the transition would require careful management, particularly where pooling could incur additional costs. It was further noted that similar points had been communicated to the government by LGPS pensions administering authorities nationwide.
- iv. A Member raised a point regarding the presentation of figures in the reports, in that left-justified tabulation made it harder to read numerical data, especially when comparing single digits with thousands. It was suggested that using right justification or alignment by decimal point would for improve readability, whilst acknowledging the complexity and effort involved in compiling the reports. The report currently in draft form would be reviewed and formatting issues addressed before finalisation.

RESOLVED:

- a) That the Annual Report and Accounts of the Pension Fund for the financial year 2024/25, subject to External Audit, be approved.
- b) That it be noted the 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 be noted.

48. Valuation of Pension Fund Investments.

The Committee considered a report of the Director of Corporate Resources which provided an update on the investment markets and how individual asset classes were performing, and the total value of the Fund's investments as at June 2025. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member queried whether fund managers had set timelines for calling capital or if they could be trusted to carry out completed works within a reasonable timeframe. Officers clarified that timelines varied by asset class and that investment periods were typically defined. Managers, typically would not be able to call capital beyond these investment periods.
- ii. A Member asked whether, with the March 2026 transition deadline, future investment decisions could be made up until that point. Officers confirmed that while implementation would transfer to LGPS Central, strategic asset allocation and investment beliefs would remain with the Committee.
- iii. In response to a question about the disconnect between missed benchmarks and improved funding levels, officers explained that strong long-term returns and other actuarial factors had contributed to the improved funding position.
- iv. A Member inquired whether any current managers, particularly those in private markets, would not continue post-transition, thereby prompting a disengagement of advice and from managers' portfolios. Officers confirmed that existing managers would remain in place short-term, with oversight shifting to LGPS Central.

- v. A Member asked about comparing returns between local and Central-managed funds. Officers reported that direct comparisons were difficult due to differing asset mixes but committed to providing a breakdown of Central-managed fund performance.
- vi. A Member raised concern about losing Adam Street Partners (ASP), a key private equity fund-of-funds manager. Officers stated it would be at Central's discretion to choose the best in class for an asset class. ASP were known as a fund-of-funds manager which might be phased out due to higher fees, with Central likely to invest directly in other private equity managers to reduce costs while maintaining performance.
- vii. The Investment Strategy Statements (ISS) would remain with the administering authority, and performance oversight would continue through the LGPS Central client and shareholder process.

RESOLVED:

That the Valuation of Pension Fund Investments report be noted.

49. LGPS Central Presentation.

The Committee considered a report which provided an update on the outcome of the Government's 'Fit for the Future' consultation and pooling matters with LGPS Central (Central). A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Chairman welcomed Mr. Nadeem Husain, Ms. Gillian Day, Mr. Jas Sidhu and Ms. Jayne Atkinson from Central. 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 queried why the presentation was directed at 'Professional Investors' only. Central reported that FCA regulations stated that no advice should be given in a personal capacity as Central were not regulated to do so, and that it was a requirement that the statement be included.
- ii. Central had integrated Responsible Investment (RI) across all asset classes. Independent reviews of all investment funds were conducted to ensure they met the standards of RI expected, and reliance was placed on asset managers to act as responsible stewards, considering environmental, social and governance (ESG) factors. Central also aimed to ensure that governance practices were maintained over the long term, not just at the point of investment.
- iii. Central had adopted a deliberate overcommitment policy on capital committed to get to as close as 100% called as possible, as underlying capital from a number of managers did not always get called for in full and could be released.
- iv. Members were informed that the portfolio was not immune to what was happening globally, for example, one of Central's businesses listed in India had been impacted by tariffs introduced by the United States. There was not a lot of exposure to the tariffs themselves, but market sentiment has investment returns to dip.

- v. When seeking to clarify the term 'co-investment', Central explained, using an example, that when a manager sought to invest in a business requiring approximately £100 million, they might commit only £80 million to maintain portfolio balance. The remaining £20 million would be offered to limited partners. The program was designed to target investments in the £15–20 million range, appealing to managers who preferred not to involve numerous small investors or a single dominant one.
- vi. The team co-invested with high-performing managers in sectors where they had expertise, utilising their due diligence reports to evaluate risks and opportunities. While some co-investments occurred during the deal process, preference was given to investing after the manager had committed.
- vii. It was noted that co-investments involved direct stakes in companies, differing from fund investments. The approach offered two main advantages: avoidance of management fees (saving approximately 1.5% or more) and faster capital deployment due to clearer investment timelines.
- viii. In cases where a business was sold to another fund, the team assessed whether to remain invested based on the new manager's quality and strategy. Generally, exits were aligned with the original manager's decision.
- ix. In response to a question, it was noted that the typical private equity investment horizon of 7–10 years had extended due to reduced IPO activity. Managers opted to retain attractive assets longer until markets were right for an exit, creating continuation vehicles to maintain growth potential and offer transparency to new investors. While IPO markets remained active in regions such as India, which had led globally over the past two years, the US market had only recently begun to reopen. Medline, for example, postponed its IPO in the previous year due to market turbulence but had resumed plans as conditions improved.
- x. Central reported that, following initial work on defining and developing local investment opportunities in response to government guidance, a clear definition of "local" was established, allowing for investments outside a region that still delivered local benefits. The team explored private market sectors, particularly housing and infrastructure, as viable routes. Engagements were held with regional managers, including smaller firms previously considered too limited in scale, while larger managers showed interest in adapting to the evolving market. The approach was designed to be sector-agnostic and regionally inclusive, with further development planned over the coming months.
- xi. Members discussed the evolving definition of "local" in relation to investment opportunities. It was noted that while Leicester, Leicestershire and Rutland were preferred, the broader pool area, potentially expanding across much of England, was also considered local. Concerns were raised about increased competition for attractive investments potentially inflating entry prices and reducing returns. It was clarified that local investments must meet standard return expectations and would not be accepted at lower returns solely due to location. Additionally, local investments would require reporting on social and economic impacts, such as job creation or environmental benefits.

- xii. Some Members expressed concern that such impact considerations may conflict with fiduciary duties focused on maximising returns for pension scheme members. Central agreed that maintaining an open-minded approach to investment types was essential, emphasising that expected returns must remain the priority over location. Also, that investments should not be limited to specific areas and highlighted the importance of diversification across asset classes such as property, private equity, private credit, and infrastructure, and stressed the need to balance return with risk and reputation, particularly in relation to partner funds.
- xiii. It was explained that Central's investment strategy had evolved, particularly in relation to regional funds and local growth plans. Previously, local venture funds were often too small, making institutional investors the largest contributors and exposing them to disproportionate risk. As allocations to local opportunities increased, fund sizes grew, reducing that risk. It was further reported there was ongoing collaboration with combined authorities, such as the West Midlands, to understand their investment models, which often involved grant-like capital.
- xiv. Members queried whether the 2021 performance improvement offset underperformance in earlier vintages and questioned the realism of future return projections. Central clarified that the HSBC investment had not yet been deployed, and its returns were still projections, and explained that target returns varied by credit type, with direct lending targeting 6–8%, and more bespoke lending reaching up to 12–14%. It was emphasised that these were credit investments, not equity, and that the focus was on capital preservation and diversification. It was further noted that the higher interest rate environment since 2022 had improved returns and that in the event of defaults, the fund would be prioritised for repayment.
- xv. A Member queried whether property investment involved purchasing the building infrastructure only, or also leasing out individual units, which highlighted two opportunities: owning the fabric of the building and acting as landlord for the units. Central confirmed that both aspects were pursued, with buildings bought leased out, generating rental income.
- xvi. A Member raised concerns about the challenges of investing in new infrastructure, noting that such projects rarely stayed on time or within budget due to early-stage pressures. Using the example of the Skye Bridge, he illustrated how initial tolls provided returns, but once removed, the yield disappeared, highlighting the difficulty of managing early financial shortfalls and long-term changes in revenue. In response, Central explained that investors typically mitigated early risks by contractually transferring cost overruns and delays to developers. The importance of selecting reliable partners and securing protective clauses was emphasised. Over time, infrastructure sectors, such as wind farms, had become more predictable in cost, helping to reduce early volatility. Addressing the issues of asset redundancy, Central noted that government-backed infrastructure often included conditions for asset return and maintenance at the end of its lifecycle, ensuring long-term usability and accountability.

RESOLVED:

That the LGPS Central report and presentation be noted.

50. 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 report marked 'Agenda Item 11' is filed with these minutes.

A Member queried the proportion of the investment portfolio held in passive funds compared to more volatile areas, citing the importance of risk management across the portfolio. In response, It was confirmed that, from an equity perspective, the target allocation was approximately 41%, with all but 12% of that invested in passive funds.

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.

51. Pension Fund - Budget Monitoring Update.

The Committee considered a report of the Director of Corporate Resources, which provided an update on the Leicestershire County Council Pension Fund (Fund) budget and forecast for 2025/26 and forecast for future years. The report also provided 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. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

Arising from discussion, the following points were made:

A Member raised concerns about the financial and operational pressures caused by the "Fit for the Future" programme, noting that local authorities were expected to absorb additional costs without government support. It was suggested that formal representation to government would be beneficial. It was explained that the budget for pension administering authorities was funded through employer contributions to the pension fund, separate from the county council's budget. It was noted that increased costs were due to staffing needs at central and pooling organisations, which now had to provide new advisory services. Recruitment challenges and budget pressures were acknowledged, and while partners were focused on cost control, no government funding was available.

RESOLVED:

- a) That the Leicestershire County Council Pension Fund budget and forecast for 2025/26 be noted.
- b) That the increased in year (2025/26) costs as a consequence of Fit for the Future government pooling guidance be noted.

52. Responsible Investment Update.

The Committee considered a report of the Director of Corporate Resources, which provided an update on the progress of the Responsible Investment (RI) Plan 2025 (Appendix A), an update on the Fund's quarterly voting report and stewardship activities

(Appendix B), and which sought the Committee's approval to commence an engagement exercise with employers and scheme members with respect to RI and climate risk, questions for which were appended to the report (Appendix C). A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion the following points were made:

- i. Members discussed the format of the questions. It was suggested that question four be revised to use a ranking format rather than allowing all options to be marked as "very important," which might dilute the usefulness of responses. The inclusion of an option to prioritise maximising investment returns to better assess the balance between responsible investment and fund performance was suggested.
- ii. Concern was raised about question six being potentially leading and proposed including alternative scenarios, such as government policy changes that could favour carbon-intensive companies, to reflect broader investment risks.
- iii. A member raised the importance of engaging with companies that may not be aligned with responsible investment beliefs in order influence companies. Officers welcomed the idea and suggested incorporating it into future planning discussions with Central. It was recognised that the Fund did not support divestment where the Fund may fall foul of its fiduciary duty.
- iv. A Member raised a concern about question seven, which invited respondents to disagree with the fund's net zero commitment, suggesting that it be clarified that net zero by 2050 was a legal requirement. Officers responded that the Fund's global investments meant it was not bound solely by UK law, and the net zero target reflected member preferences as part of the net zero climate strategy consulted on over 2022/23.
- v. Through discussion it was clarified that the Pension Fund was not activist-led but operated within legal and governance frameworks.
- vi. Officers acknowledged the feedback and agreed to consult with the council's engagement team regarding the ranking format and the wording of question six. It was noted that while ranking may slow down completion, it could improve the quality of insights. Also supported what the suggestion for an option for respondents to indicate that none of the listed factors were important, especially for those focused solely on investment returns, as it could simplify responses and ensure broader representation of views.
- vii. Members praised the survey's structure, noting it effectively captured key themes without becoming overly complex.

RESOLVED:

- a) That the update on the progress of the Responsible Investment Plan 2025 be noted.
- b) That the update on the Fund's quarterly voting report and stewardship activities be noted.

- c) That the Committee approved commencement of an engagement exercise with employers and scheme members with respect to responsible investment and climate risk.

53. Dates of future meetings.

RESOLVED:

That is be noted that the next meeting of the Committee would be held on 5 December 2025, 9.30am.

Future meetings of the Committee would be held at 10.00am on the following dates:

30 January 2026

20 March 2026

3 July 2026

11 September 2026

4 December 2026

The Fund's Annual General Meeting would be held at 12Noon on the following dates, which would be open for all scheme members to attend:

15 December 2025

14 December 2026

54. 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.

55. Leicestershire Quarterly Risk and Return Analysis

The Committee considered an exempt report of Hymans Robertson. A copy of the report marked 'Agenda Item 17' 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.

56. LGPS Central Quarterly Investment Report

The Committee considered an exempt report of LGPS Central. 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.

57. Adams Street Partners Quarterly Report

The Committee considered an exempt report by Adams Street Partners. 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 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

58. 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 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.

59. 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 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.

60. LGPS Central PE Primary

The Committee considered an exempt report by LGPS Central PE Primary Partnership. 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.

61. Patria SOF Quarterly Report

The Committee considered an exempt report by Patria SOF. 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.

62. Ruffer Quarterly Report

The Committee considered an exempt report by Ruffer. 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.

63. 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 25' 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.

64. Saltgate UK AVPUT

The Committee considered an exempt report by Saltgate UK AVPUT. 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.

65. 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 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.

66. IFM Global Infrastructure Quarterly Investor Report

The Committee considered an exempt report by IFM Global Infrastructure. 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.

67. Infracapital Greenfield Partners LP

The Committee considered an exempt report by Infracapital Greenhill Partners LP. 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.

68. 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 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.

69. 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 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.

70. LGPS Central

The Committee considered an exempt report by LGPS Central Credit Partnership I LP. 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.

71. M&G Investments Debt Opportunities Quarterly Report

The Committee considered an exempt report by M&G Investments Debt Opportunities. 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.

72. Partners Group

The Committee considered an exempt report by Partners Group. 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 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

73. Savilles Valuation Report - June 2025

The Committee considered an exempt report of Savilles. 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 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

74. Stafford Timberland Quarterly Report

The Committee considered an exempt report by Stafford Timberland. 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.

75. Aegon Asset Management Quarterly Report

The Committee considered an exempt report by Aegon Asset Management. 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 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

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LOCAL PENSION COMMITTEE – 5 DECEMBER 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 the public markets investments the Fund holds with LGPS Central (Central). A PowerPoint presentation is appended to the report, which will be delivered at the meeting by representatives from Central.

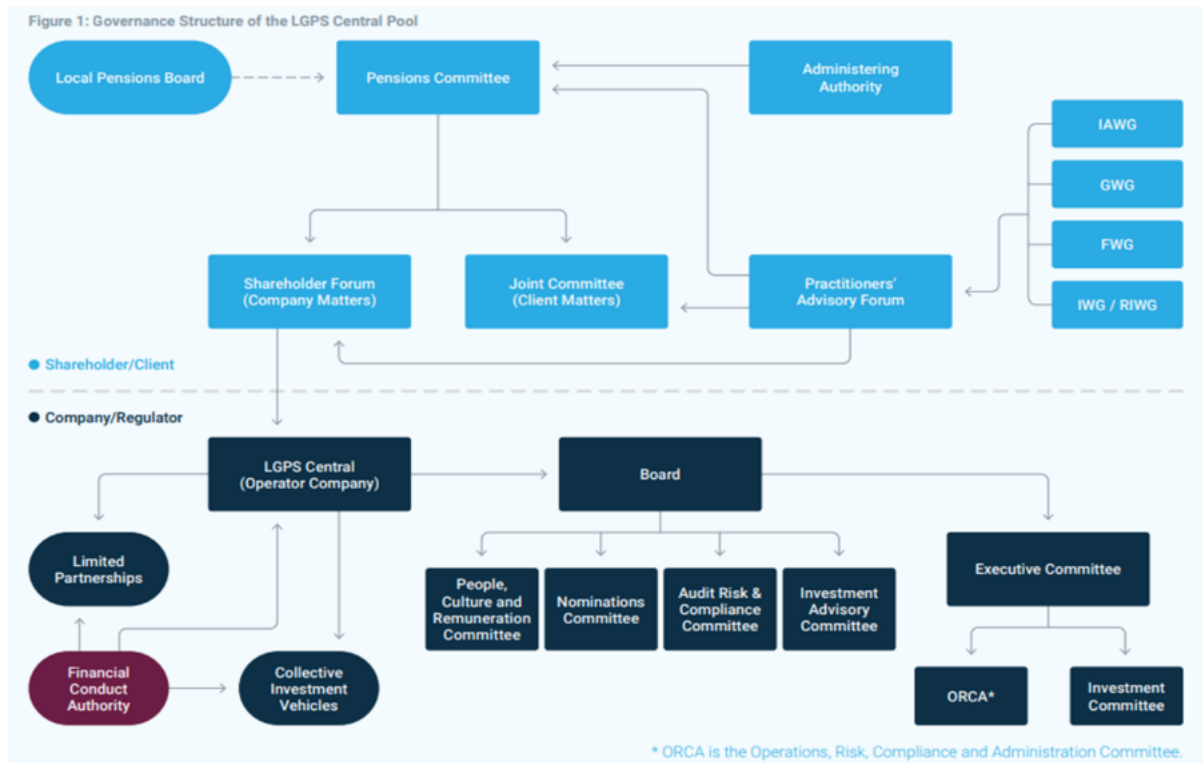
Policy Framework and Previous Decisions

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 September 2025, the Fund has circa £4.4bn invested in Central, around 62% of the Fund's total assets as well as over £900m 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 September 2025, officers, Central and partner funds have been working closely to progress the outcomes from the Fit for the Future consultation, including:
- All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.
 - A 31 March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to the Pool for management.
 - 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.

- d. Commencing work on the legal agreements that need to be amended in order for administering authorities and the Pool to adhere to the fit for the future requirements.

12. To enact these proposals the Government have introduced the Pensions Bill which Government hope will achieve royal assent in early 2026.

13. As highlighted in September 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.

14. At present there are seven new partners poised to join the existing eight partners. Together Central will be one of the largest LGPS Pooling companies in the UK with around £100billion of assets to manage.

LGPS Central Presentation

15. Representatives from Central will be in attendance to deliver a presentation to Committee, appended to this report. This quarter the highlight will be on public market investments and will also cover:

- a. A general markets update
- b. The four public market investments the Fund holds with Central; the global active equity fund, global climate multi factor fund, global investment grade bond fund and the global multi asset credit fund.

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.

Appendix

LGPS Central presentation

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LGPS Central Limited

Public Markets Update

Leicestershire Pensions Committee

5th December 2025

For Professional Investors Only

Agenda



AGENDA ITEM 

Market & Performance Update

Global Equity Active Fund

All World Climate Multi Factor Fund

Global Active Investment Grade Corporate Bond Fund

Global Active Multi-Asset Credit Fund

Asset class solution design

Appendix

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Market & Performance Overview

Equity & fixed income markets over quarter

Market outlook & risks

Overview of equity and fixed income fund performance

Market Summary – Q3 2025



Equities:

- Strongest quarterly return since Q2 2020: Global equities, measured by the FTSE All World (in sterling), delivered a return of 9.68% for the quarter.
- Emerging Markets outperformed Developed Markets, with China and Taiwan leading gains. Chinese equities surged, driven by policy support for domestic chipmakers, record AI spending, and positive US-China trade truce headlines.
- US Market: The Federal Reserve made its first rate cut of the year and signaled further easing. Large tech stocks, small caps, and REITs rallied. The US component of the FTSE All World rose by 10.04%.

Fixed Income:

- Credit spreads tightened across developed markets, with US Treasuries rallying after the Fed's rate cut.
- UK Gilts underperformed other developed market government bonds due to persistent inflation and cautious investor sentiment ahead of the Autumn Budget.

Risks & Outlook:

- Equity markets risks: Market vulnerability and potential for volatility are elevated:.
 - AI Bubble Concerns: The main market focus was on AI, with some investors warning of a bubble reminiscent of the dot-com era. This includes not just tech companies but also infrastructure, construction, and energy sectors supporting AI growth.
 - Retail Participation & Margin Debt: Retail investors increased activity, with margin debt exceeding \$1 trillion for the first time, raising concerns about market vulnerability and potential volatility.
- Central banks are responding to signs of economic weakness, especially in labour markets.
- Outlook: Continued focus on AI, trade policies, inflation, and political developments will shape market dynamics. Fund managers remain cautious but optimistic about opportunities in credit and equities, with strong security selection and risk management emphasised.

Public Markets Investment Overview



Fund Name and Benchmark	Valuation 30/09/2025 (£m)	Date of First Investment	Performance (% p.a.)							
			Since First Investment		5 Years		3 Years		1 Year	
			Fund	B'mark	Fund	B'mark	Fund	B'mark	Fund	B'mark
LGPS Central Limited Global Equity Active Multi Manager Fund	847	March 2019	12.35	12.80	13.04	13.14	14.69	16.19	9.76	17.39
LGPS Central Limited All World Equity Climate Multi Factor Fund	976	December 2020	11.68	11.48	12.37	12.16	14.99	14.81	16.75	16.59
LGPS Central Global Active Investment Grade Corporate Bond Multi Manager Fund	200	April 2020	1.21	0.65	0.01	-0.33	8.47	7.31	4.82	4.02
LGPS Central Global Multi Asset Credit Multi Manager Fund	449	April 2021	2.21	3.41	-	-	8.15	4.73	6.20	4.43
Under Pool Management (LGIM Oversight)*	Valuation as at 30 September 2025 (£m)		-	-	-	-	-	-	-	-
UK Equity Index Fund	159	-	-	-	13.06	12.99	14.50	14.47	16.19	16.17
All World Equity Index Fun	848	-	-	-	12.95	13.06	15.91	16.12	17.13	17.33
Low Carbon Transition Global Equity Index Fund	285	-	-	-	-	-	16.52	16.16	18.24	17.95
Other**	0.505	-	-	-	-	-	-	-	-	-
Total Public Markets Under Pool Management	3,764	-	-	-	-	-	-	-	-	-

*LGIM data at 30/09/2025 **other includes FTSE RAFI Funds



Global Equity Active Fund

Performance and peer comparison

LGPS Central Global Equity Active Multi Manager Fund



Performance (%)	Quarter	1 Year	3 Years	5 Years	Since Inception
Fund	5.6	9.8	14.6	13.0	12.4
Benchmark	9.7	17.4	16.2	13.1	12.8
Target	10.1	18.9	17.7	14.6	14.3
Harris	6.7	12.2	12.8	13.3	10.2
Schroders	8.2	16.6	17.1	13.8	14.5
Union	2.9	6.0	14.6	12.6	12.7
Longview*	2.6	-1.7	--	--	-0.2

Source: Northern Trust as at 30 September 2025 Returns in GBP/ Returns % post total fees

Inception Date: 12/3/19

* Longview's Inception Date: 18/07/2024

Portfolio	Q3 2025 Quartile vs Peers	1 year Quartile vs Peers	3 year Quartile vs Peers	5 year Quartile vs Peers
GEAMMF	3 (All)	3 (All)	2 (All)	2 (All)

Source: Northern Trust/eVestment, data as at 30 September 2025;
using % Returns in GBP net of total fees; returns annualised except for the second quarter.

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Quarterly Commentary

- The Fund returned 5.58% over the quarter, underperforming the benchmark return of 9.68% by 410bps.
- The main cause of underperformance resulted from an underweight position within the Technology sector and poor stock selection within the sector. Adverse stock selection in Industrials also detracted from returns.

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LGPS Central Global Equity Active Multi Manager Fund

Peer comparison



Manager Relative Performance vs Peers

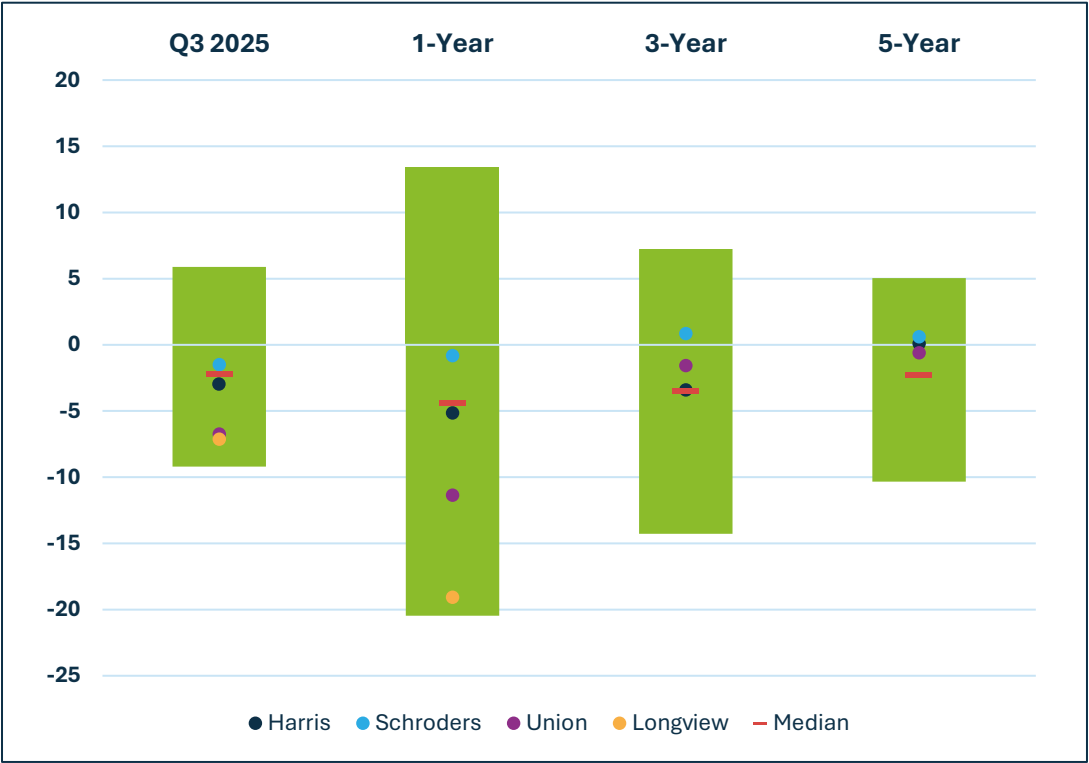
Portfolio	Q3 2025 Quartile vs Peers	1 year Quartile vs Peers	3 year Quartile vs Peers	5 year Quartile vs Peers
Harris	3 (Value)	3 (Value)	2 (Value)	2 (Value)
Schroders	2 (Growth)	2 (Growth)	1 (Growth)	1 (Growth)
Union	4 (Core)	4 (Core)	2 (Core)	2 (Core)
Longview*	4 (Core)	4 (Core)		

Source: Northern Trust/eVestment, data as at 30 September 2025;
using % Returns in GBP net of total fees; returns annualised except for third quarter.
Inception Date: 12/3/19

* Longview was introduced as the fourth manager in the Fund on 18th July 2024. It is included in the performance at the Fund level, however, not at the standalone manager level performance except the 3-month and 1-year periods as they have not completed the full subsequent periods.

The chart to the right compares our managers' performance within the eVestment All Global Equity universe.

Manager Relative Performance vs All Global Equity



- The Y-axis shows the range of % returns from the 5th percentile to the 95th percentile
Source: Northern Trust/eVestment, data as at 30 September 2025



LGPS Central Limited

All World Equity Climate Multi Factor Fund

Performance

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All World Equity Climate Multi Factor Fund: Performance



Performance to 30 September 2025

Performance (%)	Quarter	One Year	Three Years	Five Years	Since Inception*
Fund	9.22	16.75	14.99	12.37	12.02
Benchmark - FTSE	9.22	16.59	14.81	12.16	11.83
Difference	0	0.16	0.18	0.21	0.19
FTSE All World (net of tax)	9.58	16.89	15.64	12.63	12

- Over the quarter, the Fund matched the benchmark and continued to perform in line with its target tracking range
- Relative to the FTSE All World Index, the Fund's benchmark underperformed by 36 basis points over the quarter. This was driven by the index's lower exposure to Technology (relative to the All World), which enjoyed strong performance over the period.
- The Fund's AUM at the quarter-end was £6.0 billion

Source: Northern Trust as at 30 September 2025. Returns in GBP, net of all fees

* Inception Date: 24/10/19. Periods in excess of one year show annualised performance

Global Active Investment Grade Corporate Bond Multi-Manager Fund

Performance & peer comparison

New global fund launch

Global Active Investment Grade Corporate Bond Fund



Benchmark:

50% Global Corporate Index (ex GBP and emerging market issues) hedged to GBP 50% Sterling Corporate Bond Index

Fund

- The Fund returned 1.76% over the third quarter, which outperformed the benchmark by 32bps and the target by 12bps. Since inception, the Fund remains ahead of benchmark and 30bps behind target.

Neuberger Berman

- Neuberger Berman's portfolio outperformed the benchmark return and performance objective by 38bps and 18bps respectively during the quarter.
- The outperformance was driven by strong security selection with primary drivers from sectors which benefit from the current interest rate environment such as banking and finance.

Fidelity

- Fidelity returned 1.71% for the quarter, which outperformed the benchmark return by 27bps but underperformed the performance target by 7bps.
- The performance of the portfolio was driven by strong security selection, particularly in non-financial senior bonds. The UK water sector outperformed over the quarter, which was a partial driver of returns along with high quality sterling names.

Performance (%)	Q3 2025	1 Year	3 Years	5 Years	Since Inception
Fund Return	1.76	4.82	8.47	0.01	2.67
Benchmark	1.44	4.02	7.31	-0.33	2.17
Target	1.64	4.82	8.1	0.47	2.97
Neuberger Berman	1.82	4.80	8.5	0.17	3.10
Neuberger Berman vs Benchmark	0.38	0.78	1.19	0.50	0.93
Neuberger Berman vs Target	0.18	-0.02	0.40	-0.30	0.13
Fidelity	1.71	4.88	8.49	-0.12	2.42
Fidelity vs Benchmark	0.27	0.86	1.18	0.21	0.25
Fidelity vs Target	0.07	0.06	0.39	-0.59	-0.55

Source: Northern Trust as at 30 September 2025. Returns in GBP, net of all fees

* Inception Date: 17/12/20.

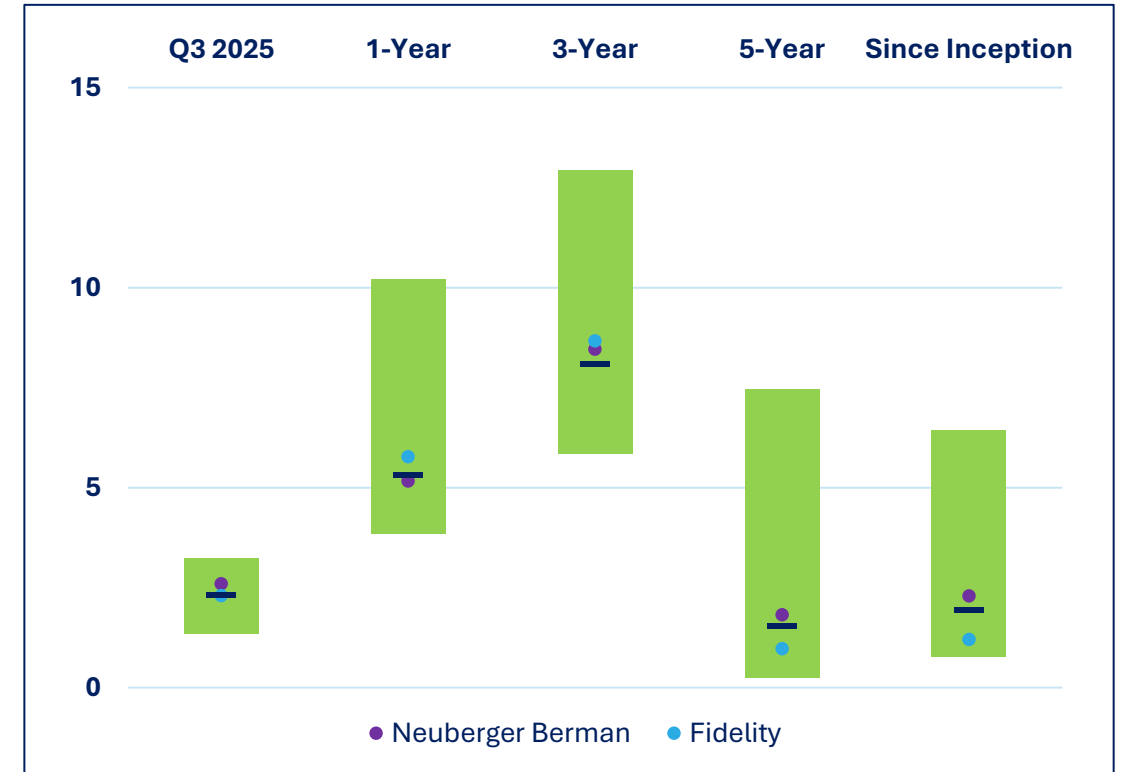
Global Active Investment Grade Corporate Bond Fund



Performance	Quarterly	1-Year	3-Year	5-Year	Since Inception
Fidelity eVestment	2.30	5.77	8.67	0.97	1.20
Neuberger Berman eVestment	2.60	5.17	8.46	1.82	2.29
25th Percentile	2.55	5.90	8.90	3.13	3.07
Median	2.32	5.31	8.09	1.55	1.94
75th Percentile	2.04	4.93	7.57	1.11	1.53
Observations	153	152	138	116	112

Source: E-vestment (GBP)

- Fidelity was flat against the market median over the quarter but had stronger performance over one and three years. They remain behind the average on the longer term.
- Neuberger Berman has had stronger performance on the longer term but has had lower performance versus the median across one year.



New Launch: 100% Global Investment Grade Credit



1. Fund Concept & Objectives

- **Structure:** A 100% Global Investment Grade Credit Multi-Manager Fund, launched alongside the existing 50/50 Corporate Bond Fund (which will remain active).
- **Rationale:** Developed in response to partner fund demand for a fully global solution, aiming to improve diversification and enhance the probability of meeting performance targets compared to the current 50/50 structure.

2. Key Features

- **Managers:** Three external managers have been selected following a full procurement process. Confirmation and onboarding are imminent.
- **Investment Approach:**
 - Global credit exposure across major developed markets.
 - Use of derivatives for risk management and efficient portfolio management.

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3. Strategic Context

- This fund is part of LGPS Central's Fit for Future initiative, which includes multiple new product launches over the next 6–8 months. The Global Credit Fund is seen as a flagship offering to meet evolving client needs for global diversification and improved risk-adjusted returns

Global Active Multi-Asset Credit Multi-Manager Fund

Performance & peer comparison

Changes to MAC fund

Global Active Multi-Asset Credit Fund



Fund

- The Fund returned 2.44% (net of all costs) over the quarter, outperforming the benchmark by 143bps and the performance target by 42bps.
- Over three years, the Fund is ahead of benchmark by 342bps but behind the target by 58bps.

CTI

- CTI returned 2.38% over the quarter and outperformed the benchmark and target return by 1.37% and 0.36% respectively.
- Positive performance was driven by higher yielding assets as spreads continued to tighten.
- CTI reduced credit exposure after the strong rally seen in credit post 'Liberation Day' and are cautious on corporate credit as tariffs become a squeeze on earnings.

Western Asset Management

- Western Asset Management's portfolio returned 2.51%, which outperformed the benchmark return by 1.50% and target by 49bps and were the slightly stronger manager over the quarter.
- The outperformance was driven by continued tightening in credit spreads, particularly the allocation to high yield credit.
- Emerging Market debt also contributed positively with US dollar denominated corporate and sovereign debt both performing well due to a weaker US dollar.

Performance (%)	Q3 2025	1 Year	3 Years	Since Inception
Fund Return	2.44	6.20	8.15	2.21
Benchmark	1.01	4.43	4.73	3.41
Target	2.02	8.43	8.73	7.41
Western Asset	2.51	6.29	8.33	1.73
Western Asset vs Benchmark	1.50	1.86	3.60	-1.68
Western Asset vs Target	0.49	-2.14	-0.40	-5.68
CTI	2.38	6.16	8.00	2.71
CTI vs Benchmark	1.37	1.73	3.27	-0.70
CTI vs Target	0.36	-2.27	-0.73	-4.70

Source: Northern Trust as at 30 September 2025. Returns in GBP, net of all fees

* Inception Date: 15/4/21.

Global Active Multi-Asset Credit Fund



Performance	Quarterly	1-Year	3-Year	Since Inception
Western Asset	2.69	6.82	9.04	3.30
CTI	2.49	6.65	8.82	3.57
25 th Percentile	2.69	6.91	10.16	4.13
Median	2.49	6.65	8.65	3.21
75 th Percentile	2.17	5.51	7.64	2.05
Observations	29	29	29	29



Source: E-vestment (GBP)

- Both managers have outperformed their market median over the longer term.
- Over the quarter, WAM has outperformed their market median whilst CTI was flat.

Key Changes to the MAC Fund



1. Investment Objective & Policy Adjustments

- Objective revised to target 1% above the combined index.
- Policy change to increase maximum allocation to loans, Asset Backed Securities, and high yield from 30% to 40%.
- Stress testing and liquidity testing required before implementation.

2. Benchmark & Guideline Updates

- Proposal to change the benchmark and make small adjustments to guideline limits.
- These changes stem from the three-year review and feedback from Partner Funds.

3. Manager Changes and Appointment

- One manager removed.
- Appointment of one replacement manager and an additional new manager, onboarding set for early 2026.

Asset class solution design

Fit for future verbal update



Appendix



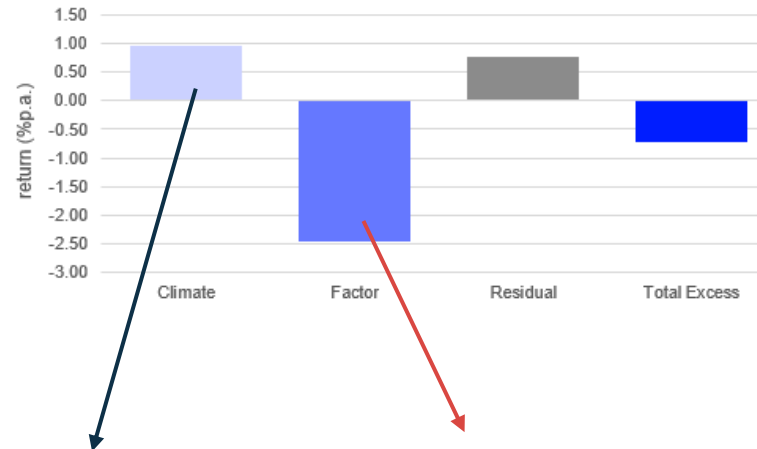
All World Equity Climate Multi Factor Fund: Attribution

FTSE Climate Multi Factor attribution – Q3 2025

- Relative to the FTSE All World Index, the Climate factor exposures in the AW Climate Index (specifically, Green Revenue) contributed to performance but were offset by the style factor exposures

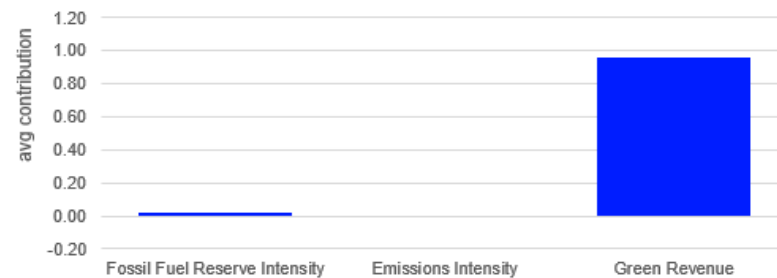
Attribution of excess return

	Climate	Factor	Residual	Total Excess
Q3 2025	0.97	-2.45	0.75	-0.73



Climate factor contribution to excess return

	Fossil Fuel Reserve Intensity	Emissions Intensity	Green Revenue	Total Climate Contribution to Excess Return
Q3 2025	0.02	-0.01	0.96	0.97



Factor contribution to excess return

	Momentum	Value	Size	Quality	Volatility	Total Factor Contribution to Excess Return
Q3 2025	-0.26	0.78	-0.56	-0.26	-2.16	-2.45

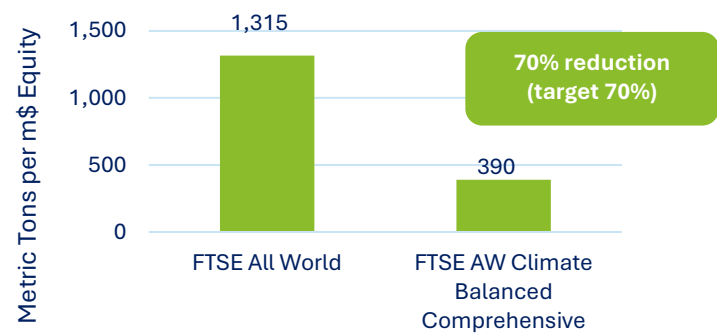


All World Climate Multi Factor Fund:

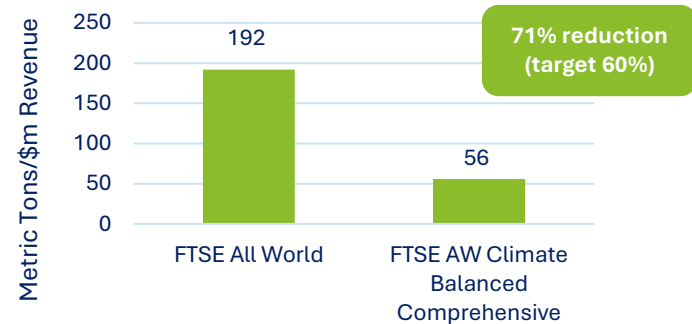


Climate characteristics as at 30 September 2025

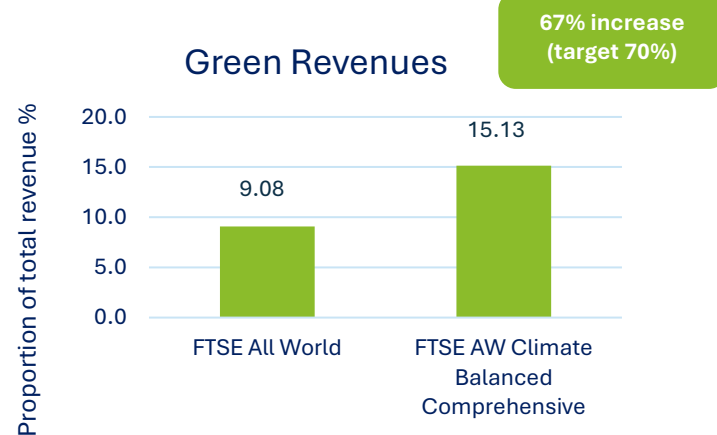
Fossil Fuel Reserves



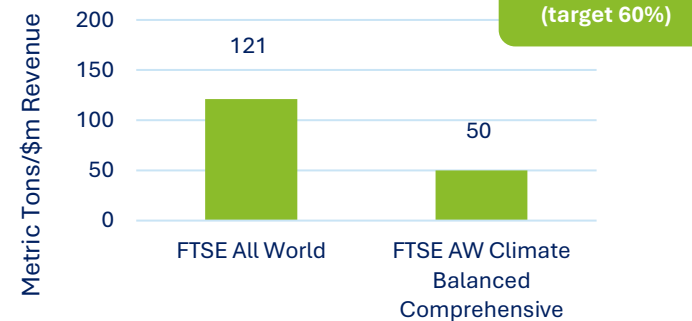
Carbon Emissions Intensity



Green Revenues



Weighted Average Carbon Emissions Intensity



Carbon Emissions Intensity

The sum of the investor's share of emissions divided by the investor's share of sales for each company in the index.

Weighted Average Carbon Emissions Intensity (WACI)

Measures a portfolio or index exposure to carbon intensive companies. It calculates the ratio of emissions to sales for each company and then takes the weighted average of these numbers.

Fossil Fuel Reserves

Shows the index exposure to levels of fossil fuel reserves for companies within the Climate Factor index vs. the cap weighted benchmark.

Green Revenues

Shows the index exposure to companies that are engaged in the transition to a green economy by assessing the revenue derived from green goods, products and services.

Thank you **for listening**

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LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

VALUATION OF PENSION FUND INVESTMENTS

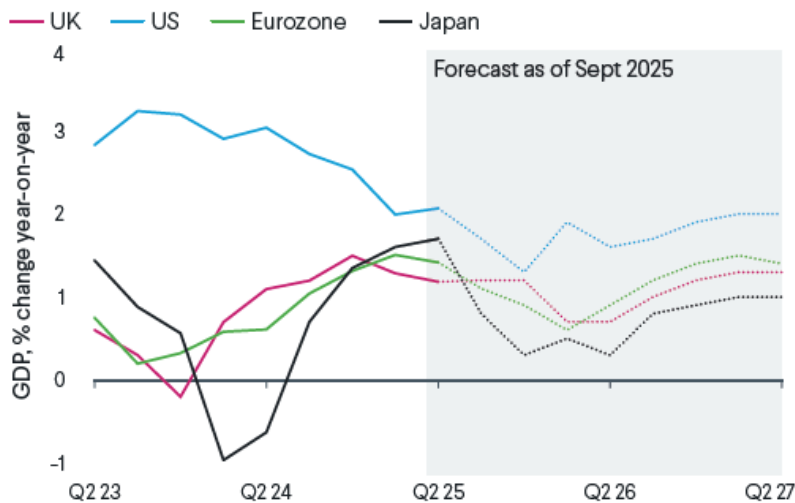
Purpose of Report

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 September 2025.
2. Included within this report is the scope for the annual review of the Fund's strategic asset allocation (SAA).

Markets Performance and Outlook

3. Global growth forecasts for the first half 2025 were partly supported by business investment and frontloaded orders ahead of US tariff hikes. However, growth is set to slow modestly in the second half as tariff effects deepen. US importers, having drawn down inventories, will be choosing between absorbing costs or passing them on to consumers.

Chart 1: Global growth is expected to slow modestly in 2025 and 2026, largely due to the US



Source: LSEG Datastream, Consensus Economics

4. Despite all the news affecting daily equity markets, global equity markets returns year to date have been good. The table below shows the Morgan Stanley Capital International (MSCI) index in GBP. The three months to 30 September 2025 returning over 9% in GBP terms. The MSCI World Index captures large and mid-capitalisation publicly listed companies across 23 developed markets countries and includes over 1,300 companies.

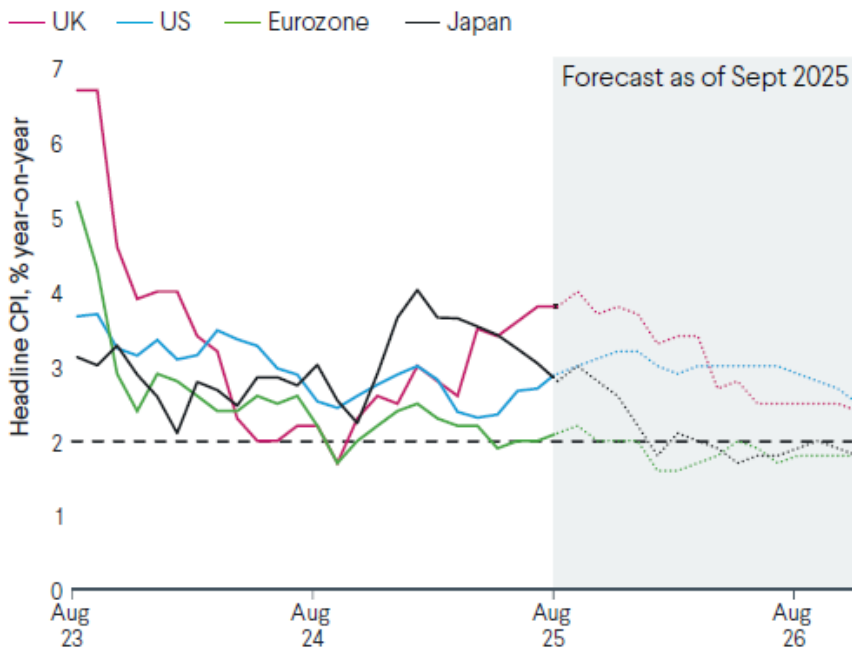
5.

INDEX PERFORMANCE – GROSS RETURNS (%) (SEP 30, 2025)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			
					3 Yr	5 Yr	10 Yr	Since Dec 31, 1987
MSCI World	3.62	9.28	17.32	9.62	16.77	14.01	14.34	9.80

6. The MSCI world index is currently priced at 24 times earnings of the underlying companies. As a measure of 'expensiveness' this is around 50% higher than its average of 17 times earnings. However, it should be noted that ratios can stay elevated for prolonged periods of times and can move higher.
7. The Fund is well diversified and is able to weather most down ward global market conditions. We would not expect all areas of the Fund's investments to be performing well at the same time, as it could be inferred if a slowdown were to take place all parts of the portfolio could suffer. The Fund's annual SAA review will carefully consider the weightings to asset classes amongst other areas. The scope is included within this paper.
8. Hymans' capital markets autumn report (which is included as an appendix to this report) notes a slowdown in global growth is unlikely from the consensus growth rate of 2.4% in 2026 which could be underpinned by US artificial intelligence (AI) investment, the effects from US interest rate cuts and a supportive US spending and tax (fiscal) policy.
9. More recent information market commentators have, however, poured doubt on the massive AI spending boom and if actual profits can be delivered from the capital expenditure incurred. If this fails to materialise or the market decides the risks are too great there is a chance of pullbacks in the major indices which are close to all-time highs and also at multi decade high valuations metrics.
10. One of the main policy tools that affects markets in general is central bank interest rates and forward guidance that markets interpret as either positive or negative for markets. Historically, interest rates and guidance offered by central banks would be accommodative during periods of low growth, recession or rising employment. However, over the last few years inflation concerns have tempered the default response of reducing rates to support the economies. Inflation has proved to be far stickier than many had forecast with Hymans forecasting that inflation in both the UK and US will be ahead of their stated targets until at least 2027.

Chart 2: Inflation in the UK and US is expected to stay above target until at least 2027



Source: LSEG Datastream, Consensus Economics

11. Some market commentators have rightly pointed out that the US Federal Reserve (Fed) would have cut rates more in this type of weakening labour market, but due to the imbalances and distortions of the COVID cycle, resulting in the stickier inflation numbers, they believe the Fed is later than normal in interest rate easing policy, and that has held back broad stock market performance. Performance which currently has been driven in the US at least by smaller areas of the markets, the magnificent 7 and AI for example. As a result, there could be continued US stock market performance in 2026 as a result lower rates and supportive government policy.
12. The US has continued its path on cutting 'base' interest rates with the last cut at the October meeting and in August the Bank of England cut rates by 0.25% to 4.00%.
13. The table below shows a handful of developed market interest and inflation rates as at 14 November 2025. The general direction of interest rate moves has been lower through 2025 across major developed economies, the exception being Japan which has had its first rate increase in in January of this year in response to inflation which is now at 2.9%, having peaked at c4% in mid-2022.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.6	Down	August 2025	3.2	September 2025	Consumer Price Index (CPI)
Canada	2.25	Down	October 2025	2.4	September 2025	Consumer Price Index (CPI)

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Euro Area	2.15	Down	June 2025	2.1	October 2025	Harmonised Index of Consumer Prices (HICP)
Japan	0.5	Up	January 2025	2.9	September 2025	Consumer Price Index (CPI)
Sweden	1.75	Down	October 2025	3.1	September 2025	Consumer Price Index with Fixed Interest Rate (CPIF)
United Kingdom	4	Down	August 2025	4.1	September 2025	Consumer Prices Index including owner occupiers' housing costs (CPIH)
United States	3.75-4.00	Down	October 2025	3.0	September 2025	Consumer Price Index (CPI)

Source: various including Investopedia, tradingeconomics.com and global-rates.com

14. Hymans' capital markets review for the September 2025 quarter ending comments 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 rose 9.7% in Q3, driven by AI optimism, easing trade tensions, and US rate-cut expectations.
- Valuations are elevated, especially in tech-heavy US markets, but profitability is stronger than during the dotcom era.
- Sustained high valuations hinge on continued tech earnings; risk of AI-related disappointment remains.
- Medium-term return outlook is subdued; diversification beyond US-centric indices is recommended.

b. Government bonds:

- UK gilt yields have risen due to heavy issuance and declining institutional demand, causing curve steepening. Meaning the difference in interest rates

payable between short term bonds and long term bonds has increased making it costly to borrow for longer durations.

- Overseas investors are replacing traditional buyers but demand higher yields; 10-year gilts around 4.9% remain attractive.
- Index-linked gilts benefit from higher inflation and weaker growth, offering real yields near 1.7%, though technical pressures persist.
- Overall outlook is balanced: nominal gilts slightly better on valuation, index-linked stronger on fundamentals.

c. Corporate credit:

- Corporate fundamentals remain robust; debt affordability is healthy despite higher leverage.
- Investment-grade spreads are historically tight, limiting short-term upside, but high all-in yields support medium-term returns.
- Speculative-grade spreads are very thin relative to risk, making high-yield bonds less attractive despite benign default outlook.
- Attractive sovereign yields help overall returns, but credit risk compensation is limited.

d. UK Property:

- UK commercial property delivered 8.7% total return over the year to August, with income contributing 5.8%.
- Rental growth (3.4%) lags CPI inflation; industrial slowing, retail and office improving.
- Net initial yields (5.2%) below reversionary yields (7.1%), suggesting potential for capital growth.
- Sentiment improving, but transaction volumes remain low; policy changes (for example, rent review ban) could affect valuations.

15. A summary of global asset class performance over various time frames as at quarter end 30 September 2025 is shown below. 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	Annualised Total Returns to 30/9/25 (GBP unless stated)				
	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Global	9.7%	17.4%	16.2%	13.1%	13.8%	10.3%
US	10.1%	17.2%	17.4%	15.5%	16.7%	12.5%
UK	6.8%	16.1%	14.3%	12.9%	8.1%	6.8%
EM (USD)	10.5%	16.3%	18.3%	8.3%	8.7%	6.7%
US Investment Grade	4.8%	2.8%	0.8%	-0.9%	4.5%	5.9%
US Non Investment Grade	4.2%	7.0%	4.1%	4.4%	6.9%	7.2%
UK Investment Grade	-0.4%	-0.4%	2.6%	-4.9%	0.1%	2.7%
European High Yield (EUR)	1.8%	6.5%	10.0%	4.2%	4.2%	5.8%
Emerging Markets	4.7%	8.4%	11.5%	1.5%	3.2%	5.0%
UK Gilts	-0.6%	-1.3%	1.3%	-5.8%	-0.5%	2.5%
UK Index Linked Gilts	-1.3%	-7.8%	-5.1%	-8.6%	-0.9%	3.2%
Cash	1.1%	4.9%	5.0%	3.1%	2.0%	
Gold	19.3%	45.7%	24.5%	14.5%	14.6%	12.6%
Cat Bonds	8.1%	12.6%	10.5%	8.8%	8.0%	9.4%

	Return	Annualised Total Returns to 30/6/25 (USD)				
	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years
Private Equity	2.4%	7.6%	5.7%	15.2%	13.5%	14.2%
Private Credit	1.7%	7.3%	7.9%	10.9%	8.4%	9.5%
Real Estate	0.2%	1.0%	-1.2%	6.3%	7.1%	9.4%
Infrastructure	2.4%	8.8%	8.9%	11.4%	9.7%	9.4%

Source: Bloomberg for listed markets,

Portfolio changes during the quarter ended September 2025

16. No changes other than capital calls for past private market commitments occurred during the period.
17. The net effect on cash, quarter on quarter, has seen a small decrease from £569million to £561million.
18. 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 Strategic Asset Allocation are reported later within this paper.

Investments approved at Investment Sub-Committee (ISC)

19. At the meeting of the ISC on the 1 October 2025 the following decisions were approved:
 - a. Top up an additional £120m to the 2024 Central private debt sleeves (£90m to Direct Lending and £30m to real assets). These additional commitments bring the total commitments across the two 2024 Central private credit vintages to £400million.
 - b. £90m additional commitment to the Aegon Short Dated Investment Grade corporate bond investment from general cash balances. £90million was added to this product over three £30million investments in October and November 2025.
 - c. £110m per annum of new commitments to private equity, are made to rebuild exposure and reach the target allocation by 2031-32 for private equity (PE), to be split as follows:
 - i. £65m to the LGPS Central 2025 PE primary sleeve.

- ii. That it be delegated to the Director of Corporate Resources to commit £15m to the 2025 co-investment sleeve subject to satisfactory due diligence.
- iii. That it be delegated to the Director of Corporate Resources to commit a further £30m earmarked for potential allocation (£15m each to secondary and venture sleeves), subject to satisfactory due diligence.

Strategic Asset Allocation (SAA) 2025

20. As a reminder, 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 following 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 September 2025 is 43.8% to listed equity.
 - b. Property: A reduction to the property allocation to 7.5% of total Funds assets was approved from the existing (2024) 10% target. The Fund has had an underweight position to property for a number of years and the current allocation as at 30 September 2025 is 7.0% 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 September 2025 with 6.8% of total Fund assets. Existing commitments are in place and at the time of writing total over £500million.

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 forecast for cash is presented to the ISC each quarter. At the quarter ended 30 September 2025 the Fund held £561million (£569m previous quarter) in cash and an additional £59million (£72million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 8.7% (9.4% last quarter) of total Fund assets, with the decrease primarily due to the increased value of assets held by the Fund, now over £7billion for the first time.
23. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets towards private market investments. There is now over £1billion for the first time in outstanding commitments at the time of writing (21 November 2025) awaiting to be called for private market investments. The majority of this is for LGPS Central products totalling over £0.9billion across private equity, property, infrastructure and private credit.
24. The Fund's 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. In addition, it was agreed at the 1 October ISC that £90million would be held in the Aegon short dated corporate bond fund as a way of generating marginally more return than on cash whilst awaiting calls from the private credit commitments the Fund has made. Although not a direct replacement for private credit risk and returns, Hymans proposed that this alternative was a low-risk method of generating returns higher than from holding cash.

25. At present there are no more proposals for additional investments to be presented to the Leicestershire Pension Committee's as the Fund awaits the setup of LGPS Central's advisory function which intends to perform implementation and management of the SAA which will take into the Fund's investments strategy statement (ISS) which includes the Fund's investment beliefs and responsible investment policy. The Fund does, however, have existing approval to commit a further £130million to Central products in 2026 across infrastructure asset classes.
26. The Fund, at the time of writing, has £350million invested in fixed deposits with a weighted average interest rate of 4.14% (was 4.23% at the last update) with an average term to maturity of 2.8 months (was 3.4 months at last update). In addition, at the time of writing, the Fund holds £136million across four money market funds (MMF) and a USD account with rates ranging from 4.06% to 3.92%.
27. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £320million from the quarter end position of £560million. 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, a prudent estimate for this has been included in the forecast.
 - b. The pace at which closed ended funds return capital, in particular private equity, private credit and infrastructure funds.
 - c. The pace at which investments into the LGPS Central MAC fund are made. The Fund has a £190million underweight position within this fund based on the current SAA. 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 and Hymans will consider this as part of the overall SAA review scheduled to be presented to the Local Pension Committee on 30 January 2026. At present the cash forecast assumes around two thirds of the 190million is invested by 31 March 2025.
28. The table below shows the current position of the Fund's actual investments against the 2025 SAA targets. 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 still overweight cash, and underweight income assets. Although significant commitments have been made to income asset classes, they will take time to be fully called. The Fund is valued at over £7billion for the first time.

	30/09/25		30/09/25 Actual	Difference, actual to	£m to SAA	Commitments / to 31/3/26:		Diff to target	
	£m	2025 SAA	weight %	2025 SAA	weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Growth	3,857	53.5%	54.2%	0.7%	52	210	-25	237	3.3%
Income	2,154	38.5%	30.3%	-8.2%	-584	1,041	-76	381	5.4%
Protection	540	8.0%	7.6%	-0.4%	-29	90	0	61	0.9%
Cash	561	0.0%	7.9%	7.9%	561				
	7,111	100.0%	100.0%						

The Protection asset group includes hedge collateral at 0.75% of total fund assets

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments / to 31/3/26:		Diff to target	
	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Growth									
Equity	3,115	41.00%	43.8%	2.8%	199			199	2.8%
Global Return Funds	354	5.00%	5.0%	0.0%	-1			-1	0.0%
Fixed Income	387	7.50%	5.4%	-2.1%	-146	210	-25	39	0.5%

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments / to 31/3/26:		Diff to target	
	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Income									
Infrastructure	725	12.50%	10.2%	-2.3%	-164	290	-30	96	1.3%
Global private credit	485	9.50%	6.8%	-2.7%	-191	520	-40	289	4.1%
Property	495	7.50%	7.0%	-0.5%	-38	40	-6	-4	-0.1%
Fixed Income - liquid MAC	449	9.00%	6.3%	-2.7%	-191	191		0	0.0%

	30/09/25		30/09/25 Actual	Difference, actual to	£m to	Commitments / to 31/3/26:		Diff to target	
	£m	2025 SAA	weight %	2025 SAA	target weight	investments approved	other cashflow / divests	weight post changes £m	% diff to SAA
Protection									
Inflation linked bonds	214	3.50%	3.02%	-0.5%	-34			-34	-0.5%
Investment grade credit	200	3.25%	2.82%	-0.4%	-31			-31	-0.4%
Short dated IG credit	66	0.50%	0.93%	0.4%	30	90		120	1.7%
Currency hedge	59	0.75%	0.83%	0.1%	6			6	0.1%

Cash	561	0.00%	7.9%	7.9%	561				
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Overall Investment Performance

29. Investment performance analysis over various time frames to the period quarter ending 30 September 2025 is conducted by Hyman. Hyman's 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.
30. 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.
31. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+8.2%	+7.6%	+8.0%
vs benchmark	-3.7%	-2.5%	-0.3%

32. It is important to note that investment returns can be negative in absolute terms and for a protracted period, and chances of negative absolute returns over shorter periods of time are considerably higher than over longer periods of time. Currently over the short and medium term (three and five-year time frames) the returns for the Fund are comfortably positive at +7.6% pa over 3 years and +8.0% per annum over five years.
33. The current returns compare favourably to the most recent Hymans Robertson actuarial valuation, as at 31 March 2025, which calculated a future investment return of at least 6.1% pa in 80% of the future simulated outcomes. The Fund decided to increase the level of prudence from 75% used at the 2022 actuarial valuation to 80% in recognition of increase volatility and uncertainty in investment markets.
34. The annual investment strategy review takes into account the required rate of return when the investment consultant for the Fund proposes changes to the SAA. The Fund aims to generate a return ahead of the future investment return from the last actuarial valuation which therefore builds in an amount of margin without taking undue investment risk.
35. The current investment returns over the one, three and five-year timeframes versus the benchmarks are now negative. This is partly due to the change of benchmarks through 2024 where existing benchmarks were replaced with comparisons which more accurately reflect the risk being taken. In many cases the existing 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.
36. Taking this particular example for private equity the returns expected over the last 3 years would be nearly 20% pa which is the FTSE all world return plus 3% pa. The additional 3% over the public market equivalent represents the additional risk private equity investments represent and therefore the Fund would, over the longer term expect to outperform the listed public markets given the illiquidity endured for holding positions in private companies.
37. However, for a number of factors the actual returns experienced by the Fund and the private equity markets in general over the past three years has been flat. In fact, the actual returns for the Fund's £387million exposure has been -0.7% per annum over the past three years and +11.8% per annum over the last five years.
38. Private equity has struggled versus listed equity markets as underlying positions have been generally marked down as interest rates moved higher from 2022. These higher interest rates when used in valuing private companies results in lower overall valuations. Together with fewer initial public offerings (IPOs) given muted investor demand for these private companies listing over the last two or three years has seen the overall returns stagnate. Last quarter we noted the average age for private companies coming to IPO had reached nearly 15 years.



39. The Fund does however continue to see a long-term future for this asset class and maintains a 7.5% target weight. This asset class which has produced investment returns of +13.3% per annum since March 2016 for the Fund. Quite often the best times to invest in a particular asset class is when returns have been lower than the historical norms. Much of the investors return can be traced back to asset allocation decisions, rather than manager selection. The Fund adheres to this and makes decisions to rebalance accordingly when the actual allocation is below the target, thereby potentially buying into an asset class at better valuations.

Growth investments review

40. The growth asset group of the Fund is one of the three areas of the SAA along with income and protection. Growth has a target weight of 53.5% of total Fund assets. As at 30 September it was at 54.2% and within the overall tolerance per the rebalance strategy.
41. Asset classes included within this asset group include, listed equity, private equity and targeted return. The Fund accesses these asset classes via 5 managers in the main and the details are shown below. Growth assets in total have returned 11.4% per annum over three years and 11.8% per annum over five years.

Asset class	Fund names	£m / % of total	Target weights
Listed equity – passive	LGIM funds * 2 (UK equity and all world)	£1,001m / 14.1%	13.5%
Listed equity – factor tilt	LGIM fund – low carbon transition	£285 / 4.0%	3.5%
Listed equity – active	LGPSC – global active equity	£847m / 11.9%	12.0%
Listed equity – factor tilt	LGPC – climate multi factor	£976m / 13.7%	12.0%
Total listed equity		£3,115m / 43.8%	41.0%
Private equity	Adams street Partners - various	£346m / 4.9%	7.5%
Private equity	LGPSC – various	£32m / 0.4%	
Private equity	Patria Secondaries opportunities III	£9.2 / 0.1%	
Total private equity		£387m / 5.4%	7.5%

Targeted return	Ruffer – total return	£212m / 3.0%	3.0%
Targeted return	Fulcrum – diversified core return	£143m / 2.0%	2.0%
Total Targeted return		£354m / 5.0%	5.0%

42. Whilst slightly overweight to a number of listed equity funds including the LGPS Central climate multi factor fund and the LGIM low carbon transition fund owing to their relative performances there is little opportunity to rebalance given the underweight areas of the portfolio are held in private markets. The overweight is still within the rebalance range of plus or minus 2.5% for total growth assets and divesting would add to cash balances at this point in time. Any small rebalances to liquid areas of the portfolio will be taken from the Fund's cash balances.
43. Over the years the Fund has rationalised the manager roster and now accesses this asset group via just five managers (the Patria private equity investment is in run off). The Fund accesses the spectrum of listed equity investments from specific UK exposure, broad global equity exposure and tilted equity exposure designed to at least match the global benchmark whilst also reducing the Fund's carbon risks from just two managers.
44. The largest of the tilted equity exposures comes from the LGPS Central climate multi factor fund which returned ahead of its global benchmark since the Fund made its investment in December 2020.
45. The targeted return funds, where the Fund rationalised its managers in 2023 from three managers to two managers (Fulcrum and Ruffer) and has performed well against the overall benchmark of cash plus 4% per annum. Both managers are able to access a very large universe of available investments and have the ability to go short the market (profit from falling markets) and add protection-like investments to weather volatility or market drawdowns.

Fulcrum

46. The strategy is designed to achieve absolute returns through a diversified mix of approaches, highlighting the ability to go anywhere to find sources of return in a risk-controlled manner. The Fund delivered a return of 3.9% in the third quarter of 2025, bringing its one-year performance to 11.7% and its five-year annualised return to 6.3%. Since inception, for the Fund (first investment in Q4 2023) the return has been 10.8% per annum.
47. The positive performance was driven by gains in the Dynamic Asset Allocation part of the strategy, which benefited from rising global equities, and from Discretionary Macro strategies focused on precious metals and emerging market equities. Losses came mainly from positions in UK interest rates and the Japanese yen.
48. The equity exposure was approximately 32%, with a strong tilt towards Asia ex-Japan and emerging markets such as Korea, which was supported by growth in technology and artificial intelligence themes.
49. Fixed income exposure included a duration of around three years, with selective positions in UK Gilts and North American rates. Commodities represented a historically high allocation of 10.6%, with significant exposure to gold, silver, and platinum. Some positions were trimmed after a strong rally. The Fulcrum strategy

relies on continual reassessment and regular trading which is different to the way the Ruffer strategy operates which relies on longer time frames and themes to base strategy from.

50. The macroeconomic outlook was supported by US Federal Reserve easing of interest rates and global trade uncertainty, while maintaining flexibility to respond to negative policy shifts.
51. Overall Fulcrum report that the portfolio remains highly diversified across equities, bonds, commodities, currencies, and trend-following strategies.

Ruffer

52. Ruffer's philosophy prioritises capital preservation, focusing on valuation rather than momentum and avoiding highly valued technology stocks. They have long held bearish views on the global economy and as such position the portfolio as such.
53. The portfolio returned 3.7% in the third quarter of 2025, similar to the Fulcrum investment, with a 12-month gain of 6.8% and a five-year total return of 26%, equivalent to an annualised rate of 4.7%.
54. The Ruffer asset allocation currently is defensive, with over 50% in nominal bonds, around 25% in equities, and smaller allocations to UK equities, gold and precious metals, and illiquid credit strategies. Fixed income holdings are currently substantial, and includes UK Gilts, US Treasuries, and Japanese government bonds, providing stability and liquidity.
55. Equity holdings include UK housebuilders, real estate investment trusts, consumer companies like Marks & Spencer, and global pharmaceutical companies such as AstraZeneca and Roche. There is selective exposure to US technology via Amazon noting their dislike of stocks with a high valuation which could be prone to large losses were the market to turn.
56. Commodity exposure is achieved through positions in gold funds and indirect commodity investments. Ruffer use derivatives to manage risk and foreign exchange forwards used to hedge against currency risks.
57. Their investment outlook reflects concerns about government indebtedness, deglobalisation, tariffs, and the energy transition, leading to a cautious and defensive stance. The bearish stance is evidenced through diversification across currencies and asset classes, combined with liquidity management and protective strategies to withstand market stress.

Pooling progress

58. The Government's ambition is to have all investments pooled by 31 March 2026. Officers and Central are progressing with the necessary changes required.
59. The Fund's current pooled total is £4.4billion or 62% 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.
60. The Fund has at the time of writing over £900million in uncalled commitments to LGPS Central products.

Strategic Asset Allocation scope

61. The scope for the usual January review of the Fund's strategy has commenced. For the first time the scope was agreed between the Fund's officers, Hymans Robertson and LGPS Central. LGPS Central were included at an earlier stage than usual given the upcoming changes outlined in the 'Fit for the Future' consultation outcomes whereby primary investment advice is proposed to be provided by the Fund's pool.
62. Alongside the usual review of the weights across the various asset classes the review will also consider the following areas:
 - a. A general investment markets update.
 - b. Review of the existing investment beliefs contained with the ISS and assist with drafting of revised beliefs including engagement and divestment stance including alignment with LGPS Central.
 - c. A high-level review of the current funds contained within the strategy.
 - d. Reviewing the strategy alongside the asset liability modelling conducted by the actuarial team as part of the 2025 actuarial valuation of the Fund. How probable is the strategy able to meet the investment return requirements.
 - e. Commentary on the role of protection assets, noting the strong funding position the Fund is in as at 31 March 2025.
 - f. Local investing – how the Fund should approach this given the existing exposure to the UK and guidance from Government regarding local investment taking into account the Leicestershire Pension Committee workshop outcomes.
 - g. Mapping of the current strategy and any proposed changes to the nine asset class framework proposed by Governments fit for the future consultation outcome.

Leicestershire Pension Fund Conflict of Interest Policy

63. 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

64. The Committee are recommended to note the report.

Environmental Implications

65. 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

66. 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

67. 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 Autumn 2025

Officers to Contact

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Capital Markets Update

Autumn 2025

Despite rising tariffs, resilient global growth has allayed fears of a sharp economic slowdown. But inflation is above target in both the UK and US, driven by persistent domestic pressures and the effects of rising tariffs, respectively.

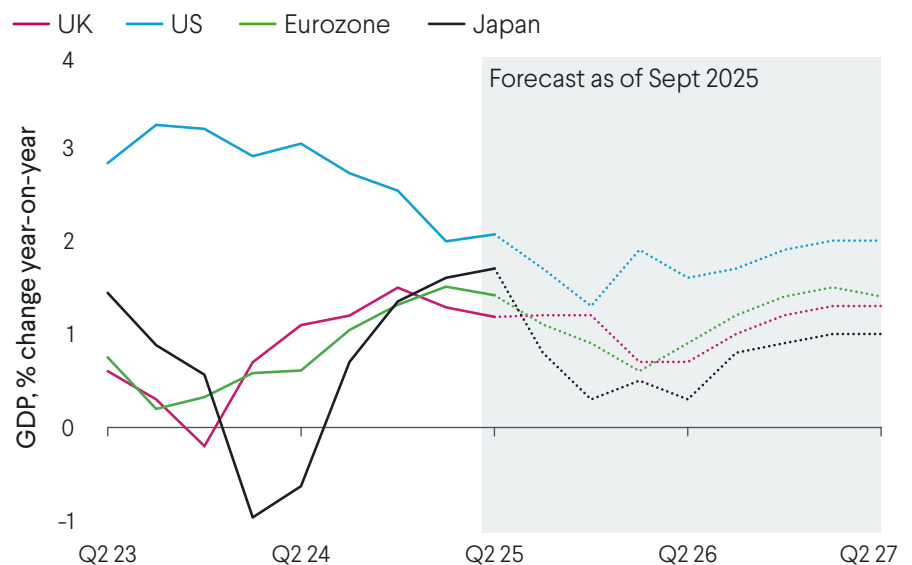
Global equities rose 8.1% in the third quarter (Q3), supported by easing trade tensions, renewed AI optimism and rising expectations of US interest-rate cuts. While US sovereign yields fell, yields elsewhere climbed amid expectations of increased government bond issuance.

Global themes

Global growth in the first half of 2025 was partly supported by solid business investment and frontloaded orders ahead of US tariff hikes. However, growth is set to slow modestly in the second half as tariff effects deepen (Chart 1).

With frontloading behind us, non-US exporters now face higher tariffs and compliance costs. Meanwhile, US importers, having drawn down inventories, must choose between absorbing costs or passing them on to consumers. Lingering uncertainty is also expected to impede business investment.

Chart 1: Global growth is expected to slow modestly in 2025 and 2026, largely due to the US



Source: LSEG Datastream, Consensus Economics



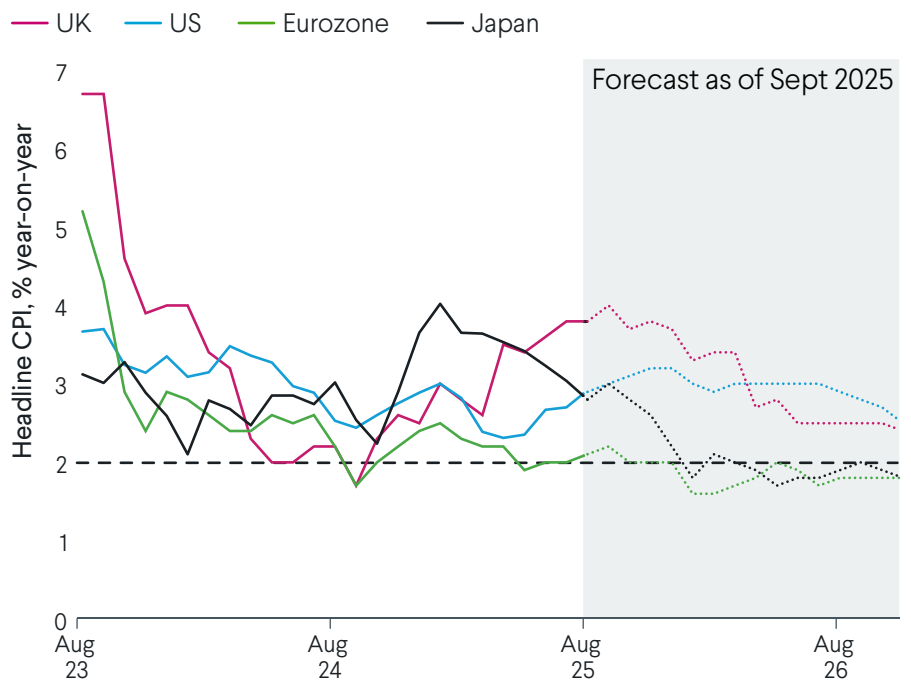
Chris Arcari
Head of Capital Markets

Consensus forecasts put global growth at 2.4% in both 2025 and 2026, down from earlier projections and below 2024's 2.7%. However, a deeper slowdown is unlikely, thanks to ongoing US AI investment, delayed effects of rate cuts, moderately supportive fiscal policy in the US and Europe, and strong corporate and household balance sheets. Slower US job growth also reflects weaker labour supply, not just softer demand.

Third-quarter business surveys suggest a severe slowdown is unlikely. Global sentiment surveys indicate above-trend growth, despite a slight September dip. Manufacturing expanded in August, complementing strong service-sector performance, and the expansion was broad-based across regions. Meanwhile, business sentiment recovered to a seven-month high. But job growth stalled, raising questions over how benign recent labour market weakness is and growth sustainability.

Headline CPI inflation is expected to stay above target in the UK and US over the next year (Chart 2). In the UK, elevated wage and services inflation (both at 4.7%), combined with weak productivity, pose challenges to the Bank of England's (BoE) 2% goal. In the US, tariff-related price pressures are likely to build as importers deplete inventories and pass on costs.

Chart 2: Inflation in the UK and US is expected to stay above target until at least 2027



Source: LSEG Datastream, Consensus Economics

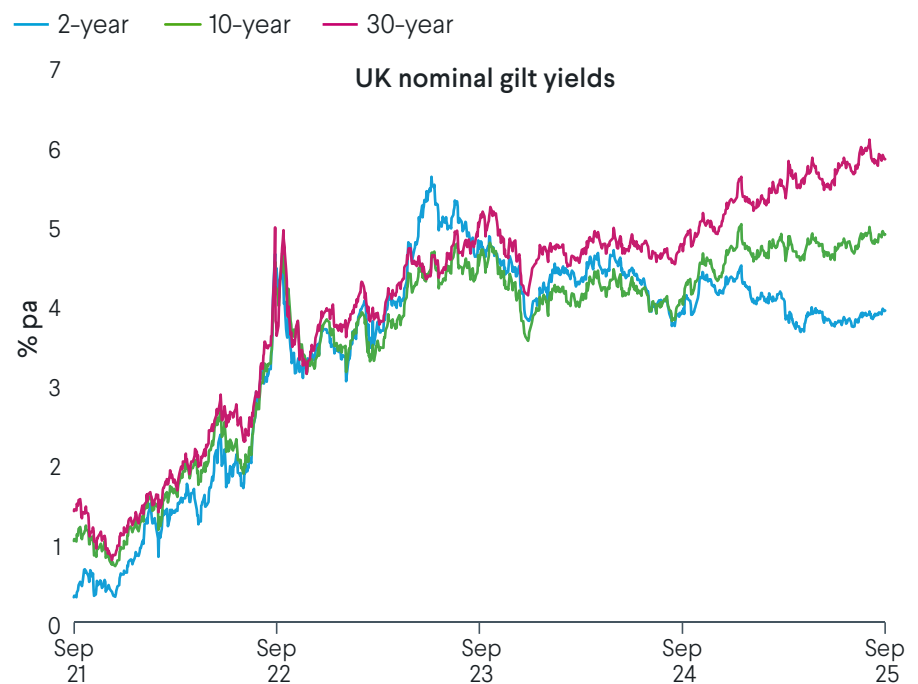
Markets are pricing in over 100 basis points of Federal Reserve (Fed) rate cuts by end-2026, reflecting a view that the Fed will prioritise employment over inflation. In contrast, after the BoE's narrow August rate cut to 4.0%, only one more cut is expected in the next year – reflecting persistent inflation and a policy rate seen as only mildly restrictive. The market's expectation of a cautious BoE feels warranted, but the Fed may struggle to justify the scale of cuts unless growth and inflation slow more than forecast.

Government Bonds

The UK economy is experiencing slightly below-potential GDP growth and persistent inflation. This has led to higher short-term yields in Q3, although expectations of future rate cuts are keeping them relatively stable. At the long end of the yield curve, heavy government bond issuance and declining institutional demand are pushing yields up, causing steepening across advanced economies.

The BoE's move to slow quantitative tightening and reduce sales of long-dated gilts may ease some pressure, but the overall technical environment remains difficult. While overseas investors are stepping in to replace traditional buyers including pension funds and insurers, they are demanding higher yields. Despite this, 10-year gilt yields around 4.9% are still seen as attractive, even after adjusting for persistent term premia.

Chart 3: Rising issuance and waning institutional demand continue to drive longer term yields higher.



Source: Bank of England

Index-linked gilts are benefiting from a slightly more supportive backdrop, with weaker growth and higher inflation making them more attractive from a fundamental perspective. Ten-year real yields have climbed to around 1.7% pa in Q3, which is attractive relative to our assessed fair value.

However, the technical environment is becoming more challenging, partly due to the global AI investment boom, which is increasing competition for capital and pushing real yields higher. As a result, the outlook is balanced between nominal and index-linked gilts: nominal gilts offer slightly better valuation, but index-linked gilts have stronger fundamental support.



Robert Kotlar
Senior Investment
Research Analyst

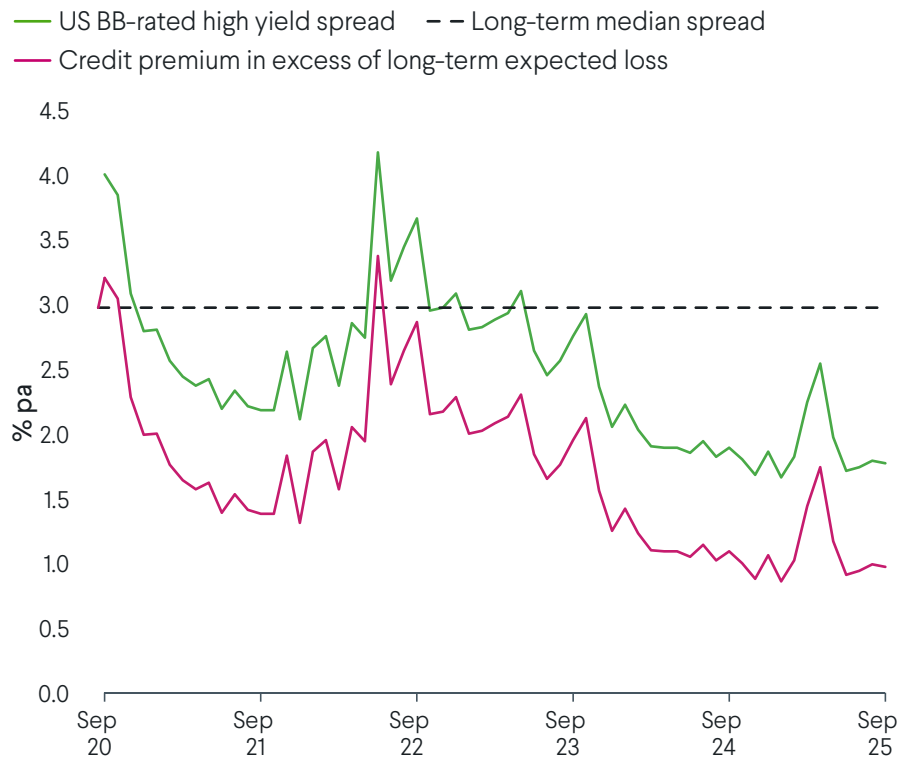
Credit

Corporate fundamentals remain relatively robust. Net leverage is higher than when yields were last at these levels, but debt affordability, as measured by net interest coverage, remains healthy due to robust earnings growth and a relatively gradual rise in effective interest rates.

Investment-grade credit spreads fell further in the third quarter to increasingly tight levels relative to history, which might make short-term investors a little more cautious. However, they still provide buy-and-hold investors a premium over long-term losses to default and downgrades. Furthermore, high all-in yields mean medium-term absolute risk-adjusted returns still look relatively attractive.

In speculative-grade credit markets, where spreads are even tighter relative to their own history, and the risk of losses greater, credit risk premia look increasingly thin. As a result, even allowing for attractive underlying government bond yields, and the relatively benign near-term default outlook, we are becoming more cautious on the outlook for speculative-grade corporate bonds.

Chart 4: Thin credit risk premia in speculative-grade corporate bond markets warrant caution.



Source: ICE Index Platform, Hymans Robertson, EIOPA – European Insurance and Occupational Pensions Authority, <https://eiopa.europa.eu/>.



David Watson
Investment Research
Consultant

Equities

Aided by resurgent AI optimism, easing trade tensions and US interest-rate cut expectations, the MSCI All World Total Return Index rose 9.7% in Q3, bringing year-to-date gains to 10.6%. However, US dollar weakness reduced returns for unhedged sterling investors.

Rising valuations and market concentration – especially in the tech-heavy US market – are drawing comparisons with the dotcom bubble. However, while valuations are elevated, today's tech sector is more profitable, and cyclically adjusted price/earnings ratios remain well below early-2000 levels.

Nonetheless, sustained high valuations depend on continued strong tech earnings. Markets, particularly the US, are vulnerable to AI-related disappointments. At these levels, valuations imply a more subdued medium-term return outlook ahead than the blistering pace set in recent years, which keeps us cautious on global equity markets. Additionally, the US appears most fully valued, reinforcing the case for diversification beyond US-centric indices.

Chart 5: Today's more profitable tech sector means valuations are far less frothy than in the dotcom era



Source: LSEG Datastream



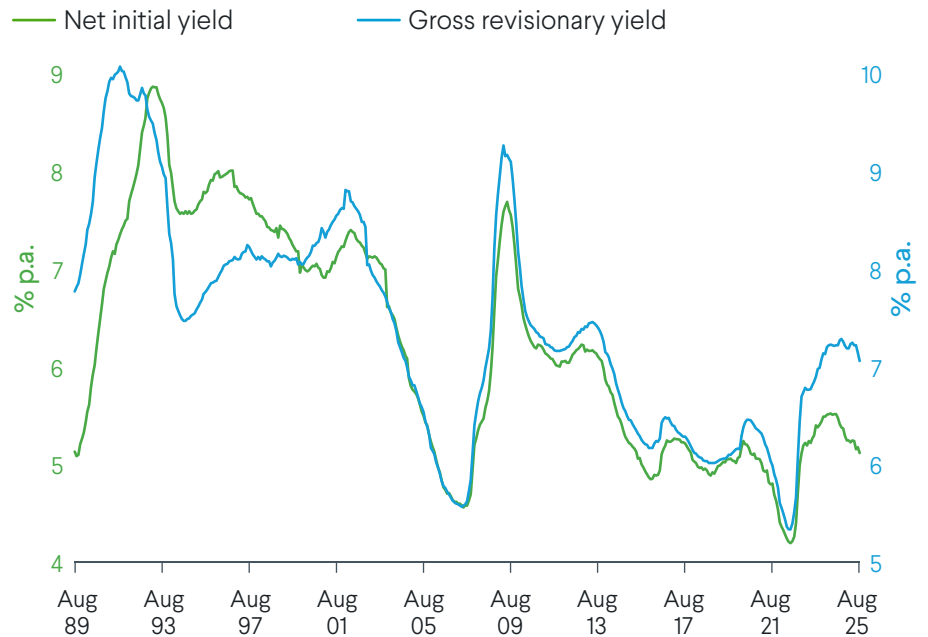
Matt Firth

Investment Research
Associate Consultant

Property

Rents are rising across the retail, office and industrial sectors. However, aggregate annual rental growth is below CPI inflation, at 3.4% relative to 3.8%. While rental growth is slowing from historic highs in the industrial sector, the rate of growth is improving in the retail and office sectors. Income remains a significant proportion of returns at 5.8% over the year to end-August, while the total return of the MSCI UK Monthly Index was 8.7%. Vacancy rates are above historical averages across the sectors but have declined recently. This is mainly due to a reduction in office vacancies, although these are nearly double their long-term average at 24%. Industrial vacancies have been rising.

Chart 6: Reversionary yields in UK commercial property indicate potential for further capital growth



Source: MSCI IPD Monthly

Property yields compressed slightly at the end of Q2 and were stable over Q3. Net initial yields (based on current rents) at 5.2% pa are still below gross reversionary yields (based on future estimated rental value) of 7.1% pa, indicating some potential for capital growth. Market sentiment is improving, with agents reporting optimism across several sub-sectors. However, transaction volumes remain low, and some pooled funds are experiencing ongoing redemptions. The UK government's proposed ban on 'Upwards Only Rent Reviews' could affect future rental growth and valuations, but this policy is still in its early stages and is subject to change.



Viran Patel
Investment Research
Associate Consultant

Conclusion



Chris Arcari

Head of Capital Markets

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Global growth is set to slow but has proven resilient, despite rising US tariffs and uncertainty. Tariff pressures are building, but AI investment, fiscal support, rate cuts and strong private balance sheets are providing a solid cushion.

Our medium-term caution on risk markets stems less from near-term fundamentals and more from stretched valuations. Both equity and credit markets appear expensive relative to historical norms and fair value estimates based on long-term earnings and loss assumptions.

High global equity valuations are largely driven by the tech-heavy US market. While strong tech earnings justify some premium, valuations assume sustained growth and leave the US exposed to AI disappointment. Even with a lasting premium, the US appears fully valued – supporting the case for regional diversification beyond that provided by US-dominated global market-cap-weighted indices.

Attractive sovereign yields support corporate bond returns, but tight spreads offer little compensation for credit risk.

Important Information

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

HR accepts no liability for errors or omissions or reliance on any statement or opinion. Where we have relied upon data provided by third parties, reasonable care has been taken to assess its accuracy. However, we provide no guarantee and accept no liability in respect of any errors made by any third party.

General Investment Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes but is not limited to equities, government or corporate bonds, derivatives and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of investments. As a result, an investor may not get back the full amount of the original investment. Past performance is not necessarily a guide to future performance.

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LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INVESTMENT ADVISOR OBJECTIVES 2026

Purpose of Report

1. The purpose of this report is to provide the Local Pension Committee with details regarding the proposed 2026 investment advisor objectives for Hymans Robertson, the Fund's investment advisor.

Policy Framework and Previous Decisions

2. The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 require pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
3. The Fund has set and agreed objectives over the past few years for Hymans Robertson and submitted these to the Competition and Markets Authority (CMA) during the first week in January each year.

2026 Investment Advisor Objectives

4. The CMA requires trustees to confirm that they have complied with the requirements over the last 12 months and have had objectives in place. However, reviewing performance against these objectives is undertaken as part of the Fund's ongoing good governance arrangements.
5. The full list of objectives proposed for 2026, and last years' objectives review is included in the Appendix attached to this report. Key areas addressed for 2026 include clear expectations of relationship and service standards and focus on the work to be undertaken over the next year relating to 'Fit for the future'.
6. It is recognised there will be some cross over with Government's proposal arising from Fit for the Future that pools are to provide primary advice funds. It is intended that the Fund will ensure clear expectations are set when advice is required with the existing arrangements with Hymans.
7. As part of developing arrangements and agreements with LGPS Central it is intended that investment advisor objectives will be in place ahead of the 31 March 2026 deadline.

Recommendation

8. The Local Pension Committee is asked to approve Hymans investment advisor objectives for 2026 as detailed in the Appendix to this report.

Environmental Implications and Taskforce for Climate Related Financial Disclosure compliance.

9. The Fund has developed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on climate risk. This will align with the Fund's Responsible Investment approach as set out in the Investment Strategy Statement. 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.
10. The investment advisor objectives imbed the relevance of considering climate risk as part of relevant advice provided to support Committee oversight and decision-making.

Equality Implications

11. 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 implication

12. 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

2026 Hymans Robertson investment advisor objectives

Background Papers

None

Officers to Contact

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CMA objectives for investment consultants

Addressee

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

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

Background and scope

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

We have summarised the key points below:

- Since 10 December 2019 pension scheme trustees **must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Fund has set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Whilst for private sector Defined Benefit pension schemes this is now overseen by The Pensions Regulator (“TPR”), the CMA has confirmed that LGPS Funds remain under their oversight.
- As such, LGPS Funds are expected to file a compliance statement stating that they have complied with the above requirement. These need to be submitted **by 7 January 2021 and annually thereafter**.
- The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk by **7 January 2026 at the latest**.
- The CMA order only requires the Committee and Officers to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives is part of ongoing good governance. It also provides a formal setting to discuss feedback through the year.
- This is in line with [guidance](#) from TPR which suggests performance is monitored annually, with a detailed review every three years. TPR also suggests checking that objectives are still appropriate at least every three years. We have proposed amendments to the current objectives in Appendix 3.

Next steps for the Fund

- Report compliance relative to the CMA’s requirements to the CMA by 7 January 2026 – see Appendix 2;
- Finalise the assessment of performance against current objectives;
- Confirm the proposed objectives for the coming year.

Prepared by: -

David Walker, Partner

Samuel Hampton, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

November 2025

General Risk Warning

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

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

Potential conflicts of interest

We regularly review potential conflicts of interest and are of the view that Hymans Robertson LLP is not currently conflicted in our role as investment adviser to the Fund. Let us know if you would like to discuss further.

Services provided to Fund Employers

We are not aware of any services provided by Hymans Robertson LLP to any Employers of the Fund and will notify Officers should we become aware that Hymans Roberson LLP provides services to any other Fund Employers.

If it ever becomes inappropriate for Hymans Robertson LLP to continue to provide advice to both Fund and an employer, our primary client will be the Fund and we will resign the employer appointment.

LGPS Investment Pooling

The Fund invests a large proportion of its assets through LGPS Central ("the Pool"). We also provide actuarial and/or investment advice to other funds in the Pool. We do not believe there is currently any conflict of interest in these arrangements, which have been disclosed to all parties, but will of course consider the possibility if this situation changes.

Support provided to industry bodies

Hymans Robertson is an active supporter of the LGPS and we regularly engage with the bodies that oversee and regulate it. For example, we are currently working with the Scheme Advisory Board in England and Wales on the Good Governance project. With this type of work at a national level we are very conscious of the need to provide good quality advice without being influenced by our commercial considerations or the interest of our clients. We therefore always consider the potential for conflicts of interest and only bid for work where we are confident no such conflict will arise. For instance, on the Good Governance project we do not make recommendations to the Scheme Advisory Board, but instead identify options and outline the issues with each option.

Manager selection exercises

Please note that Hymans Robertson LLP and our group companies have a wide range of clients, some of which are fund managers who may be parties in our recommendations to you in various circumstances, including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given. We would be happy to discuss this with you at our next meeting to address any questions you may have.

Appendix 1: Current objectives

Leicestershire County Council Pension Fund Objectives	Investment Consultant Objectives	Performance Evaluation 2025
<p>Strategic</p> <p>Ensure members' benefits are met as they fall due.</p> <p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p> <p>The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The long-term median investment return projected as part of the last annual review of investment strategy was 8.7% per annum, relative to the required return of 4.4% per annum calculated for the 2022 funding valuation.</p> <p>Reduce the deficit recovery period for the Fund.</p> <p>Consider the Net Zero Climate Strategy in strategic decisions.</p>	<p>Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward.</p> <p>Deliver an investment approach that supports meeting the Fund's cashflow needs, and likely evolution, and minimises the risk of forced disinvestment. Ensure the approach involves suitable diversification, a level of complexity consistent with the Fund's governance capacity and focuses on predictable returns.</p> <p>Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. Assist in any due diligence of revised net zero targets.</p> <p>This includes a detailed review of private debt, tail-risk protection assets, and any other key areas highlighted in the most recent SAA review or subsequent officer or committee initiated request.</p>	<p>Following the last SAA review, we advised and implemented strategic changes to the target allocations, including reductions in property and private debt and an increase in listed equity exposure. We ensure the strategy continues to align with the Fund's long-term funding and cashflow objectives.</p> <p>We subsequently carried out detailed reviews of both property and private debt, assessing market developments, strategic mix, manager structures, and RI considerations. The resulting recommendations were approved and are now being progressed.</p> <p>We also advanced work on tail-risk protection assets, delivering training to build understanding of their potential role within the Fund's protection framework. This has helped establish a foundation for considering how such strategies could complement existing protection assets and improve downside resilience.</p> <p>In addition, we completed light-touch reviews of private equity and infrastructure. For private equity, we reviewed commitment pacing and projected cashflows to ensure future commitments remain aligned with long-term targets and vintage diversification. For infrastructure, we assessed deployment progress and pipeline visibility, confirming the portfolio remains well aligned with strategic objectives.</p>

		<p>We also flagged the managerial change within LGPS Central's Multi-Asset Credit (MAC) fund, agreeing a short due diligence review to assess any implications for the Fund's exposure. While this was delayed, it remains an active action to be completed shortly.</p> <p>The next SAA review, now underway, will build on this progress by assessing the strategy's resilience underpinning the 2025 actuarial valuation and testing alternative structures under different risk/return scenarios. This will be supported by high-level reviews of key asset classes, including equities, targeted return, and investment-grade credit. In parallel, there are plans to consider the role of local investing, to ensure the strategy continues to support the Fund's primary objective, liquidity and funding.</p>
<p>Implementation</p> <p>Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance.</p> <p>Ensure cost efficient implementation of the Fund's investment strategy.</p> <p>Ensure and help plan an orderly transition to LGPS Central (where applicable).</p>	<p>Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the SAA review and specific asset class reviews.</p> <p>Advise on the use of solutions provided by LGPS Central as a vehicle for implementing the agreed investment strategy, to support the regulatory direction of travel on pooling whilst also expressing our views on preferred solutions, and where appropriate help in the specification of LGPS Central solutions to meet the Fund's needs. Ensure investment decisions take into account the potential for regulatory change and developments.</p> <p>Provide assistance as requested with understanding and implementing the outcome of the 'Fit for the future' consultation. This includes advising on achieving the</p>	<p>We provided advice focused on the cost-efficient implementation of the Fund's investment strategy, with our recommendations consistently reflecting this priority. For example, in the property review, we considered what elements of the strategy had already been implemented and sought to build on these to avoid unnecessary transition costs. The changes we recommended – including moving more of the portfolio to direct investment with LGPS Central – are expected to deliver cost savings over time, primarily through reduced annual management fees and greater control over implementation efficiency.</p> <p>We advised on the use of LGPS Central solutions in each of the asset classes reviewed during the year. Our advice considered the practical challenges of pooling illiquid assets, including the timing of transitions, the need to manage outstanding commitments, and the limited</p>

	<p>proposed target of moving all assets to the Pool by 31 March 2026, taking into account the implementation routes and associated risks involved with transferring assets, such as costs of sale, difficulties of unwinding illiquid investments etc. Provide oversight on the process of transferring assets over, including managing the highlighted risks as far as possible. The scope of the review depends on the outcome of the consultation, but may include comment and views on the practical consequences of reduced control over more granular asset allocation decisions, including views on the Pool's capabilities in these areas, and any impact on strategic direction this may have. Maintain close links with the Pool in order to fully understand their plans.</p> <p>Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where possible.</p>	<p>availability of suitable pooled vehicles in some areas. We also reviewed concentration limits and their relevance within the pooling framework, with the aim of reducing the governance burden on the Fund.</p> <p>Where pooling was not yet feasible – for example, due to existing lock-up periods or limited product availability – we recommended pragmatic interim solutions to avoid unnecessary disruption and costs. Our recommendations sought to ensure that implementation remains both cost-effective and operationally manageable, while supporting the longer-term direction of travel towards greater use of LGPS Central products.</p> <p>In relation to LGPS Central, we maintained close and regular engagement with the Pool to understand upcoming opportunities and ensure the Fund's needs continue to be reflected in product development. As part of this, we met with Central's teams in Wolverhampton – including representatives from each of the asset classes under review – to discuss current pipeline developments, product design, and implementation timelines. These discussions helped confirm the suitability of upcoming mandates and provided insight into how the Fund's strategy could be best implemented through Central's structure.</p> <p>We also engaged directly with Central's Responsible Investment (RI) committee to gain a deeper understanding of their stewardship priorities, climate policies, and reporting progress. Through this engagement, we ensured that Central's approach remains broadly aligned with the Fund's Net Zero Climate Strategy (NZCS). We highlighted and reported any gaps</p>
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		where further alignment or transparency could be strengthened, helping reinforce the integration of RI principles across all investment decisions.
<p>Governance</p> <p>Ensure the Fund's approach reflects relevant regulatory and legislative requirements.</p> <p>Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes.</p> <p>Ensure the Fund's investment objectives are supported by an effective governance framework.</p>	<p>Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance.</p> <p>Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in investment recommendations and the Strategic Asset Allocation (SAA) where appropriate.</p> <p>Advise on the actions the Fund should undertake to deliver its Net Zero goals and other Responsible Investment objectives and priorities by both reporting on progress, where a baseline has been established, or doing so once baseline information is available, in areas such as listed credit and private markets, thereby expanding the coverage of the overall portfolio.</p> <p>Provide relevant and timely advice.</p>	<p>Our advice complied with current regulations and guidance and, where possible, anticipated future requirements.</p> <p>We ensured that all advice included consideration of responsible investment issues and was consistent with the Fund's other policies and beliefs. Responsible investment goals were considered when reviewing implementation options.</p> <p>In relation to the Fund's Net Zero goals, we actively advised on practical steps the Fund could take to meet these objectives. During our in-depth reviews of specific asset classes, such as property and private debt, we identified both areas where climate-related disclosures could be improved and where managers are already performing strongly. We set out specific actions (where necessary) to help close any gaps, which should, over time, strengthen the Fund's climate governance and broaden the scope of improved disclosures across the entire portfolio.</p> <p>We sought to provide timely advice at all times, responding promptly to queries. Most deliverables were on schedule, as we incorporated lessons from past projects by setting earlier milestones. We also arranged interim calls to explain findings and maintain clear communication throughout each project.</p>

Appendix 2 – CMA compliance statements – the details

Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:
“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”
- Pension scheme trustees must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA between 10 December 2025 and 7 January 2026 will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statements for the Fund on the following page. A scanned copy of a signed statement should be submitted by email to this address: RemediesMonitoringTeam@cma.gov.uk.

Leicestershire County Council Pension Fund

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

I,, confirm on behalf of the Leicestershire County Council Pension Fund that during the period commencing on 10 December 2024 and ending on 9 December 2025, the Leicestershire County Council Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Additional Compliance Reporting

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

For and on behalf of the Leicestershire County Council Pension Fund

Signature:

Name:

Title:

Appendix 3: Proposed objectives

Leicestershire County Council Pension Fund Objectives	Hymans Investment consultant objectives 2026
<p>Strategic</p> <p>Ensure members' benefits are met as they fall due.</p> <p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p> <p>The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The long-term median investment return projected as part of the last annual review of investment strategy was 8.4% per annum, relative to the required return of 6.1% per annum calculated for the 2025 funding valuation.</p> <p>Reduce the deficit recovery period for the Fund.</p> <p>Consider the Net Zero Climate Strategy in strategic decisions.</p>	<p>Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward.</p> <p>Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. Assist in any due diligence of revised net zero targets.</p> <p>This includes a detailed review of listed equities, targeted return, investment grade credit and any other key areas highlighted in the most recent SAA review or subsequent officer or committee-initiated request.</p> <p>Consider the potential role of local investing as part of the Fund's broader strategic objectives and relative sizing of any new allocations along with deployment considerations, recognising its early-stage development within the LGPS.,</p>
<p>Implementation</p> <p>Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance.</p> <p>Comment and advise on how cost efficient implementation of the Fund's investment strategy can be achieved.</p> <p>Ensure and help plan an orderly transition to LGPS Central (where applicable).</p>	<p>Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the SAA review and specific asset class reviews.</p> <p>Support the Fund in aligning its investment strategy with the standardised asset class framework for LGPS reporting (expected to comprise nine categories), ensuring the approach remains consistent with the Fund's strategic intent and does not limit flexibility in asset allocation.</p> <p>Support the Fund in exercising effective oversight and scrutiny of LGPS Central's implementation of the ISS. This includes providing independent commentary on proposed solutions, assessing alignment with the Fund's strategic objectives and regulatory requirements, and advising on the implications of pooling developments including from the Fit for the Future proposals.</p>

	<p>Reviewing the pooling approach proposed by Central and in particular the management of legacy assets. This may include providing commentary on implementation routes proposed by the Pool and any associated risks in the recommended approach.</p> <p>Provision of commentary and views on the practical consequences of reduced control over more granular asset allocation decisions, including views on the Pool's capabilities in these areas, and any impact on strategic direction this may have.</p> <p>Commenting on whether there is merit in engaging with the Pool on shared legacy holdings, to offer the same / comparable solution to enable the Fund to achieve its long-term objective.</p> <p>Review the effectiveness of pooled solutions in meeting the Fund's objectives, including value for money, performance delivery, and alignment with responsible investment and climate goals.</p> <p>Review of Central Pool's offerings, to consider whether they can achieve the Fund's objective</p> <p>Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where appropriate.</p>
<p>Governance</p> <p>Ensure the Fund's approach reflects relevant regulatory and legislative requirements.</p> <p>Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes.</p> <p>Ensure the Fund's investment objectives are supported by an effective governance framework.</p>	<p>Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance.</p> <p>Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in any recommendations and the Strategic Asset Allocation (SAA) where appropriate.</p> <p>Advise on the actions the Fund could consider to deliver its Net Zero goals reflecting new solutions and product developments.</p> <p>Provision of reporting (or commenting on reporting received from Pool) on the Fund's progress relative to agreed baseline position, RI objectives and targets.</p>

Relationship and Service Standards

Ensure the timely provision of clear, high quality, relevant and actionable information to the Local Pension Committee/Investment Subcommittee to support effective Fund oversight.

To support openness and transparency in line with the principles set out in the Local Government Act

To achieve value for money.

To provide relevant and timely advice to Fund officers and the Local Pension Committee/Investment Subcommittee in line with agreed timetables with Fund officers.

Where reports contain exempt information (as defined in Schedule 12A of the Local Government Act and set out within Leicestershire County Council's constitution), advisors will set out which category applies and provide public and exempt reporting.

Advisors will agree fee budgets for work in advance of work being undertaken

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LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LOCAL GOVERNMENT REORGANISATION

Purpose of the Report

1. The purpose of this report is to inform the Committee of the possible administrative implications of Local Government Reorganisation (LGR), on the Leicestershire Local Government Pension Fund.

Background

2. In February 2025, Minister of State for Local Government and English Devolution wrote to all councils in two-tier areas and small neighbouring unitary authorities to formally invite proposals for local government reorganisation. The first step in this process was to submit interim plans in March of this year with the deadline for submission of proposals of 28 November. The government will then consult on the proposals early in 2026.
3. Leicestershire is a two-tier area with the County Council, District and Borough Councils. Leicester City Council and Rutland are unitary authorities. All Councils across Leicester, Leicestershire and Rutland (LLR) submitted interim plans and have submitted final proposals in November, although there is no agreement on the preferred option.
4. This report is intended only to present the possible administrative implications of the preferred options included in the submitted Business Cases, which are:
 - Single County Unitary for Leicestershire and Rutland (County Council preferred option)
 - An expanded City boundary with a single County Unitary for the residual County area and Rutland (Leicester City Council preferred option)
 - Three Unitary option – North, City, South – Rutland and district councils preferred option
5. Following submissions on 28 November, the government will undertake a public consultation in 2026 and is expected to announce a decision in the summer, so there is unlikely to be a clear steer on the way forward for some time.

6. At the interim plan stage, Rutland had also submitted a proposal alongside Lincolnshire, which included Rutland forming a new authority with North Kesteven, South Kesteven and South Holland. However, Rutland have not been included in the final submission and so all final proposals submitted to government retain Rutland within the LLR area.
7. Leicestershire County Council is currently the Administering Authority (AA) for the Leicestershire Pension Fund. The Fund has over 180 active employers and approximately 109,000 scheme members made up of active, deferred and pensioners. Employers in the scheme include the City, County, Rutland, Borough and District Councils and it is anticipated these employers will be impacted by LGR in some way. The rest of the report sets out the potential implications from each of the preferred options.

Single County Unitary for Leicestershire and Rutland

8. With this option, there would be no change to overall scheme membership within the Leicestershire Fund as all the employers potentially impacted (for example, the district councils and Rutland) are already in the Fund and would remain so. As Leicestershire County Council currently acts as the Administering Authority, if the County Council is replaced by a new single unitary authority, a new AA would need to be designated to take over the function of managing and administering the LGPS and maintenance of the Fund. It is expected that this would be the new unitary, but it would require a legislative transfer.
9. There would also be no significant change to scheme members' pension entitlement under this option. However, within the LGPS Regulations employers have certain discretions. Therefore, employers do have slightly different approaches in some areas; for example, the approach for flexible retirement or providing salary sacrifice shared cost Additional Voluntary Contributions (AVCs). With this option some scheme members will move employer, so they may fall under different employer discretions.
10. Employer contribution rates are assessed and calculated by the Fund Actuary every three years as part of the Fund valuation. Under this option, the district councils and Rutland would close as employers and termination valuations would be required. Revised modelling of employer contribution rates by the Fund Actuary would be necessary for the new authority and assets and liabilities would need to be realigned to reflect scheme members changing employers.
11. There is likely to be system changes to deal with scheme members' pension records being moved to their new employer. Pensioners benefits will need to be recoded to their new employer, to ensure pensions accounting remains accurate.

12. There will be changes required to the make-up of both Leicestershire Pension Committee and Board to account for employer changes from this option.
13. Communication with all impacted scheme members will be crucial so they understand how they are impacted by LGR changes. It should be stressed, their pension in payment will not be impacted. Actives and deferred members pensions should not be impacted, other than the small risk of the differences in employer discretions as previously mentioned.

Expanded City boundaries with a single County Unitary for the rest of Leicestershire and Rutland

14. In this option, the implications of LGR would be the same as in the single county unitary above and existing scheme members would remain in the scheme.
15. The AA would need to transfer to a new authority, and it is expected that this would be the County unitary rather than the expanded city, as it would make transition of contractual arrangements simpler. However, it would be a decision for the Secretary of State under the regulations.

Three Unitary option – North, City, South

16. This option would split the existing county area into two unitary authorities, incorporating Rutland into the north. The City Council would be unchanged and remain on existing boundaries.
17. As Leicestershire County Council acts as the Administering Authority, if the County Council is replaced by one or more unitary councils, a new Administering Authority will need to be designated to take over the function of managing and administering the LGPS and maintenance of the Fund.
18. The designation of a new AA is a decision for the Secretary of State following advice from officials at the Ministry of Housing, Communities and Local Government, which is then vested in the relevant regulations.
19. The preferred approach as part of previous reorganisations (such as Northamptonshire and Somerset) is either to vest the role in the newly formed Unitary, or where there are multiple councils that could potentially host the administering authority, give consideration to who may be best placed to host the Fund. This would need to be supported by clear governance processes, including a clear separation of budget approval by the Local Pension Committee to retain sufficient management of any conflict of interest between a role as employer and administering authority.
20. There are alternative options, however, these are unlikely to be preferable given complexities, additional costs and timing.

- If more than one Unitary is created in Leicestershire, the Fund could be split to align with the new authorities.
- To be managed by a strategic authority if one is created in Leicestershire
- Development of a Single Purpose Pension Authority, independent of all councils

21. This latter option has been included in the Surrey LGR Business Case based on legal advice that suggests this is an appropriate mechanism. However, this has not yet been tested and would need Secretary of State approval, and a view has not been given by MHCLG to date.

22. Regardless of the model adopted, the same implications as set out in paras 8-13 above would also apply, in terms of impact on member benefits and actuarial valuation work.

Other Administrative Implications

23. There is likely to be an increase in workload for officers of the fund during the transition and implementation period due to reductions in headcount that LGR is likely to bring - officers expect an increase in estimate requests from employers and scheme members prior to LGR.

24. Employers occasionally outsource staff to private companies who request access to the Leicestershire LGPS via a legal admission agreement. The outsourcing employer acts as the Fund guarantor. If the outsourcing employer no longer exists or merges with another employer through LGR, legal admission agreements and guarantors will need to change to reflect the new employer make-up. Currently there are 38 admission agreements in the Leicestershire Fund that could be impacted by LGR.

25. Administration of ongoing pensions for active members will increase in complexity for 12 months following the implementation of any new authority. The Pension Section require 12 months accurate pay and pension information from the member's employer when a member leaves or retires. It is expected information will be required from two employers until the full 12 months has concluded. Year-end will also be impacted for all members that change employer.

26. There may be staff changes at employers impacted by LGR (HR and Payroll). Pension colleagues will train new staff on elements of pension work to enable them to provide the Pension Team with the accurate information needed to calculate members retirement benefits.

27. The Pension Section will provide communications to employers and scheme members impacted, but it is expected LGR will create an increase in phone calls and enquiries from scheme members who may have concerns about LGR and the impact on them personally.

Resource

28. Regardless of the final LGR decision there will be resource implications for the Pension Section from increased workload. There will also be increased actuarial and system charges which the Pension Manager will consider as part of the budget setting exercise as LGR developments.
29. Significant resource will be required for:
- Potential legislative transfer of the LGPS management and administration to a new AA
 - Transfer of all assets and liabilities from closed employers
 - Revaluation of assets and liabilities relating to the existing and newly created authorities and calculation of revised contribution rates
 - Calculating benefits for employees exiting under LGR
 - Reviewing governance arrangements and onboarding new Board and Committee members

Recommendation

30. It is recommended that the Committee notes the report and the potential administrative implications of LGR on the Leicestershire Pension Fund.

Equality Implications

31. 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

32. 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

None

Background Papers

None

Officers to Contact

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LOCAL PENSION COMMITTEE – 5 DECEMBER 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 state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS, securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and such other matters as the LGPS regulations may specify.

Background

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

Risk Register

5. The 19 risks are split into six different risk areas. The risk areas are:
 - Investment
 - Liability
 - Employer
 - Governance
 - Operational
 - Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and

additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.

7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
8. The latest version of the Fund's risk register was approved by the Local Pension Committee on the 26 September 2025.
9. Officers meet quarterly to discuss the risk register and there has been a handful of updates to text on four existing risks since the previously approved risk register and no changes to risk scores. These changes are highlighted below.
10. 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 Local Pension Board considered this report at its last meeting where there were no comments.
11. 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 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates

12. The wording has been updated to reflect as part of further actions that the next review of the strategic asset allocation which acts as a control for this risk will take place in January 2026 which will be brought to Committee for consideration.

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 further actions to reflect consideration as part of the January 2026 strategic asset allocation review which will be used to highlight any areas of concern and whether any additional oversight mechanisms are required following the Government's 'Fit for the Future' proposals.

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

14. This risk has been updated in additional controls to improve knowledge of everybody involved in decision-making and add reference to the oversight process, given Committee will no longer have control of investment implementation decision making. Reference has also been included to the training needs assessment that will take place, which will inform the 2026 training plan, alongside key areas from the Fit for the Future proposals and

any other key areas. The additional controls also recognise that an internal audit of this risk is underway, action will be taken on any recommendation and reported as appropriate.

Risk 18 Proposed changes as a result of Government propositions relating to regulations, guidance in relation to pooling and local government reorganisation/devolution.

15. The wording of this risk has been updated to include the potential risk from local government reorganisation/devolution, alongside Fit for the Future proposals which will impact on the Fund and its pooling provider.
16. The cause has also been updated to reflect a risk from the growth required from LGPS Central, which officers continue to monitor closely.
17. On the [21 November 2025](#), Government launched a consultation to assess whether its proposed statutory instruments will effectively implement the policy measures outlined in its response to the [Local Government Pension Scheme - Fit for the Future](#) consultation. This is a technical consultation with 29 questions and will close on 2 January 2026. Following consideration of the feedback received, the Government intends to finalise the draft regulations and lay them before parliament, with the aim of bringing them into force on 1 April 2026, subject to the timing of the passage of the Pension Schemes Bill.
18. In parallel, the Government is also engaging with guidance working groups to consider stakeholder feedback on draft guidance notes that will accompany the regulations.
19. Given the technical nature of the consultation and the tight timescales, it is proposed that the response is delegated to the Director of Corporate Resources, in consultation with the Chairman of the Local Pension Committee. It is recognised that concerns raised during the earlier Fit for the Future consultation have been previously considered by the Government, therefore any further comments should focus on practical implementation and ensuring that the new regulations do not create any unintended consequences.
20. As both Fit for the Future and reorganisation proposals progress Committee and Board will be kept updated on the implications as they become more tangible.

Oversight of LGPS Central

Joint Committee

21. LGPS Central Joint Committee consists of one elected member from each Council of the 8 Partner Funds, which meets twice per year. The Fund's representative the Chairman of the Local Pension Committee.

22. The role of the Joint Committee is to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues.

23. The last meeting of the Joint Committee took place on 17 October 2025. Where the following items were considered:

- a. A Practitioner Advisory Forum update including its supporting working groups the Investment Working Group and the Internal Working Group noted progress against several areas including with respect to Fit for the Future, the Company's business and budget and ongoing review of pool governance.
 - i. It was noted that cost savings reported were inline with expectations, however the cost savings model, and target would need to be reviewed with new partner funds joining Central. It was queried what other measures of success to drive the Company's performance could be. It was noted work was ongoing with an external benchmarking organisation to provide more meaningful value for money analysis.
 - ii. Noted the ongoing pool governance review that commenced in June 2025 around shareholder, client and company governance. Officers have considered initial draft reports on the shareholder and client side, with the focus continuing on working collaboratively to determine the appropriate governance changes at this stage in the Pool's development.
- b. A risk and assurance update on the Pool's risk register and the Pool's assurance framework.
 - i. From this it was noted cyber risk is a feature of overall operational risk for the Fund.
 - ii. The risk of stranded assets was raised, however it was recognised that most scenario analysts recognise that fossil fuels will remain in the "energy mix" for some time, and will remain a source of return in the meantime, so the best response to that task is to integrate environmental, social and governance factors into investment processes, rather than making sector-level decisions.
- c. LGPS Central Update which provided highlights of the year and an overview of the LGPS Asset pooling timeline since 2017, with the developments needed over the next 12 months in line with Fit for the Future. The update also included an update on investment performance and responsible investing:
 - i. In response to a query relating to investment fund performance, Central agreed to share further information about Central's approach to monitoring active investment performance,

alongside providing net and gross savings, and performance against targets as well as benchmarks for active and passive funds.

- ii. Local investing was also discussed, and it was noted that defining as a larger geographic area provided the better opportunity for appropriate local investing options achieving an appropriate risk-adjusted return. However, it was noted that there is a risk of a greater number of organisations chasing a potentially limiting set of local investing opportunities. The importance of achieving a required return was noted recognising pressures on Fund's investing locally.

24. The next meeting is scheduled to take place in spring 2026.

Pension Fund Accounts External Audit

25. Leicestershire County Council Corporate Governance Committee met on the 24 November 2025 to consider the external audit of the 2024/25 statement of accounts, including the pension fund accounts that were previously presented to the Local Pension Committee at the September meeting. It was agreed that the Director of Corporate Resources and Chairman of the Corporate Governance Committee be delegated authority to approve and sign the financial statements and letters of representation.

26. The Auditors anticipate issuing an unmodified opinion and note the strong financial sustainability position of the Fund (a funding level of 140% compared to liabilities); that governance arrangements are appropriate and that effective performance management is in place. There are no recommendations in respect of the Pension Fund.

Recommendation

27. The Local Pension Committee is asked to note the report and approve the updated risk register.

28. That the Committee delegate any response to Government's Fit for the Future – technical consultation to the Director of Corporate Resources in consultation with the Chairman of the Local Pension Committee.

Equality Implications

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

Human Rights Implications

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

Environmental Implications and Taskforce for Climate Related Financial Disclosure compliance.

31. The Fund has developed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on climate risk. This will align with the Fund's Responsible Investment approach as set out in the Investment Strategy Statement.
32. The risk register includes reference to managing climate risk in line with recommendations from the Taskforce for Climate Related Financial Disclosures.

Background Papers

Corporate Governance Committee 24 November 2025 - External Auditor's Annual Report and External Audit of the 2024/25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963>

Appendix

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

Officers to Contact

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Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since August 2025	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. To be reviewed January 2026. After careful consideration, take decisive action where this is deemed appropriate.	4	2	8	■	Investments - SFBP
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 implementing 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	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. Use of the annual investment strategy refresh in January 2026 to highlight areas of concern and corrective action alongside, consideration of any additional oversight mechanisms that may be helpful following fit for the future changes	3	2	6	■	Investments - SFBP
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. As part of the 2026 strategic asset allocation review LGPS Central alongside Hymans Robertson will present recommendations to the Committee taking into account the above factors. 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 - SFBP
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 Stewardship Plan. Consideration of climate change in investment decisions including investment in climate solutions and funds tilted towards climate 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 - SFBP

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 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	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.	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

Appendix A

11	Governance	Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns	<p>The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high.</p> <p>Turnover of Committee Membership requiring time to retrain.</p>	Poor decisions likely to lead to lower returns, which will require higher employer contribution rates	<p>Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions.</p> <p>Improved training at Committee. Additional experience at LGPS Central added who make investment decisions on behalf of the Fund.</p> <p>Revised Training Policy agreed March 2024. Committee are required to complete all modules of the Hymans Aspire Online Training within 6 months of appointment or revision of modules.</p>	3	3	9	Treat	<p>On-going process of updating and improving the knowledge of everybody involved in the decision-making and oversight process.</p> <p>Members undertake Training Needs Assessment and get issued individual training Plans. The training plan for 2026 will look to reflect these results alongside any key areas resulting from the fit for the future proposals.</p> <p>An internal audit of this risk is underway, action will be taken on any recommendation</p>	3	3	9	—	Investments - SFBP
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.	<p>Pensions database now hosted outside of LCC.</p> <p>Employer data submitted through online portal.</p> <p>Member data accessible through member self-service portal (MSS).</p> <p>Data held on third party reporting tool (DART).</p> <p>Greater awareness of information rights by service users.</p>	<p>Diminished public trust in ability of Council to provide services.</p> <p>Loss of confidential information compromising service user safety.</p> <p>Damage to LCC reputation.</p> <p>Financial penalties.</p>	<p>Regular LCC Penetration testing and enhanced IT health checks in place.</p> <p>LCC have achieved Public Sector Network (PSN) compliance.</p> <p>New firewall in place providing two layers of security protection in line with PSN best practice.</p> <p>Contractual arrangements in place with system provider regarding insurance.</p> <p>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.</p> <p>Developed a new Cyber risk policy</p>	5	2	10	Treat	<p>Liaise with Audit to establish if any further processes can be put in place in line with best practice.</p> <p>Good governance project and the TPR new code of practice to include internal audit reviews of both areas.</p> <p>Under review and findings will be reported to the Board.</p> <p>Six monthly review of Fund's continuity plan.</p>	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	<p>Human error when setting up immediate payments or calculating a pension</p> <p>System failures</p> <p>Over or under payments</p> <p>Unable to meet weekly deadlines</p>	<p>Reputation</p> <p>Complaints/appeals</p> <p>Time resource used to resolve issues</p> <p>Members one off payments, not paid, paid late, paid incorrectly</p>	<p>Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk</p> <p>New immediate payments bank account checks system</p> <p>Use of insights report to identify discrepancies between administration and payroll sides of the system</p> <p>Funds over and under payment policy.</p> <p>Segregation of duties, benefits checked and authorised by different Officers</p> <p>Training provided to new staff.</p> <p>Figures are provided to the member so they can see the value and check these are correct</p> <p>A type of bank account verification applied to all pensions and transfer payments.</p>	4	1	4	Tolerate	<p>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</p>	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	<p>Increasing demand for transfers out from members</p> <p>Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits</p> <p>Increased complexity on how the receiving schemes are set up</p> <p>Increased challenges on historic transfers</p> <p>Manual calculation of transfer values due to McCloud.</p>	<p>Reputation</p> <p>Financial consequence from 'bad advice' claims brought against the Fund</p> <p>IDRP appeals (possible compensation payments)</p> <p>Increased administration time and cost</p>	<p>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.</p> <p>Internal Audit undertake a review of transfers out every two years.</p> <p>Queries escalated to Team Manager then Pensions Manager</p> <p>Legislative checks enable the Fund to withhold a transfer in certain circumstances.</p> <p>Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"</p>	2	4	8	Treat	<p>Escalation process to officers to check IFA, Company set up, alleged scam activity</p> <p>Further escalation process to external Legal Colleagues</p> <p>National change requires checks on the receiving scheme's arrangements.</p> <p>Some McCloud calculations using an LGA template.</p> <p>Pension officer phones member to discuss when required.</p>	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	<p>Late or no notification of a deceased pensioner.</p> <p>Fraudulent attempts to continue to claim a pension</p>	<p>Overpayments or financial loss</p> <p>Legal cases claiming money back</p> <p>Reputational damage</p>	<p>Tracing service provides monthly UK registered deaths</p> <p>Life certificates for overseas pensioners</p> <p>Defined process governing bank account changes</p> <p>Moved to 6 monthly checks, (from one check every 2 years)</p> <p>National Fraud mortality screening for overseas pensioners</p>	3	1	3	Tolerate	<p>Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors.</p> <p>Informal review of tracing service arrangements.</p>	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	<p>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.</p> <p>The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful</p>	<p>Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is;</p> <p>Increasing administration</p> <p>Revision of previous benefits</p> <p>Additional communications</p> <p>Complaints/appeals</p> <p>Increased costs</p>	<p>Guidance from LGA, Hymans, Treasury</p> <p>Employer bulletin to employers making them aware of the current situation on McCloud</p> <p>Team set up in the Pension Section to deal with McCloud casework.</p> <p>Quarterly updates to the Board.</p> <p>Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.</p>	3	3	9	Treat	<p>Final system changes have been loaded into the system.</p> <p>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.</p>	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	<p>National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard</p>	<p>Increased administration</p> <p>Data cleaning exercise on member records</p> <p>Increased system costs</p> <p>Additional communications</p>	<p>Initial data cleaning started</p> <p>Contract made with the system provider on building the data link</p>	3	3	9	Treat	<p>Work with LCC's internal IT Team</p> <p>Security checked on the required link to allow the access to secure member pension data</p> <p>GDPR requirements</p> <p>Quarterly updates to the Board</p> <p>Work with the Prudential regarding the transfer of AVC information</p>	3	2	6	■	Pensions Manager
18	Regulatory	Proposed changes as a result of Government propositions relating to regulations, guidance in relation to pooling and local government reorganisation/devolution.	<p>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.</p> <p>Pensions review underway with respect to further consolidation.</p> <p>Fit for the Future consultation proposals and the tight timescales with relation to the Pension Schemes Bill and any required compliance by the Fund.</p> <p>If extensive recruitment at Central is not at the sufficient level to undertake and present investment proposals.</p> <p>Local government reorganisation.</p>	<p>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.</p> <p>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.</p> <p>Significant changes in the oversight, governance of investment management is possible over the next 12-24 months, as soon as March 2026 depending on drafted regulations.</p>	<p>Response provided to the DLUHC consultation on 'Next Steps in Investing' alongside LGPS Central partners on challenges that may arise from proposed changes.</p> <p>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.</p> <p>Careful consideration of government proposals, balancing pooling proposals and improved governance and continuation of the investment strategy including the net zero journey.</p>	3	4	12	Tolerate	<p>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.</p> <p>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.</p> <p>Careful planning of the 2026 ISS to take into account member views, fund beliefs and fit for the future consultation recommendations. Committee and Board will be kept updated on implications as part of any future local government reorganisation or devolution proposals.</p>	3	4	12	■	Investments - SFBP
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.	<p>Number of staff aged over 55 continues to rise (noting that minimum retirement age increases to age 57 from April 2028).</p> <p>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.</p>	<p>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).</p> <p>Delays in the calculation and payment of all pension benefits.</p> <p>Complaints.</p> <p>Reputational damage.</p>	<p>All new staff undergoing extensive training.</p> <p>Utilise apprentice scheme as part of recruitment planning.</p> <p>Monitor the situation with Team 1-2-1s with colleagues to ensure awareness of any upcoming retirement plans.</p> <p>Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.</p>	3	3	9	Treat	<p>Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.</p>	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)

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

Residual Risk Score Change since last meeting indicator

↑	Risk Increase
→	No Change
↓	Risk Decrease

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

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

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LOCAL PENSION COMMITTEE – 5 DECEMBER 2025

DIRECTOR OF CORPORATE RESOURCES

CLIMATE-RELATED DISCLOSURES REPORT 2025 AND RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. The purpose of this report is to:
 - a. Provide to the Local Pension Committee (LPC) the Fund's 2025 Climate Related Disclosures Report (Appendix A) and recommend changes to the Climate Stewardship Plan.
 - b. Update the LPC on progress versus the Responsible Investment Plan 2025 (Appendix B), quarterly voting report (Appendix C) and stewardship activities.
2. As part of this item a PowerPoint presentation will be delivered at the meeting by representatives from LGPS Central (Central).

Policy Framework and Previous Decisions

3. 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.
4. 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.
5. 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.

6. 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 B.
7. At the November 2024 Committee meeting it was agreed that targets in relation to climate solutions and fossil fuel exposure would primarily be measured through revenue exposure, rather than any company with £1 of exposure which led to some overstatement of the Fund's exposure to potential risk, or risk of greenwashing in relation to exposure to climate solutions.

Background

8. For the Fund, the term 'responsible investment' refers to the integration of financially material environmental, social and governance (ESG) factors into investment processes. It has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The approach taken by the Fund, as set out in the Investment Strategy Statement (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.
9. 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. While there are also impacts from potential policy changes, including any reversal of climate policy action, or changes in assumptions.
10. 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.

11. 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 the government will align private pension scheme requirements to LGPS funds, which will require Funds 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 (TCFD). 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.
12. Failure to consider these aspects, or exercise effective stewardship of the Fund's assets risks inferior investment performance which would negatively impact contributing employers.

Climate Related Disclosures Report 2025

13. The report is structured to align with the four pillars of the TCFD and facilitates public disclosure against this framework: Governance, Strategy, Risk Management, and Metrics and Targets. The report has continued to develop in light of previous Committee comments in relation to reporting on stewardship outcomes, expansion of metrics and simplification where possible.

Progress Against the Net Zero Climate Strategy

14. In March 2023 the Committee agreed nine targets, including an ambition to achieve net zero by 2050, with an ambition for sooner. The majority of these targets followed best practice with relation to the Institutional Investors Group for Climate Change's framework, or targets that were deemed of importance to the Committee and Fund.
15. High-level progress against these targets is set out below, which show where the Fund has exceeded initial expectations for its net zero journey.
 - a. The Fund has achieved its first interim target of reducing the weighted average carbon intensity (WACI) by 50% by 2030, with an actual reduction of 55.6%, meaning the Fund is less exposed to carbon price risk for in-scope investments.
 - b. The Fund has also achieved its second interim target of having reduced its financed emissions by 40%, with an actual reduction of the total carbon emissions the Fund is responsible for by 42.2% from a baseline set in 2019, by 2030 for in-scope investments.

- c. The Fund now has over £1.5 billion (circa 20% of the total Fund) directly allocated to climate-related investments across equity, debt, infrastructure and forestry. These investments support the Fund's wider fiduciary duty and have not had a negative impact on the Fund's return.
- d. Within the equity portfolio 75.8% of equity financed emissions are considered to be aligned/aligning to the Paris Agreement, or under an engagement programme. This sets the Fund on a positive trajectory to 2050 in supporting real-world change.

16. This progress is against the backdrop of increasing assets under management and the Fund's passive equities that are continuing to outperform the market benchmark, showing the Fund is continuing these positive climate actions in a way that is supporting the Fund's fiduciary duty, as set out in the table below.

Fund name	Performance (%)			Commentary
	1 Year	3 years	Since inception	
LGPS Central All World Equity Climate Multi Factor	17.0	15.1	11.9 (December 2020)	This fund tilts towards companies with green revenues. This is performing ahead of benchmark.
LGIM All World (No tilt)	17.1	n/a	18.8 (November 2023)	This is a standard passive equity fund we expect to match the benchmark. This is performing in line with the benchmark.
LGIM Low Carbon Equity Fund	18.2	n/a	19.7 (November 2023)	This fund tilts to increase exposure to 'greener' companies. This is performing in line with the benchmark.
LGIM UK Equity (No tilt)	16.2	14.5	11.3 (December 2013)	This is a standard passive UK equity fund. This is performing in line with the benchmark.

17. Appendix A goes into further detail on actions taken by the Fund and Committee in accordance with best practice. These efforts have delivered early successes, reflecting the Committee's clear direction and strong commitment.

18. It is important to keep in mind that performance will not be linear and that many different factors can impact carbon metrics. Up to this point the Fund has made some of the most significant changes through asset allocation decisions, which are not as available for remaining asset classes at this point in time. In support of real-world carbon reductions, the Fund will need to engage with its partners and investment managers on where further success can be achieved.

Interim (2030) Primary Targets

19. Where indicated the Fund's baseline data as of 31 December 2019 has been restated within the report due to improved data available through the data provider. This is where estimated data has been replaced by company reported data. Any targets are compared against the most up to date data available. More information on restated values is set out within page 29 of Appendix A.

	Use Case	2019¹	2024	2025	% change since 2019
50% carbon intensity reduction by 2030 for the Equity Portfolio (tCO₂e/\$m sales)	Exposure to carbon-intensive companies.	162	76.7	72	-55.6%
40% absolute carbon emissions reduction for the Equity Portfolio by 2030 (tCO₂e).	Carbon footprint of the Fund's equity holdings. This can indicate the level to which the Fund may be negatively impacted by transition risks, which are direct and typically attributable to government policy.	190k	110k	110k	-42.2%

20. The majority of the reductions can be attributed to the significant changes to the Fund's equity portfolio since 2019 in investing in the Low Carbon Transition fund and Climate Multi-Factor fund. Alongside a lower exposure to carbon-intensive companies with specific reductions in the financed emissions of the utilities and materials sector.

21. This reflects the Fund's efforts to manage climate related risks, indicating reduced exposure to financially material risks within these holdings.

Secondary Targets

Exposure to Climate Solutions and Fossil Fuels

22. As part of the NZCS it was agreed to set targets to focus on reducing exposure to fossil fuel reserves and increasing exposure to climate solutions in recognition of their respective importance in supporting the climate transition and managing financially material risks to the Fund.

	<u>2019</u> (restated)	<u>2025</u>
Reduce exposure to fossil fuel reserves within the Equity Portfolio		
By revenue	3.13%	2.19%
Increase exposure to climate solutions within the Equity Portfolio		
By revenue	3.8%	6%

23. It is important to consider these measures holistically and understand the Fund's exposure over time and recognise that the Fund is a diversified asset owner in a range of assets globally.

Secondary Target	2019	2023	2024	2025
90% coverage of assets measured by 2030	45%	47%	57.4%	56%*

*This will increase to 71.8% upon distribution of the Fund's pooled private market climate metrics.

24. This target remains ahead of the scheduled NZCS timescale. Central will also provide private market data in their analysis on Central managed portfolios, subject to further authentication and checks. The Fund will work with LGPS Central for how externally managed mandates can be included in future as part of their future oversight responsibilities.

90% assets under management (AUM) in material sectors to be classified as net zero, aligned or aligning by 2030.		2023	2024	2025
	Material sector AUM	£2.3bn	£2.5bn	£2.6bn
	Material sector AUM aligned/aligning	£1.6 bn	£1.6bn	£1.7bn
	Proportion of AUM aligned/aligning	68.3%	64.2%	64.5%

25. For material sectors target we consider the definition set by the Net Zero Investment Framework to ensure efforts are channelled to the material sources of emissions. While the proportion of alignment has decreased since 2023, this is as a result of a faster increase in material sector AUM to that which is aligned or aligning.

26. The Fund will continue to engage with LGPS Central on these metrics; however, it is recognised this is particularly challenging given, for example, building materials are regarded as a hard to abate sector, with limited low-carbon alternatives, while demand for building materials, is unlikely to diminish. It is important that engagement with these companies focuses on ensuring they are considering climate-related uncertainties.

Proportion of financed emissions considered to be Paris aligning/aligned by LGPSC's net zero alignment metric or under engagement 90% by 2030.	2023	2024	2025
	80.7%	75.7%	75.8%

27. It is important to note that engagement data is not able to be restated, historic engagement metrics are therefore reflective of previously reported values. In addition to this, LGPS Central's methodology to determine if a portfolio company has been engaged has been improved to for 2024 reporting apply a stricter definition of engagement. This measurement also does not cover engagement activities by the Fund's passive equity manager LGIM, who have extensive activities as reported quarterly.

28. The Fund will continue to work with Central on its engagement processes and support expanding their engagements to cover more financed emissions, particularly as Central have assumed management of the Fund's passive LGIM equity funds.

29. The Fund will continue to work with Central on how best to attribute these factors and how to support increased alignment over time.

30. The final secondary target focuses on operational net zero targets relating to the County Council and LGPS Central. It is noted that the County Council has shifted its priorities towards climate adaption and addressing severe weather impacts within the county. In line with the 'Fit for the Future' proposals, it will be appropriate to concentrate on ensuring that LGPS Central deliver their stated commitments.

31. The Fund will continue to monitor and report on progress against all targets, with a view to the review of the NZCS due in 2026, alongside comments from

scheme members and employers in the ongoing Responsible Investment Survey that closes on 5 January 2026.

32. These metrics are not the Fund's only method of monitoring climate risk and opportunity as set out in more detail within Appendix A. This includes metrics expected to be required as part of mandatory TCFD reporting and other metrics available to Central, which provide the Fund with a deeper assessment of climate risk and opportunity.

Climate Stewardship Plan

33. Over the years Central, in conjunction with the Fund, has developed a Climate Stewardship Plan (CSP) to prioritise companies for climate engagements. This list is designed to identify the Fund's top contributors of financed emissions, as well as aligning with Central's climate stewardship priority companies and 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.

34. As part of the Climate-Related Disclosures a review of the CSP companies has been completed. Central have proposed two additions as set out in the below list. It is also proposed to remove Taiwan Semiconductor Manufacturing Company, as while it remains a significant contributor to the Fund's financed emissions, this is primarily due to its portfolio weight reflecting its prominent position in the market benchmark, while its emissions are notably lower than those of the remaining constituents of the plan.

Company Name	Portfolio Weight	Financed Emissions	Contribution to Financed Emissions
Shell	0.49%	8,333	5.37%
Add: ArcelorMittal	0.03%	5,401	3.48%
Glencore	0.19%	2,997	1.93%
Bp	0.28%	2,818	1.82%
Add: RWE	0.04%	2,558	1.64%
Cemex	0.02%	1,890	1.22%
Add: Rio Tinto	0.11%	1,551	1.00%
Holcim	0.01%	838	0.54%
CRH	0.04%	686	0.45%
Linde	0.18%	1,536	0.99%

35. Page 20 within Appendix A sets out more detail on engagements with Shell. Further details on engagements and company metrics are set out within the exempt supplementary paper elsewhere on the agenda.

Fund Benchmarking

36. The Fund has previously set out how it compared against other schemes. This has been updated for the latest available public data against LGPS schemes where published data seems to use the same methodology. Despite this there are still caveats which may prevent like for like comparisons, such as different data providers, assumptions used and the date at which a snapshot has been taken among other factors. It is also important to note that climate risk cannot be distilled into one single metric, and these are only backwards looking measures. Furthermore, it is worth noting that the LGPS funds reporting these figures are doing so before it has been mandated so may also represent those already doing more than an average Fund.
37. The most widely used measure to which the Fund can compare relates to the Weighted Average Carbon Intensity (WACI): a portfolio's exposure to carbon intensive companies. This can be seen as a proxy for carbon price risk.
38. The Fund is performing comparably and ahead of the majority of peers. For WACI you can consider this an indicator the Fund may be at less risk from the impact of carbon pricing. Of the funds performing comparably or better they are generally on the same trajectory with asset allocation decisions driving the reductions with allocations to funds similar to the LGIM Low Carbon Transition Fund, alongside more standard passive index allocations.

Fund	Snapshot date	WACI (tco2e/\$m revenue)
h	2025	58.4
d	2024	64.9
i	2024	66.3
e	2024	69.3
Leicestershire	2025	72.2
a	2024	73.9
g	2024	98.8
f	2025	101
c	2024	104
b	2024	145
j	2024	147

RI Plan 2025

39. The LPC approved the RI Plan in January 2025. The Plan was developed following discussion with Central's 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 B.

40. Highlights include continued discussions with investment managers, as outlined in more detail below, and continued work alongside Central on their approach to stewardship.
41. Officers will begin developing the 2026 RI Plan to continue to enhance the Fund and the Committee's view of RI matters, in line with any relevant recommendations from the Climate-Related Disclosure report produced by Central elsewhere on today's agenda, any best practice and considerations from the RI Survey outcome.

Voting and Engagement

42. Appendix C sets out the Fund's voting report from July to September 2025.
43. This incorporates circa 43.8% of the Fund's assets (LGIM passive funds, Central Climate balanced fund, global emerging markets fund and the global active equity fund). A brief breakdown is set out below:
44. The Fund made voting recommendations at 768 meetings (7078 resolutions)
- At 611 meetings the Fund opposed one or more resolutions.
 - The Fund voted with management by exception at 7 meetings and supported management on all resolutions at the remaining 150 meetings.
 - The majority of votes where the Fund voted against management were related to board structure (37%). These votes include issues such as overboarding (when a director may sit on too many boards for example), diversity, and inadequate management of climate risk.
45. Some highlights from engagement activity from partners are set out below.

LGPS Central Stewardship Report – June to September 2025

46. Central is the pooling company of the Fund. It is a strong supporter of responsible investment through the Responsible Investment and Engagement Framework. Central's latest Stewardship Report sets out progress of ongoing and new engagements which relate to the four Stewardship Themes. This quarter the engagement set comprised 935 companies, with 1,220 engagement activities on 854 objectives. Positive progress was measured on 81 occasions.

Engagement	Action	Outcome

The Sherwin-William Company	Cosigned letter to the company on expectations of Nature Action 100 group with regard to nature impacts and dependencies.	<p>The company commissioned an analysis of all the company's owned and leased manufacturing operations, distribution, major office, research and development and data centre location for nature related impacts and dependencies.</p> <p>Central discussed the results in the meeting with the company, and noted the highest modelled dependency related to flood protection which was deemed to be a moderate risk.</p> <p>Sherwin-Williams also state that they will continue to focus on physical climate risks for strategic planning purposes, with an emphasis on water stress as a predominant long-term risk. Considering that a nature impacts and dependencies assessment was conducted and the results publicly disclosed, this engagement objective has been met.</p>
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Legal and General Investment Management – Q3 2025

47. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 18.2% of the Fund. LGIM's latest engagement report highlights some key activity in the Investment Stewardship team.

48. The latest report highlights the importance of holding investee companies to account to ensure companies have people that are well-equipped to create resilient long-term growth and encourage management to control risks while seeking to benefit from emerging opportunities.

Company	Theme	Action	Outcome
Heidelberg Materials	Sustainability	LGIM saw Heidelberg as having the potential to be a sustainability leader in heavy building materials, with the most ambitious emissions intensity target in the sector. Recognising that reducing the cement sector's emissions plays a critical role in global	Heidelberg hosted a Capital Markets Day which emphasised the value of the sustainability strategy, including specific numbers on the margin impact of their carbon capture and storage project. Since LGIM initiated their position Heidelberg's share price

		<p>decarbonisation LGIM see its sustainability strategy as a critical driver of value.</p> <p>LGIM engaged on several occasions to encourage leadership to improve disclosure to investors of the value framework for sustainability, to catalyse the value from its sustainability strategy.</p>	<p>has more than doubled and outperformed its peers by 20-30% over the period. Coinciding with a period where the company has meaningfully demonstrated its ability to deliver on one of the most ambitious emissions intensity reduction target in the sector.</p>
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Local Authority Pension Fund Forum – [July to September 2025](#)

49. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The latest report features an overview of engagement activities including with BP, the tobacco industry, and water stewardship among others.

Topic	Action
Water Stewardship .	<p>LAPFF met with Severn Trent's Chair. The company noted the transition to a new consolidated regime following the Independent Water Commission's findings.</p> <p>Seven Trent noted that they held a 4-star EPA rating for five years, the only UK water company to do so and led the sector with the lowest overflow spills in 2024.</p> <p>However, LAPFF note that the average duration of storm overflow spills rose to 7.3 hours in 2024 highlighting the need to accelerate their investment programme.</p> <p>LAPFF will continue to scrutinise the company following enforcement actions and the 2024 Panorama allegations over governance, remuneration and assurance over data and dividends, alongside other water companies.</p>

Next Steps

50. This report will be shared with Hymans Robertson in support of preparation of the January 2026 Strategic Asset Allocation review.
51. Officers will continue to work with Central and external managers to monitor approaches to net zero and engagement with top contributors within their portfolios.
52. The Fund will communicate high-level results from this report recognising the interest of scheme members in climate related matters, as well as consider the outcome of the ongoing responsible investment survey.

Supplementary Information

53. An exempt paper is included elsewhere on the agenda which includes information regarding the underlying mandate climate metrics and further information about CSP companies which cannot be included for public consideration due to the contract between the data provider and Central.

Recommendation

It is recommended that:

- a) The Climate Related Disclosures Report attached as Appendix A to this report, and progress versus the Responsible Investment Plan 2025 (Appendix B), quarterly voting report (Appendix C) and stewardship activities and high-level overview of the Fund's investment managers net zero approaches be noted;
- b) The proposed changes to the Climate Stewardship Plan companies as set out in paragraphs 34 and 35 be approved.

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>

Fiduciary Duty and the LGPS

<https://democracy.leics.gov.uk/documents/s171065/Appendix%20A%20Fiduciary%20duty.pdf>

Equality Implications

54. 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

55. 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 decisions and is a core part of the Fund’s fiduciary duty.

Environmental Implications and Taskforce for Climate Related Financial Disclosure compliance.

56. The Fund has developed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on climate risk. This will align with the Fund’s Responsible Investment approach as set out in the Investment Strategy Statement. 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.
57. This report provides an ongoing overview of how external partners engage on stewardship matters, including in relation to climate engagements. This supports the Fund’s compliance to TCFD recommendations as referenced alongside other Committee activity in Appendix A.

Officers to Contact

Appendices

Appendix A: Climate Related Disclosures report
 Appendix B: RI Plan Update
 Appendix C: The Fund’s Quarterly Voting Report

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Climate-Related Disclosures

Report prepared in alignment with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)

DECEMBER 2025

PREPARED BY LGPS CENTRAL LIMITED





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Front Cover: Anstey, Leicestershire
Images (Clockwise): Melton Mowbray, Leicestershire
Bradgate Park, Leicestershire
St Mary's Church, Melton Mowbray, Leicestershire



Introduction

This report constitutes the sixth edition of Leicestershire's Pension Fund's (LPF or 'the Fund') analysis of its approach to climate-related risks and opportunities. The report also contains a detailed analysis of the Fund's climate metrics.

The report is structured around the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics & Targets, and serves as the Fund's TCFD compliant report. This report therefore aims to continue to provide an in-depth review of the Fund's approach to identifying, assessing, and managing climate risks and opportunities across its investments.



Leicester Town Hall, Leicestershire



Governance

The Fund's governance of climate risk has developed significantly over recent years, as demonstrated by the graphic below.

FIGURE 1: THE FUND'S CLIMATE PROGRESS

2019

Local Authority Pension Fund Forum

Became members of the Local Authority Pension Fund Forum supporting the Fund's approach to shareholder engagement.

2020

Responsible Investment Plan

First year of producing an annual responsible investment plan and beginning of quarterly responsible investment reports to Committee.

All World Equity Climate Multi Factor Fund

Invested £800m in a portfolio that tilts away from companies that are carbon-intensive or own fossil fuel reserves, and tilts towards companies that generate green revenues.

First Climate Risk Report

Received its first Climate Risk Report in October 2020.

2021

First TCFD Aligned Report

Published its first TCFD aligned report which is also discussed within the Fund's Annual report.

2022

Inclusion of ESG within the Investment Strategy

ESG considerations, including climate risk, was explicitly incorporated into the Funds Investment Strategy (ISS) for the first time. Recognising the financial impact on its investments.

Government Consultation on TCFD Recommendations

Responded to the consultation in support of the proposals, setting out where guidance would be welcomed.

Engagement and Consultation with Scheme Members, Employers

Engagement on proposed net zero targets and the draft Net Zero Climate Strategy with over 1,700 responses.



Governance *(continued)*

FIGURE 1: THE FUND'S CLIMATE PROGRESS (CONTINUED)

2023

Net Zero Climate Strategy (NZCS)

The NZCS outlines the Fund's view on climate change risks and opportunities, climate targets, how the Fund will integrate climate change into investment decisions and stewardship.

Over £1billion invested in Climate Related Investments

Including a Legal and General Investment Management (LGIM) Low Carbon Transition Fund, the Climate Multi Factor Fund, a Net Zero Infrastructure fund and sustainable forestry.

2024

2030 Interim Targets Achieved

Early achievement of the Fund's interim targets mean the Fund is well on its way in achieving net zero by 2050.

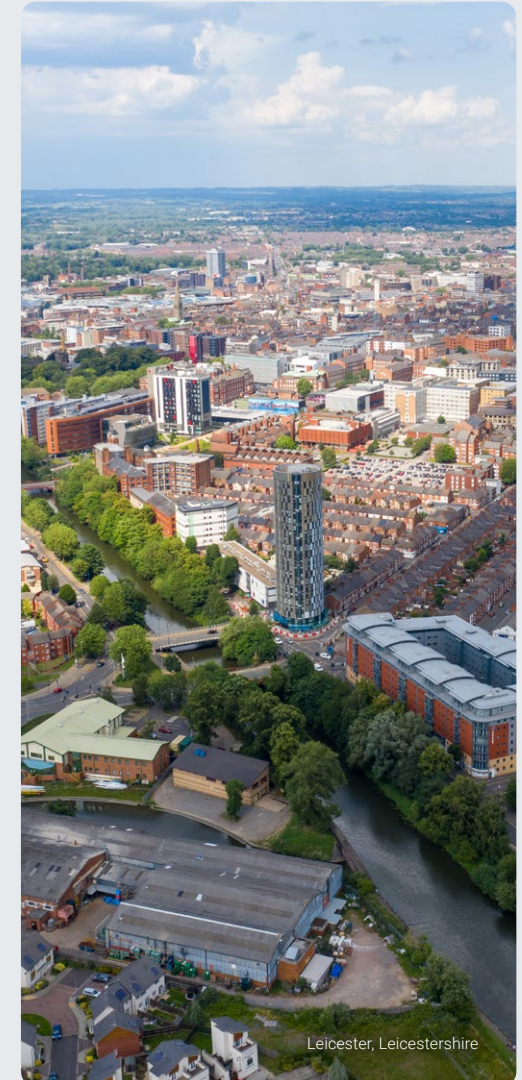
2025

Responsible Investment Survey

Launched a responsible investment survey, which incorporated questions designed to gather scheme members' perspectives on climate risk.

NZCS Review

Began reviewing current NZCS in preparation of 2026 updated.



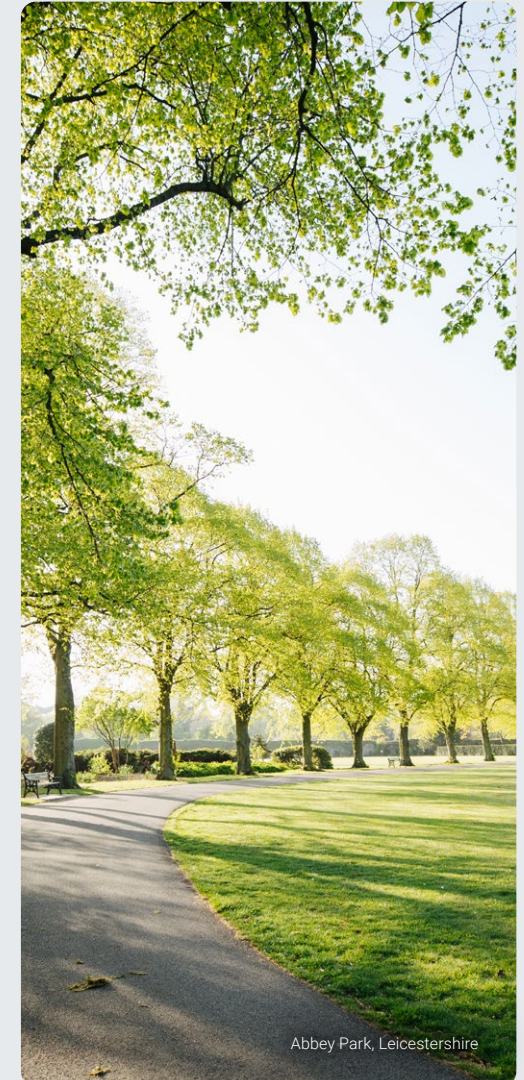
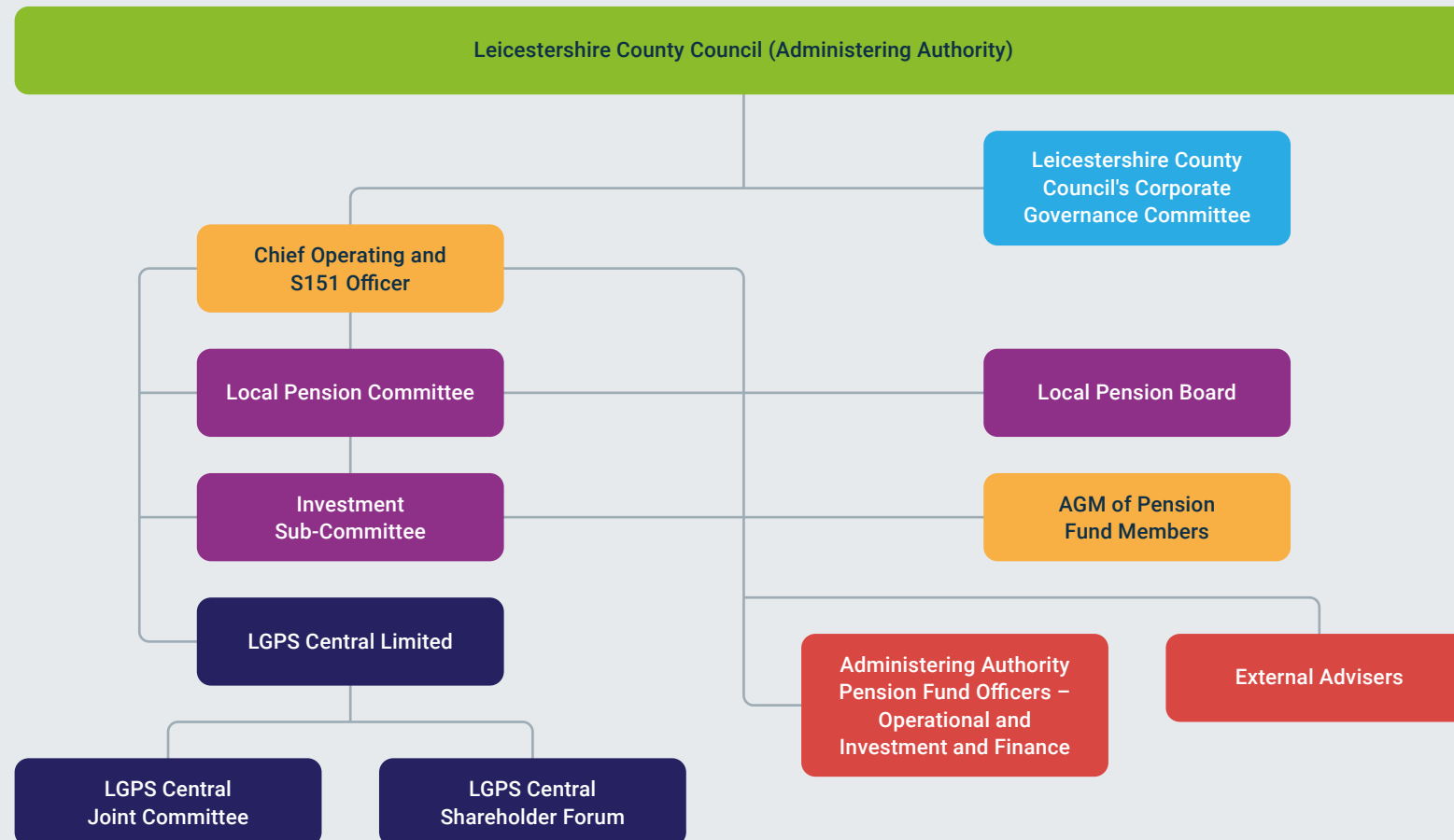
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Governance *(continued)*

Governance at the Fund follows the structures shown in the charts below.

FIGURE 2: THE FUND'S GOVERNANCE STRUCTURE



Abbey Park, Leicestershire



Governance *(continued)*

Board Oversight

Roles and responsibilities are set out clearly in the Governance Compliance Statement within the [Fund's Annual Report](#).

The Fund is administered by Leicestershire County Council, with responsibilities delegated to the Local Pension Committee (the Committee), which oversees all Fund matters, including climate-related risks and opportunities.

The Committee reviews and approves key documents, including the ISS, Funding Strategy Statement, Responsible Investment Plan, Net Zero Climate Strategy (NZCS), Risk Register, and other relevant policies. It receives quarterly reports on responsible investment, along with presentations from investment managers covering performance and responsible investment matters, including climate change. These materials support ongoing oversight and training on climate-related risks and opportunities. The Committee's recent activities, in relation to climate risks and opportunities, are outlined below, with further detail available [here](#).

2024/25

Committee Activities Snapshot

19 June 2024

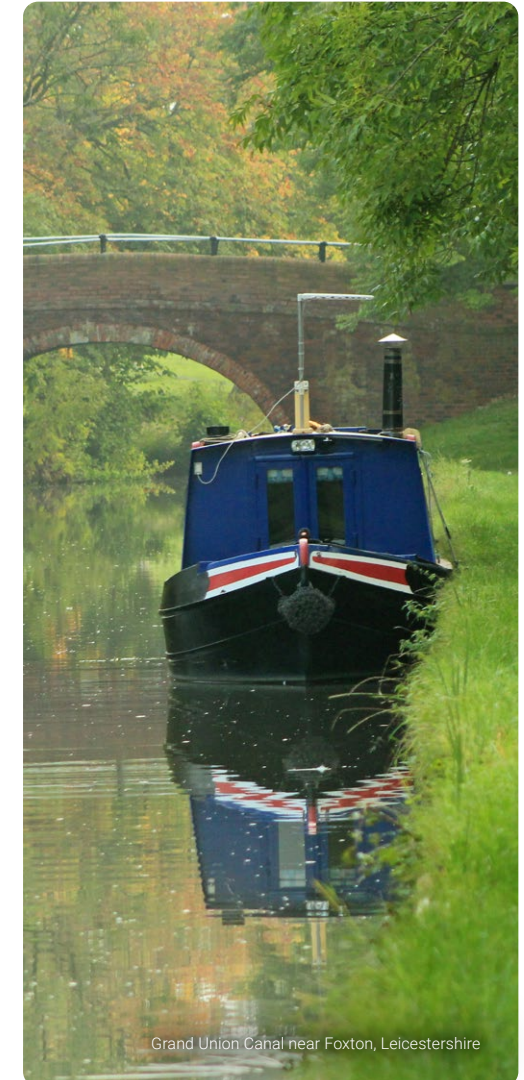
LGPS Central Limited (LGPSC) provided a presentation on their people strategy, investment overview and performance including detail on their responsible integrated status, and more detail on the Fund's infrastructure investments with Central.

Committee recognised that Central influenced and challenged investment managers for public markets through engagement and was able to use its size to work with managers to encourage more transparent reporting processes and encourage managers to make improvements. Examples were provided on how Central integrate factors, including environmental and how they monitor climate risk.

Committee scrutinised infrastructure challenges affecting renewables including grid delays and discussed emerging solutions like hydrogen and battery storage. The Committee also considered the resilience of renewable investments noting positive outlooks remained for the UK and U.S. market.

6 September 2024

The Committee received an update from the Fund's Actuary on the changes to the funding environment since the 2022 valuation, the risks currently faced by the Fund and the actions to be taken to help manage those risks as part of the 2025 valuation. It was noted that climate risk was factored into the valuation model with over 5000 future economic scenarios, It was noted that funding plans could not be based on all worse case scenarios



Grand Union Canal near Foxton, Leicestershire



Governance *(continued)*

2024/25	Committee Activities Snapshot
	<p>occurring, but that these risks are regularly monitored through its Net Zero Climate Strategy and Climate Risk Management report.</p> <p>The Committee also received an update from a infrastructure manager Quinbrook, and further discussion was held on barriers to delivery of greener, growth projects and how they mitigated risk.</p>
29 November 2024	<p>Committee received the 2024 Climate Risk Management Report where Committee discussed political implications, It was recognised that the Fund holds exposure to fossil fuel companies and that LGPSC’s Climate Stewardship Plan required a check on a company’s contribution to finance emissions, upon which LGPSC would focus on engaging with them to encourage a reduction in emissions, and also encourage companies to put more capital into ESG factors, for example, clean technology. Members were reassured that LGPSC were engaging with companies to drive them forward to reduced emissions.</p>
9 December 2024 AGM	<p>The Annual General Meeting was held open to all scheme members and employers which included a presentation on the progress of the Fund’s net zero ambitions.</p>

2024/25	Committee Activities Snapshot
31 January 2025	<p>Consideration of the proposed Strategic Asset Allocation for 2054 included Fund specific net zero considerations.</p> <p>Approval of the 2024 Responsible Investment (RI) Plan RI 2025 with a focus on external managers stewardship process and targets was given.</p>
14 March 2025	<p>The Committee reviewed valuation risks, focusing on the prudence needed to avoid future corrective actions due to reduced employer contributions which may arise from uncertainty in the wider environment.</p> <p>Property manager DTZ outlined its ESG approach, including asset selection and tenant engagement to ensure that costs were built in as part of the business case for acquisition. Committee questioned the opportunity for rooftop solar installations and DTZ noted it formed part of its strategy with asset improvement plans where feasible.</p>



Governance *(continued)*

The Committee is supported by Hymans Robertson LLP (Hymans Robertson), whose objectives are monitored and agreed annually, as set out in the Investment Advisor Objectives. Hymans aligns with the Committee’s policies and beliefs, including those on responsible investment and climate risk, which are reflected in investment recommendations and the Strategic Asset Allocation where relevant.

To support more technical investment discussions, the Committee has formed an Investment Sub-Committee (the Sub-Committee), which meets quarterly or as needed. It makes decisions in line with the Strategic Asset Allocation and ISS, with careful consideration of ESG factors. Hymans Robertson also supports the Sub-Committee.

The Local Pension Board (the Board) oversees governance and administration, ensuring compliance with LGPS regulations and related legislation. It reviews the risk register quarterly, including climate-related risks, and receives regular updates against the NZCS.

Management’s Roles and Responsibilities

The Director of Corporate Resources at Leicestershire County Council, acting under Section 151 of the Local Government Act 1972, advises the Committee on financial management, compliance, budgeting and accounting. The Director also holds day-to-day responsibility for managing climate-related investment risks, supported where appropriate by LGPSC. As outlined in the NZCS, the Fund engages with partners and initiatives such as the IIGCC to identify and manage climate risk, with the Director accountable to the Committee for NZCS delivery.

As the Fund is primarily externally managed, climate risk implementation is delegated to portfolio managers, who are regularly monitored by the Committee and Sub-Committee. Since 2020, Fund Officers have received an annual Climate Risk Management Report, providing insight into climate risks across equities and fixed income.

Roles of Advisors

In decision-making, the Fund takes advice from its officers and external advisors. Hymans Robertson, the chosen Investment Consultant, advises on the sustainable investment strategy, provides updates reflecting market changes, and actions to support net zero and responsible investment goals. They also guide the investment approach to meet cashflow needs, align with the Committee’s risk tolerance, and implement strategy cost-effectively. Hymans Robertson is regulated by the Financial Conduct Authority.

Advisors regularly attend Committee and Sub-Committee meetings. Performance against objectives is reported annually, reflecting Hymans Robertson’s role in developing the NZCS and incorporating net zero considerations into investment recommendations where possible.

Role of Actuaries

The Committee has appointed Hymans Robertson as the actuarial advisor. In line with LGPS regulations, Hymans conducts a valuation every three years. For the 2022 valuation, climate scenario stress testing was incorporated into contribution modelling for local authority employers. The resulting report complies with Technical Actuarial Standards TAS100 and TAS300, issued by the Financial Reporting Council.

A mid-point valuation was presented to the Committee in December 2023. The Fund is in the process of completing the 2025 valuation, where the Fund aims to balance long-term security and stability with employer affordability, while considering risks such as inflation and climate change, and exploring prudent measures to guard against less quantifiable future risks.



Governance *(continued)*

Roles of Pooling Company

LGPSC operate as the pooling company for the Fund, from a climate perspective this includes producing annual Climate Risk Management Reports including the production of the Fund's climate metrics which help inform the NZCS and targets, as well as the tracking of these targets.

LGPSC also assist in the integration of responsible investment, including climate considerations, into investments during the selection and monitoring process as well as conducting engagement with companies and policy makers on behalf of the Fund.

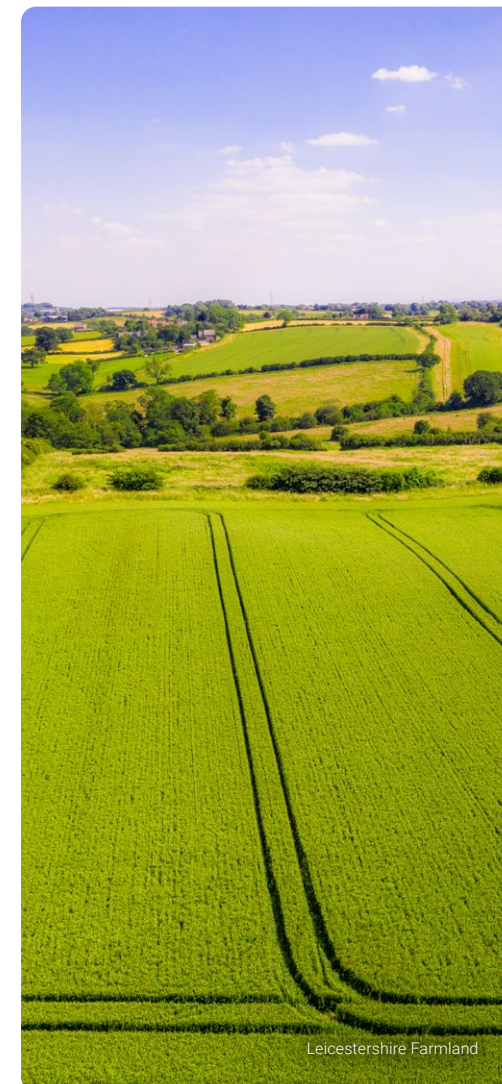
LGPSC announced their Net Zero Strategy in October 2023. Their own TCFD reporting can be found [here](#).

Ongoing Education and Training

The Fund supports continuous improvement of knowledge and skills for governing bodies, in line with CIPFA's LGPS Knowledge and Skills 2021. Annual training needs assessments are carried out for Committee and Board members. As of the end of 2024, members reported being either fully conversant or reasonably familiar with the Fund's climate risk and opportunity management. In 2024/25, this was supported by induction training on responsible investment and climate matters, climate risk monitoring and metrics from LGPSC, the NZCS, and online Aspire Training, including TCFD and climate briefings from Hymans Robertson.

Committee members are invited to LGPSC's annual Responsible Investment Summit, featuring industry speakers and Q&A sessions to deepen understanding of emerging RI risks and opportunities.

Fund Officers also attend LGPSC's quarterly Responsible Investment Working Group meetings, which offer updates and training on ESG topics, including climate change. Past sessions have included speakers from EOS at Federated Hermes, discussions on net zero and FCA greenwashing regulations, and updates on the UK's climate transition post-election. These meetings bring together representatives from all eight LGPSC Partner Funds, fostering shared learning. Officers also attend LAPFF meetings and conferences to further support their development.





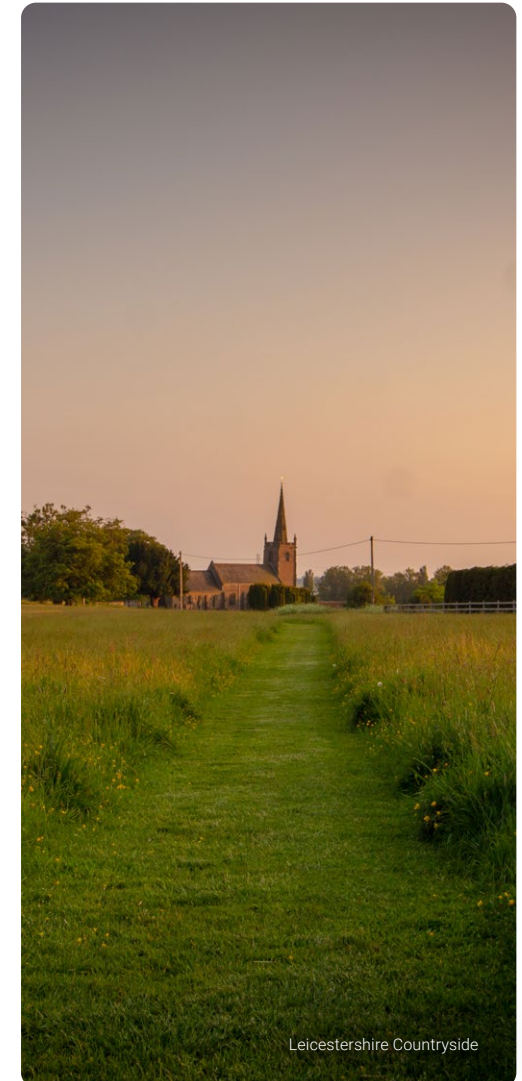
Strategy

Description of Climate-related Risks and Opportunities

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

TABLE 1: EXAMPLES OF SHORT-, MEDIUM-, AND LONG-TERM CLIMATE-RELATED RISKS AND OPPORTUNITIES

Source of Risk and Opportunities	Category	Risk or Opportunity	Time Horizon	Impact Area	Mitigation / Management Strategy
Policy Changes (Including Carbon Pricing)	Transition	Risk and Opportunity	<ul style="list-style-type: none">• Short• Medium• Long	<ul style="list-style-type: none">• Across investments and funding• Investments in carbon-intensive and low-carbon industries• Operational	<ul style="list-style-type: none">• Monitor potential regulatory changes (domestic and international) and consider the impact of these changes on the Fund's approach to investments and its internal operations.• The achievement of the Fund's climate targets will mitigate the impact of increasing carbon prices.• Monitor manager preparedness and awareness of changing carbon prices across relevant markets, alongside their awareness of low-carbon alternatives which may benefit from rising carbon prices.• Consider the impact of likely policy changes, including delayed or reversed climate policy action, in strategic decisions.• Ensure the Fund maintains a balanced approach given the possible range of transition scenarios and associated implications, especially on holdings in hard to abate sectors.
Technological Change	Transition	Risk and Opportunity	<ul style="list-style-type: none">• Short• Medium• Long	<ul style="list-style-type: none">• Across Asset Classes	<ul style="list-style-type: none">• Monitor manager awareness of emerging and disruptive technologies.• Consider the impact of these changes in strategic decisions.



Leicestershire Countryside



Strategy *(continued)*

Source of Risk and Opportunities	Category	Risk or Opportunity	Time Horizon	Impact Area	Mitigation / Management Strategy
Changing Weather Systems and Climate Adaptation	Physical	Risk and Opportunity	<ul style="list-style-type: none">• Short• Medium• Long	<ul style="list-style-type: none">• Physical Assets• Corporate Holdings	<ul style="list-style-type: none">• Carry out scenario analyses on various climate scenarios to assess impact.• Ensure external managers maintain adequate consideration of both acute risks (floods, storms, etc) and chronic risks (damages associated with rising sea levels, global temperature increases, etc).• Ensure managers monitor the market for investment opportunities in climate adaptation projects. These could include large-scale infrastructure projects such as floodwalls, alongside technological products such as AC units and other cooling systems.• Ensure managers monitor portfolio company's assessments of extreme weather impacts on their operations.
Resource Scarcity	Physical	Risk	<ul style="list-style-type: none">• Medium• Long	<ul style="list-style-type: none">• Physical Assets	<ul style="list-style-type: none">• Monitor manager awareness of resource scarcity.• Consider managers' awareness of agricultural holdings.

Short-, medium- and long-term time horizons have been broadly defined in Table 2.

TABLE 2: CLIMATE CONSIDERATIONS TIME HORIZONS

Short-term	Medium-term	Long-term
0-3 years	3-10 years	Up to and beyond 2050



Leicester Cathedral, Leicestershire



Strategy (continued)

As Part of the Fund’s Protection assets review in May 2024,¹ Hymans Robertson provided an assessment of the impact of climate change on gilts and investment grade corporate bonds as well as on equities and real assets, the asset classes from which any increase in protection assets would be funded.² The assessment considers the impact on each asset class as a whole, and over the long-term.³ It is possible, and indeed the Fund already does, mitigate climate risk and increase its exposure to climate opportunities via its choice of manager/strategy.

Exposure to:	Transition risk	Physical risk	Climate opportunities
Gilts (Protection)	<div>LOW</div> <ul style="list-style-type: none">Financing the transition may require more borrowing from the UK government, but we would expect some of this to be priced into markets already.	<div>LOW</div> <ul style="list-style-type: none">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.	<div>LOW</div> <ul style="list-style-type: none">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)	<div>MEDIUM</div> <ul style="list-style-type: none">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).	<div>MEDIUM</div> <ul style="list-style-type: none">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.	<div>MEDIUM</div> <ul style="list-style-type: none">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.

¹ Leicestershire County Council Pension Fund Protection assets review

² In the Hymans Robertson's assessment of climate change on the Fund's protection assets, Hyman Robertson highlights that quantifying the impact is challenging given the lack of available data across all asset classes and is outside the scope of the Protection assets review.

³ This content is based on the Leicestershire County Council Pension Fund Protection assets review by Hymans Robertson. In this context, the term 'long-term' refers to Hymans Robertson's definition of the timeframe, rather than the definitions provided in Table 2.



Strategy *(continued)*

Exposure to:	Transition risk	Physical risk	Climate opportunities
Infrastructure / Property (Income)	<div>MEDIUM</div> <ul style="list-style-type: none">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.	<div>MEDIUM</div> <ul style="list-style-type: none">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.	<div>HIGH</div> <ul style="list-style-type: none">Ability to participate in the low carbon transition e.g. through building renewable infrastructure, retrofitting existing properties to highest standards etc.
Global Equities (Growth)	<div>HIGH</div> <ul style="list-style-type: none">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.	<div>HIGH</div> <ul style="list-style-type: none">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.	<div>HIGH</div> <ul style="list-style-type: none">High scope for investment in climate opportunities. Ability to engage where investing for impact or in private markets.



Strategy *(continued)*

Description of Impact of Climate-related Risks and Opportunities

While diversified across asset classes, regions, and sectors, the ISS recognises that “Financial markets could be materially impacted by climate change and by the response of climate policymakers” and that “environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios”. It is also recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone.

To support climate risk management, the NZCS aligns with the Net Zero Investment Framework developed by the IIGCC, structured around four pillars: (i) Climate Change Risk and Opportunities; (ii) Targets and Measures; (iii) Decision Making; and (iv) Stewardship, Engagement, and Divestment. The Responsible Investment Plan and NZCS performance are reviewed annually.

The NZCS outlines the Fund’s approach to managing climate-related risks through:

- Top-down analysis: Biennial climate scenario modelling to assess financial risks across transition and physical scenarios.
- Bottom-up analysis: Ongoing monitoring of climate-related risks and opportunities, including identifying high-carbon holdings for engagement via the Annual Stewardship Plan.
- Integration into asset allocation reviews.
- Incorporation of climate risks into manager selection, due diligence, and monitoring.
- Stewardship techniques to manage climate risks and opportunities within the portfolio.

Since 2019, this approach has led to over £1 billion invested in strategies that consider climate change factors.

To support its medium- and long-term net zero targets, the Fund has committed to reducing fossil fuel exposure and increasing investment in climate solutions. It reviews fossil fuel exposure in equity holdings and seeks to limit exposure in new mandates. In April 2023, the Investment Sub-Committee reviewed this in detail and agreed to invest in a low carbon transition fund.

The Fund also aims to increase exposure to climate solutions by considering specialised investment opportunities, such as the Quinbrook Infrastructure Partners Net Zero Infrastructure Power Fund. In July 2024 the Investment Subcommittee supported the proposal to convert existing forestry investments, into a continuation vehicle to enable the Fund to retain existing holdings which provide long-term, stable and inflation linked returns while also being supportive of the Fund’s approach to managing climate risk.



Bradgate Park, Leicestershire



Strategy *(continued)*

Description of Resilience of the Organisation's Strategy

To assess the resilience of its funding strategy, the Fund, via Hymans Robertson, conducted climate scenario stress testing as part of the 2022 valuation's contribution modelling for local authority employers. This helped evaluate how the strategy performs under different climate scenarios. Results are detailed in the Leicestershire County Council Pension Fund 2022 Actuarial Valuation Report and supported by Hymans Robertson's LGPS 2022 valuation toolkit. While some scenarios showed weaker risk metrics, this was expected given the stress-test nature of the modelling. No scenarios indicated material exposure to climate risk. The Fund will continue to monitor this as modelling evolves.

Additionally, in 2020 and 2022, the Fund engaged Mercer LLC (Mercer), via LGPSC, to assess how climate scenarios could affect risk and return. The 2022 analysis estimated annual climate-related return impacts across all asset classes under three scenarios: Rapid Transition, Orderly Transition, and Failed Transition, over 5-,

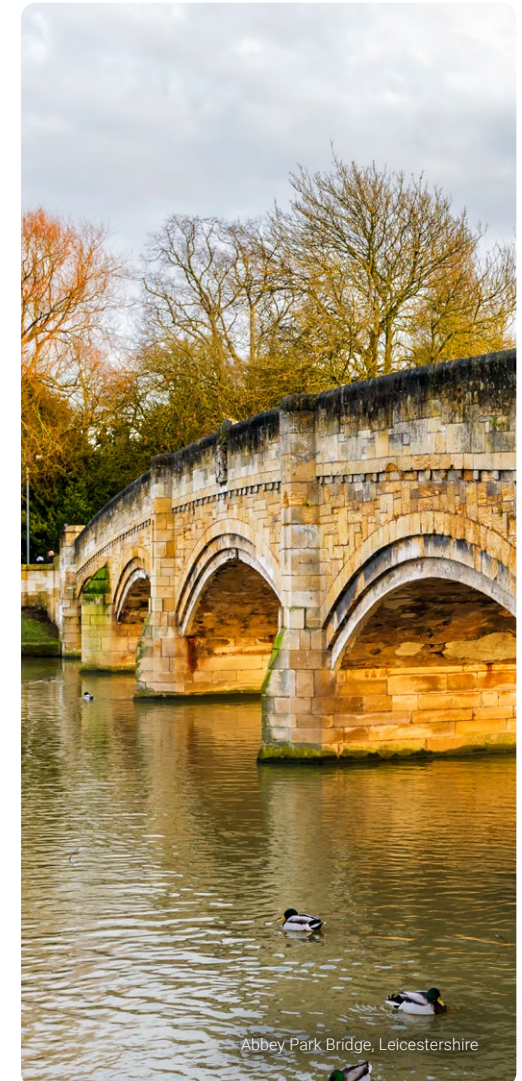
15-, and 40-year horizons. Key findings included: the importance of a successful transition, the protective role of sustainable allocations, the vulnerability of growth assets to physical risks, and the need to monitor sector and regional exposures. Following this, the Investment Sub-Committee reduced listed equity from 42% to 37.5%, invested in a low carbon transition fund, divested from an emerging market multi-manager fund, and increased allocation to climate-tilted passive equity.

Full results are available in the 2022 Climate Risk Report.

In July 2024 discussion was held as part of an Investment Subcommittee meeting asking Hymans Robertson, as to what degree climate risk as a threat multiplier (and recognised by the United Nations) formed part of the vocabulary or the discourse amongst its peers, when there were more likely to be global, significant events, such as drought, that would have an impact on markets.

Subcommittee noted that these risks were considered when setting assumptions and thinking about scenarios to best describe the range of things that could happen due to climate change and were conscious of inter-dependencies and multiplier effects. Hymans continued that, due to the way models were calibrated against historical experience, it could not explicitly model all of those inter-dependencies and how they played out.

Translating climate scenario analysis into investment strategy remains challenging due to the wide range of plausible scenarios, uncertainty over their likelihood, especially long-term, and the fact that sectors performing well in one scenario may underperform in another. Despite this, the Fund remains committed to using the best available climate research to strengthen portfolio resilience. Hymans Robertson will produce new stress testing as part of the ongoing 2025 valuation.



Abbey Park Bridge, Leicestershire



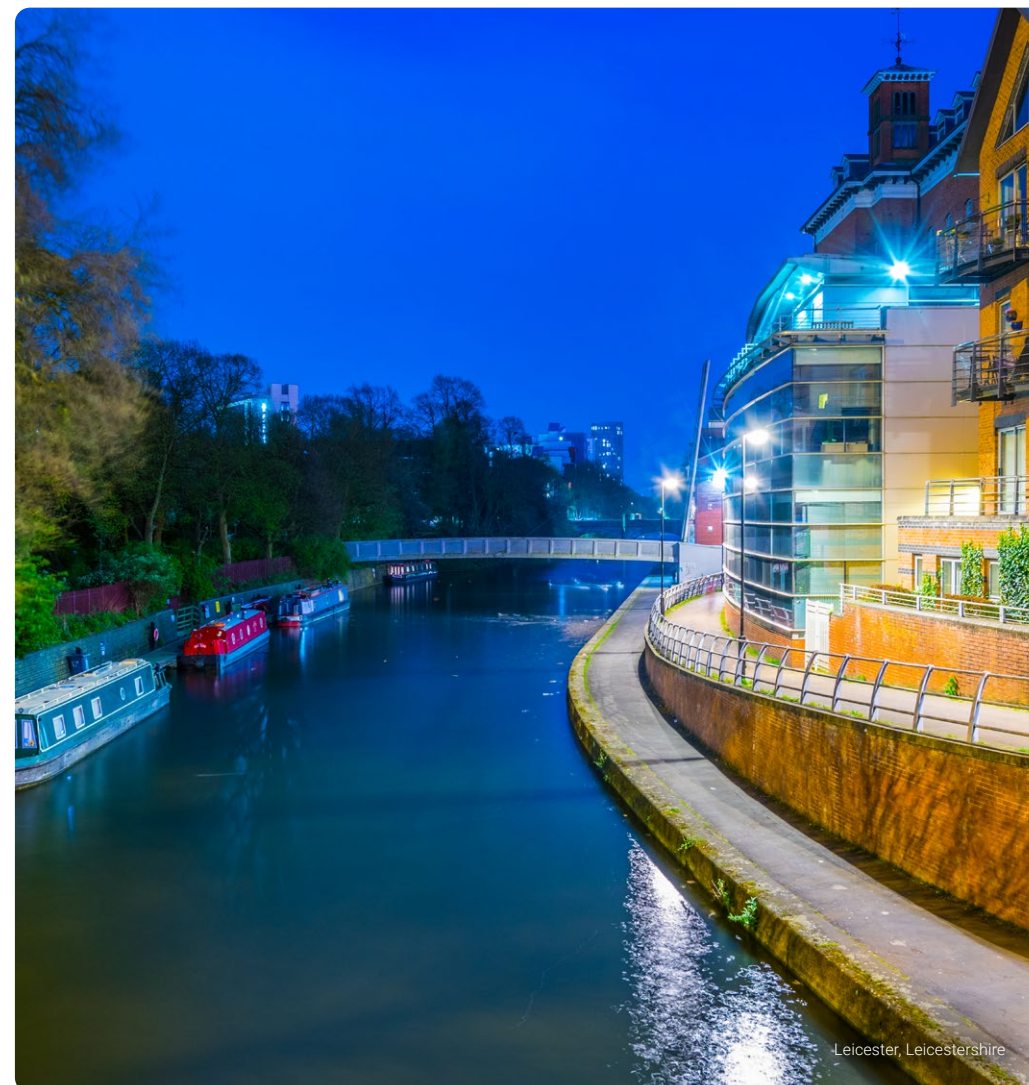
Risk Management

Identifying and Assessing Climate-Related Risks and Opportunities

Climate-related risks are identified and assessed by the Committee, Board, Pension Officers, LGPSC, external managers, and advisors. Climate Risk Management Reports include both top-down and bottom-up analyses. No single tool or metric can provide a complete climate profile, including both risks and opportunities associated with the Fund and therefore uses a combination of metrics and tools to monitor and manage climate risks. These tools and metrics as being an imperfect but evolving discipline and aims to use the best available information to assess climate-related threats to investment performance.

As a primarily externally managed fund, climate risk assessment is also the responsibility of appointed managers. RI capabilities are reviewed during manager selection by the Investment Advisor or LGPSC. Existing managers are regularly monitored and must complete an annual questionnaire on climate risk management and stewardship.

Engagement with investee companies is conducted via stewardship partners including LGPSC, EOS at Federated Hermes, and LAPFF. Based on Climate Risk Management Report findings, the Fund developed a Climate Stewardship Plan to focus engagement on high-risk holdings.



Leicester, Leicestershire



Risk Management *(continued)*

Managing Climate Risks and Opportunities

Climate risks are managed based on its nature, duration, magnitude, and time horizon, as outlined in the NZCS. Core techniques include top-down and bottom-up analysis, and investment manager monitoring. Engagement and shareholder voting are key to the Fund’s approach, with an expectation that investee companies manage material risks, including climate change. Where concerns persist, divestment may be considered.

Stewardship follows a four-step escalation process: (1) Evaluation, (2) Engagement, (3) Voting, and (4) Divestment. Holdings are assessed using LGPSC’s net zero alignment metric, built on MSCI data, to evaluate current climate risk management and forward-looking indicators.

Where the Fund holds material financial and risk concerns over either Investment Managers or underlying companies they are invested in, the Fund delegates decisions to divest individual portfolio companies to investment managers.




The Fund supports Climate Action 100+ objectives, encouraging companies to adopt appropriate governance, decarbonise in line with the Paris Agreement, and disclose using TCFD recommendations.

Shareholder voting is executed by LGPSC. LGPSC’s Voting Principles, reviewed annually with Fund input, include climate-related thresholds such as TPI scores and support climate-related resolutions. LGPSC has also co-filed climate-related shareholder proposals.

Through LGPSC, the Fund uses its voting rights to protect and enhance the long-term economic interests of its stakeholders by ensuring that investee companies are accountable and provide robust disclosure on how business risks and opportunities are successfully managed and capitalised.

Either through its own membership or through LGPSC’s membership, the Fund has several engagement partners that engage investee companies on climate risk which are described in Table 3.

TABLE 3: THE FUND'S STEWARDSHIP PARTNERS

Organisation	Remit
	<p>The Fund is a 1/8th owner of LGPSC.</p> <p>Climate change is one of LGPSC’s stewardship themes, with quarterly progress reporting available on the website.</p> <p>The Responsible Investment and Stewardship Team at LGPSC engages companies on the Fund’s behalf, including via the Climate Action 100+ initiative.</p>
	<p>EOS at Federated Hermes is engaged by LGPSC to expand the scope of the engagement programme, especially to reach non-UK companies.</p>
	<p>The Fund is a long-standing member of LAPFF. LAPFF conducts engagements with companies on behalf of local authority pension funds.</p>



Risk Management *(continued)*

The results of engagement and voting activities are reviewed by the Pension Committee quarterly. LGPSC's activities are reported in Quarterly Stewardship Reports which are available on the LGPSC website.

Based on the findings of previous Climate Risk Management Reports, a priority list for climate engagements has been developed. This list is designed to identify the top contributors of financed emissions, as well as aligning with LGPSC's climate stewardship priority companies. This alignment of the Fund's climate stewardship plan and LGPSC'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 capacity to leverage change through engagement. Companies in bold are recommended new additions to the plan.

⁴ This reflects the combined contribution to financed emissions from both listed equity and corporate fixed income holdings.

TABLE 4: THE FUND'S CLIMATE STEWARDSHIP PLAN

Company Name	Portfolio Weight	Financed Emissions	Contribution to Financed Emissions ⁴
SHELL	0.49%	8,333	5.37%
ARCELORMITTAL	0.03%	5,401	3.48%
GLENCORE	0.19%	2,997	1.93%
BP	0.28%	2,818	1.82%
RWE	0.04%	2,558	1.64%
CEMEX	0.02%	1,890	1.22%
RIO TINTO	0.11%	1,551	1.00%
LINDE	0.18%	1,536	0.99%
HOLCIM	0.01%	838	0.54%
CRH	0.04%	686	0.45%

Taiwan Semiconductor Manufacturing Company has been recommended for removal from the Climate Stewardship list. While ArcelorMittal, RWE, Rio Tinto, have been recommended for inclusion.

These recommendations are based on two key factors:

1) Alignment with LGPSC's Stewardship Priorities: The removal of these companies allows for greater alignment with LGPSC's Stewardship Priority companies. This alignment is crucial for focused engagement efforts, providing

meaningful updates, and conducting thorough company research.

2) Financed Emissions Contribution: While being captured by LGPSC's Stewardship Priorities, all new additions represent top contributors to the Fund's financed emissions.

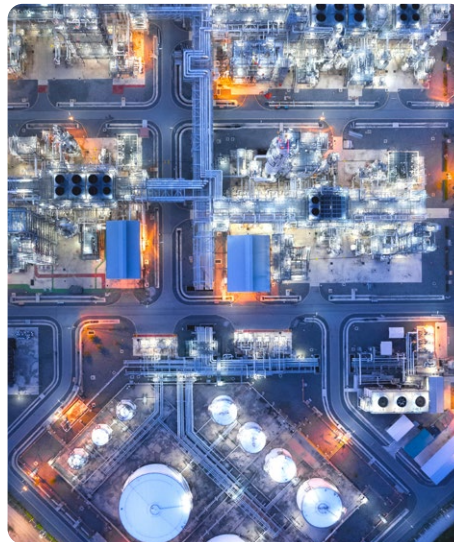


Risk Management *(continued)*

Specifically, regarding Taiwan Semiconductor Manufacturing Company. While the company remains a significant contributor to the portfolio's financed emissions, this is primarily due to its substantial weighting within all world passive equity portfolios and benchmarks. This influence is not primarily driven by the company's own emissions, which are notably lower than those of the remaining constituents of the Fund's Climate Stewardship Plan.



COMPANY:
Shell plc



Objective

- Short-term: Build an effective engagement relationship with the company.
- Long term: ensure that Shell's net zero policy is aligned with a 1.5°C temperature increase.

Engagement

Following LGPSC's vote against Shell's Energy Transition Strategy at the company's 2024 AGM, in September, LGPSC met with the Chair of the Board to discuss the strategy in more detail. Several topics were discussed, including the correlation between Shell's expansion of its gas business and the prospective disclosure of medium-term climate targets, as well as the company's confidence in its assumptions regarding global gas markets.

Outcome

Clarified Shell's long-term business strategy and key future dates. This marks significant progress towards achieving the short-term objective of this engagement: to establish an effective engagement relationship with the company. Whilst LGPSC have established an active dialogue with the company, they expect further clarity on how Shell's net-zero commitment is resilient to economic scenarios, especially in relation to global liquified natural gas demand over the next few decades. LGPSC will discuss their thoughts with external managers and continue to engage with the company on aligning its decarbonisation strategy with the goals of the Paris Agreement.



Metrics and Targets

What We Measure

Over time, the scope of analysis and the metrics employed has expanded and evolved to keep abreast of the latest methodologies and available data. As of 31 March 2025, we measure the carbon footprints of the Fund's equities, corporate bonds, and sovereign debt.

The metrics utilised in this report are selected in consideration with the Fund's framework for managing climate risks and opportunities, regulatory requirements, including alignment with the DLUHC's consultation⁵ and the FCA's requirements on climate reporting.⁶ These requirements are largely in line with the TCFD's recommendations. Finally, metrics are selected in consideration with data and methodology availability, as we prioritise sourcing appropriate data from reputable sources and adhere to the methodology prescribed by the Partnership for Carbon Accounting Financials (PCAF).

As no single metric is sufficient in capturing the entire climate profile of a portfolio or issuer, we have therefore constructed a comprehensive suite of climate metrics, including headline metrics and additional metrics, these metrics include emissions, exposure to fossil fuels and clean tech, engagement, and alignment metrics.

The headline metrics contained within this report include:



Absolute emissions metric – financed emissions



Emissions intensity metric – normalised financed emissions and weighted average carbon intensity (WACI)



LGPSC's net zero alignment metric

The analysis in this report is based on a dataset provided by MSCI ESG Research LLC (MSCI). We utilised data that was downloaded from MSCI during July 2025. We gain comfort from the quality of MSCI's data through our own assessment of MSCI's methodology and our data validation processes. Data is sense-checked internally, and any anomalies are investigated in the underlying data to ensure inaccuracies are promptly identified and amended.



Leicestershire Farmland

⁵ DLUHC, Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. Consultation can be accessed on DLUHC's [website](#).

⁶ FCA, Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. Policy Statement can be accessed on FCA's [website](#).

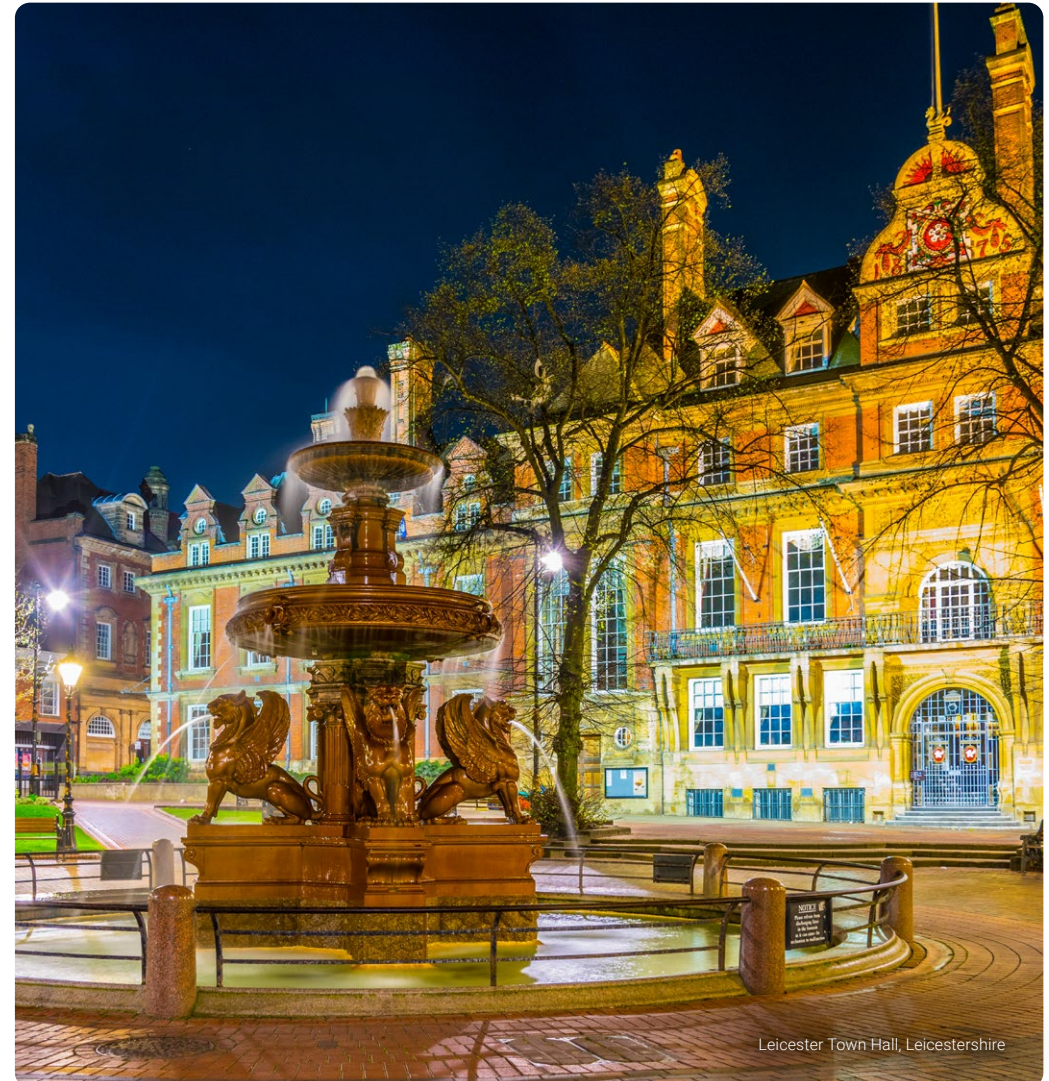


Metrics and Targets *(continued)*

We utilise a selection of headline metrics and other metrics to measure the Fund's exposure to financially material climate risks and opportunities, such as those identified in Table 1. The below table illustrates how we can utilise climate metrics to provide an indication of the risks and opportunities in our portfolios.

TABLE 5: CLIMATE METRICS AND ASSOCIATED RISKS AND OPPORTUNITIES

Climate Metric	Risk or opportunity indication
Scope 1 and 2 emissions	These measures indicate exposure to carbon-intensive companies, which would be negatively impacted by the transition risks outlined in Table 1. These risks are direct, and typically attributable to government policy.
Scope 3 emissions	Companies with high scope 3 emissions would face similar challenges to those with high scope 1 and 2 emissions. These risks are indirect and are typically attributable across the value chain.
Exposure to fossil fuels	Provides an indication of a portfolio's exposure to stranded asset risks.
Exposure to clean technology	Conversely to the above, exposure to clean technology indicates how well a company is positioned to benefit from a transition to a low carbon economy.
Net zero alignment	Net zero alignment is a proprietary metric developed by LGPSC. It incorporates the Low Carbon Transition score, Implied Temperature Rise, and Science-Based Target to assess both a company's past climate performance and its future trajectory.



Leicester Town Hall, Leicestershire



Metrics and Targets *(continued)*

Headline Metrics

The headline metrics below detail the absolute emissions and carbon intensity metrics utilised to analyse the Fund’s climate risks and opportunities.

TABLE 6: HEADLINE METRICS

Metrics	Financed Emissions	Normalised Financed Emissions	Weighted Average Carbon Intensity (WACI)
Absolute / Intensity	Absolute	Intensity	Intensity
Definition	Financed emissions calculates the absolute tonnes of CO ₂ equivalent for which an investor is responsible.	This metric measures the Financed Emissions for every £1 million invested.	WACI measures a fund’s exposure to carbon-intensive companies.
Question answered	What is my fund’s total carbon footprint?	What is my fund’s normalised carbon footprint per million GBP invested?	What is my fund’s exposure to carbon-intensive companies?
Unit	tCO ₂ e	tCO ₂ e / £m invested ⁷	tCO ₂ e / \$m sales ⁸
Comparability	No; does not take size into account	Yes; adjusts for fund size	Yes

⁷ Normalised financed emissions uses GBP as the base currency as this is the currency used for the Fund’s investments.
⁸ WACI uses USD as the base currency due to USD’s prevalence in global corporate reporting.



Metrics and Targets *(continued)*

Net Zero Alignment Metric

LGPSC's net zero alignment Metric is a proprietary metric constructed using several MSCI data points. It provides an insight into how portfolio companies are currently managing their climate risks, as well as incorporating forward looking metrics.

A company will be considered aligned/aligning to the Paris Agreement if:

The company scores above **Median** in **Low Carbon Transition score**

+ and it meets **one** of the following criteria: +

The company has a
science-based target

or

The company has
an **ITR rating** of
2.0°C or lower



Wilton Park, Leicestershire



Metrics and Targets *(continued)*

The Fund’s Climate Targets

In the below table, the Fund’s climate targets are provided alongside the progress which has been made to achieve those targets.

TABLE 7: THE FUND'S CLIMATE TARGETS

Target	Progress as of 31st March 2045	
PRIMARY TARGETS		
Net zero by 2050, with an ambition for sooner.	See below.	
Reduce absolute carbon emissions of the equity portfolio by 40% by 2030.	Financed emissions have decreased by 42.2%.	
	2019 (restated)	2025
	Financed Emissions	190,595 tCO ₂ e110,250 tCO ₂ e
Reduce carbon intensity of the equity portfolio by 50% by 2030.	Weighted Average Carbon Intensity has declined by 55.6%.	
	2019 (restated)	2025
	WACI	162.84 tCO ₂ e/\$m sales72.2 tCO ₂ e/\$m sales



Metrics and Targets *(continued)*

Target	Progress as of 31st March 2025			
SECONDARY TARGETS				
90% coverage of assets measured by 2030.	56.0% of total NAV is covered within this report. Upon the distribution of the Fund's pooled private market climate metrics, this figure will be placed at 71.8%.			
90% assets under management in material sectors to be classified as net zero, aligned or aligning by 2030.		2023	2024	2025
	Material sector AUM	£2.3 billion	£2.5 billion	£2.6 billion
	Material sector AUM aligned/aligning	£1.6 billion	£1.6 billion	£1.7 billion
	Proportion of AUM aligned/aligning	68.3%	64.2%	64.5%
Increase allocation to climate solutions.			2019	2025
	Listed equity exposure to clean tech apportioned by revenue		3.8%	6.0%
90% of the Fund's financed emissions to have net zero targets, alignment pathway or subject to engagement by 2030. ⁹	Proportion of financed emissions considered to be Paris aligning/aligned by LGPSC's net zero alignment metric or under engagement. ¹⁰			
		2023	2024	2025
	Equity	80.7%	75.7%	75.8%
Reduce the proportion of the Fund with fossil fuel exposure.			2019	2025
	Listed equity exposure to fossil fuel apportioned by revenue		3.13%	2.19%

⁹ Please note that engagement data is not restated, historic engagement metrics are therefore reflective of previously reported values. In addition to this, LGPS Central's methodology to determine if a portfolio company has been engaged has been improved to for 2024 reporting apply a stricter definition of engagement.

¹⁰ Please see page 24 for further details of LGPS Central's Net Zero alignment metric.



Metrics and Targets *(continued)*

The Fund's Climate Metrics

Scope of Analysis

The following Climate Metrics offer a detailed, bottom-up analysis with the following objectives:

- Observing climate transition risks and opportunities within the portfolio.
- Identifying opportunities for engagement with companies.
- Facilitating the monitoring of climate risk management by managers.

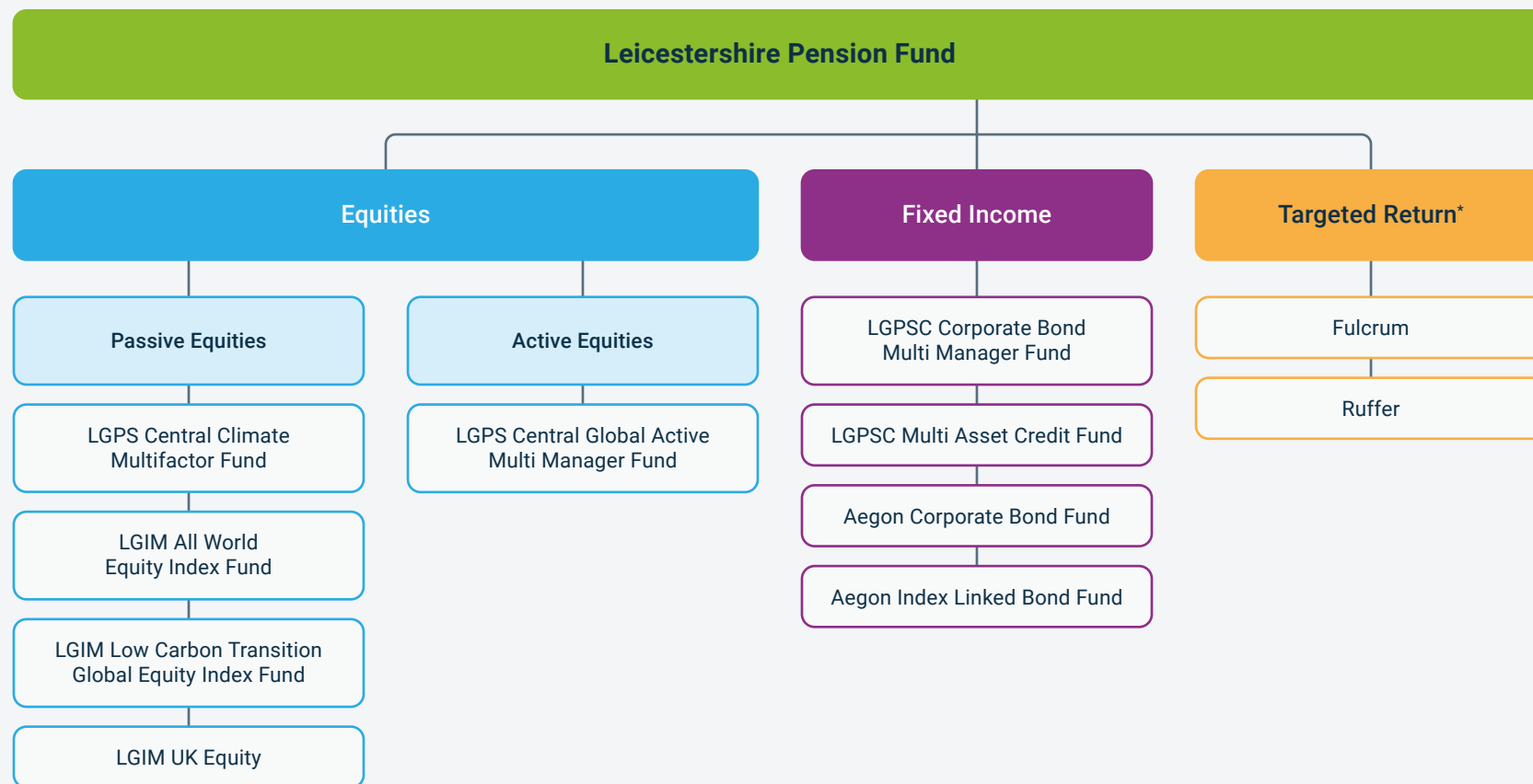
This analysis encompasses public market investments reported as of 31 March 2025. It includes holdings in listed equity and fixed income funds including government debt, with the Fund's pooled private market data to be distributed once available.





Metrics and Targets *(continued)*

FIGURE 3: BREAKDOWN OF FUNDS INCLUDED IN THE ANALYSIS



* Portfolio does not meet 60% corporate data coverage threshold.



Newton Harcourt, Leicestershire



Metrics and Targets *(continued)*

Restated Data

Climate data is an evolving field, and methodologies are continuously updated by governments, data providers, and companies. The data accessible through our data provider (MSCI) undergoes frequent revisions as estimated data gets replaced by reported data, estimations are refined for greater precision, and data coverage expands.

We recalculate our emissions annually and may revise previously reported greenhouse gas (GHG) data to incorporate the most current information. When possible, we align our holding period with the period in which emissions from the underlying issuer occurred. Consequently, there may be variations between the data reported in previous documents and the figures presented in this report due to these restatements. Our metrics employ methodologies aligned with those used by the Partnership for Carbon Accounting Financials (PCAF) and MSCI.

TABLE 8: RESTATEMENTS

Data for	Asset class	Metric	Portfolio Value Reported in 2024	Reference Index Value Reported in 2024	Portfolio Value Restated in 2025	Reference Index Value Restated in 2025	Change from Restatement (Portfolio)	Change from Restatement (Benchmark)
Q1 2024	Listed Equity	Financed Emissions	112,811	185,619	110,305	176,881	-2.2%	-4.7%
		WACI	76.7	140.5	76.4	139.9	-0.4%	-0.4%
	Corporate Fixed Income	Financed Emissions	27,708	11,557	34,048	21,979	22.9%	90.2%
		WACI	146.3	191.5	142.9	185.1	-2.3%	-3.3%
	Sovereign Debt	Production	70,709	54,143	60,544	45,921	-14.4%	-15.2%
		Consumption	9.9	9.0	9.2	8.2	-7.1%	-8.9%

The financed emissions associated with corporate fixed income holdings in Q1 2024, as well as those associated with the respective reference index, have been significantly restated in 2025 reporting, 22.9% and 90.2% higher respectively than previously reported in 2024. This increase follows a marked improvement in the availability of financed emissions data for Q1 2024, as coverage increased from 68.8% and 72.5%, as reported in 2024, to 83.2% and 93.4% in 2025 for the portfolio and reference index respectively.

This enhanced data coverage spans all four corporate fixed income portfolios. Upon investigation the greater data coverage is primarily attributable to improved mapping of assets to climate data.

In addition, sovereign debt restatements are associated with restatements of the underlying holdings.



Metrics and Targets *(continued)*

Data Quality

TABLE 9: DATA QUALITY OF PUBLIC ASSETS

Asset Class	Missing/Unavailable	Reported	Estimated
Listed Equity	1.8%	90.4%	7.8%
Corporate Fixed Income	32.2%	58.9%	8.9%

Table 7 illustrates the overall data quality of the Fund’s list assets reported on within this report.

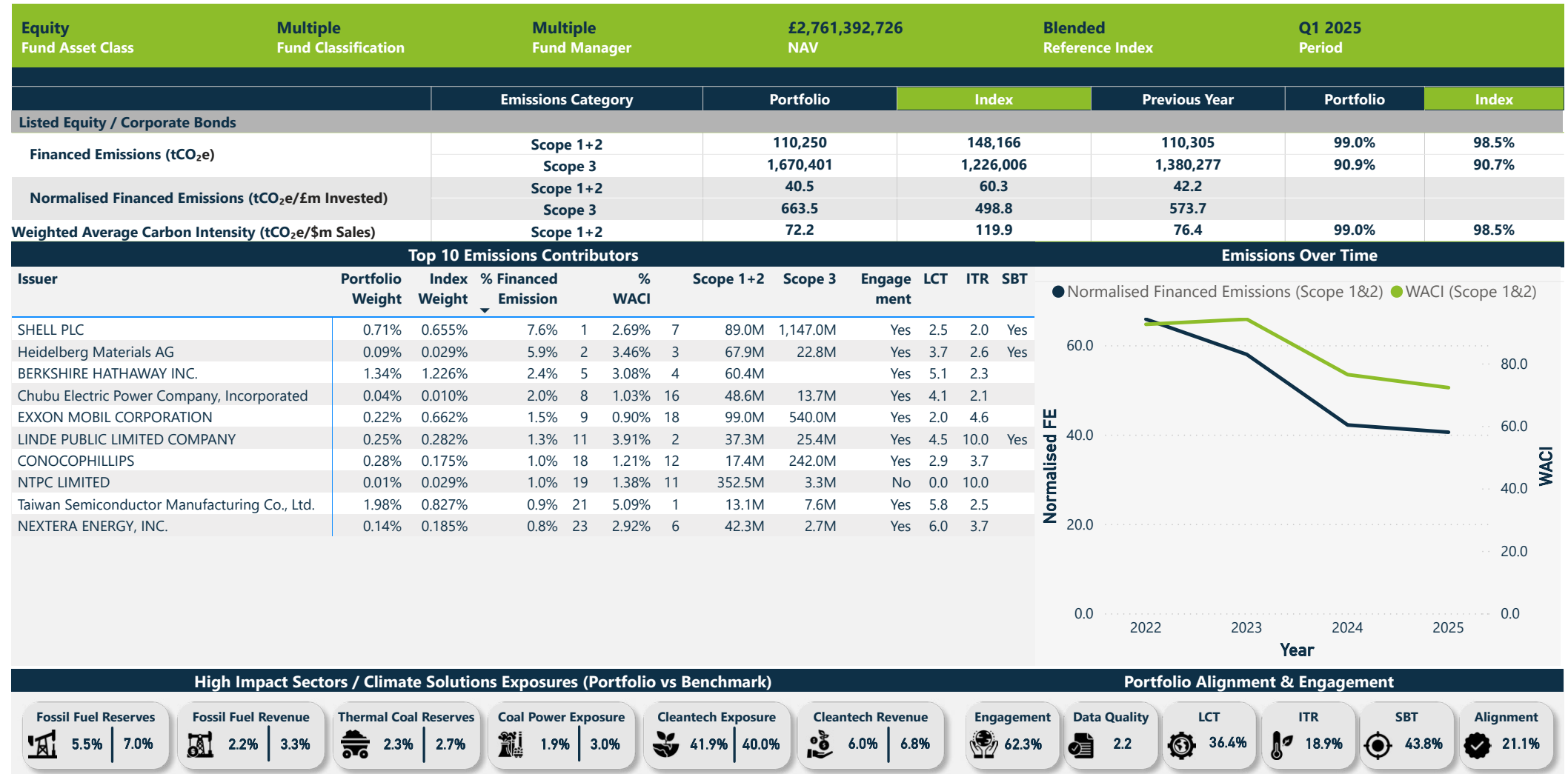




Metrics and Targets *(continued)*

Listed Equity

The below dashboard shows the Fund's aggregated climate risk metrics for each portfolio in the listed equity asset class.





Metrics and Targets *(continued)*

We analysed 5 equity portfolios totalling approximately £2.8 billion as of 31 March 2025.

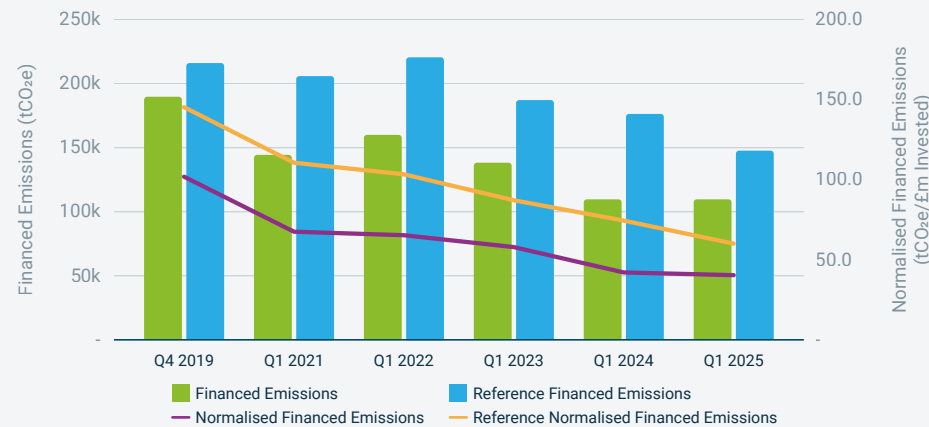
Each fund's carbon footprint is evaluated in comparison to the primary market index in which it predominantly invests. The table below summarises the reference indices that we utilised.

TABLE 10: REFERENCE INDICES

Investment Universe (Most Predominant)	Reference Index
UK Equities	FTSE UK All Share Index
Developed Markets	FTSE All-World Index
Emerging Markets	FTSE Emerging Index

Carbon Footprint Metrics

GRAPH 1: EQUITY FINANCED EMISSIONS OVER TIME



GRAPH 2: EQUITY WACI OVER TIME



As shown in Graph 1, the listed equity portfolio's financed emissions decreased by 42.2% from 2019, alongside a 32.3% increase in NAV over the same period. Accounting for fluctuations in NAV, the portfolio's normalised financed emissions decreased by 60.5% from 2019.

The decrease in financed emissions and normalised financed emissions is partially driven by asset allocation decisions. Most recently, prior to Q1 2024 the Fund exited five passive investments, two of which had a WACI and normalised financed emissions notably higher than that of the listed equity reference index. During the same time frame, the Fund invested in the LGIM Low Carbon Transition Global Equity Index Fund. In addition, prior to Q1 2025, the Fund exited an actively managed emerging market fund, where emerging market portfolios tend to have higher carbon metrics reflective of the investment regions decarbonisation progression.

The decrease in normalised financed emissions can be attributed to a lower exposure to carbon-intensive companies, illustrated by the 55.6% decrease in WACI since 2019 (Graph 2). During 2019 the greatest level of the WACI within the



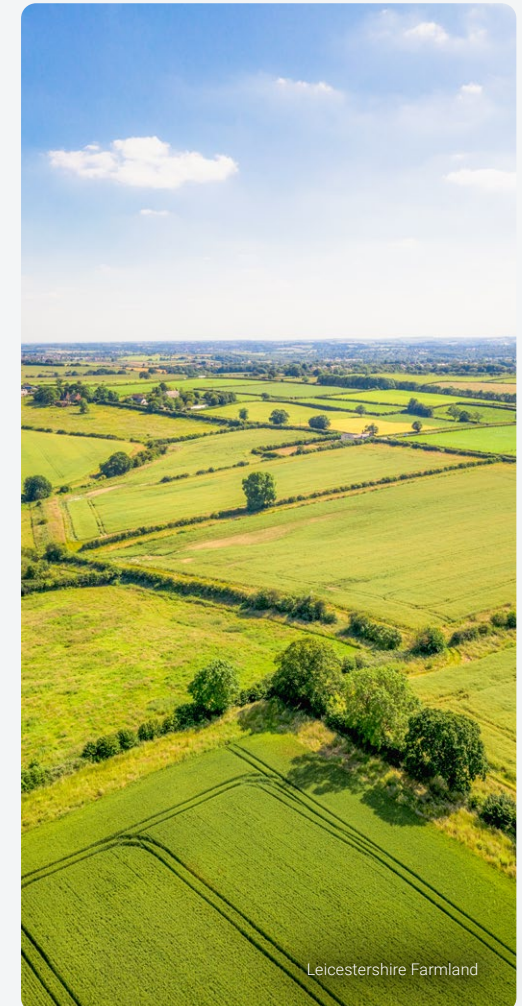
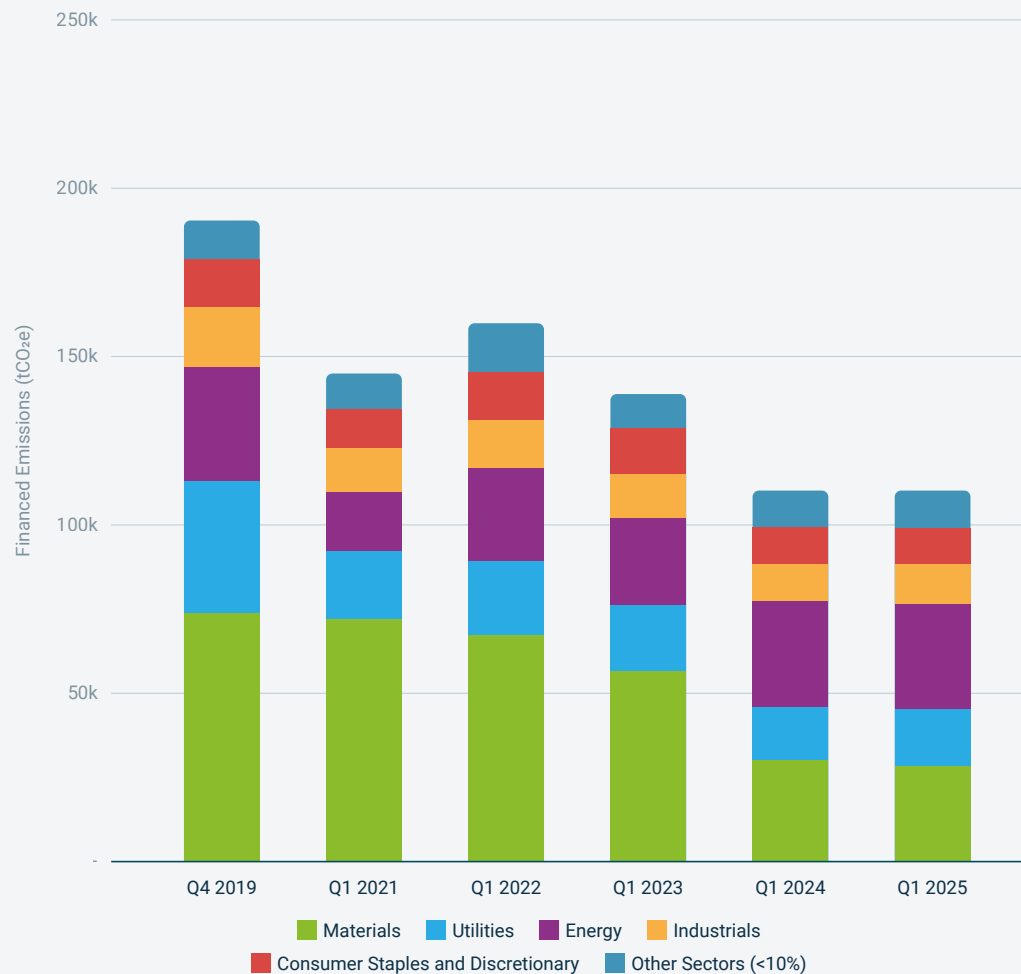
Metrics and Targets *(continued)*

listed equity holdings was associated with the utilities and materials sectors, which from 2019 has decreased by 41.8% and 34.9% respectively.

As of 2025, the normalised financed emissions and WACI are 32.8% and 39.8% lower than that of the reference index, respectively. This can be associated with a slight underweight exposure to the materials sector and a more notable underweight to the utilities sector.

The above analysis reflects the Fund's effective efforts to manage climate-related risks, indicating reduced exposure to financially material risks, including those outlined in Table 1, within the listed equity holdings. This is demonstrated both over time, through the decline in climate metrics from 2019 to 2025, and relative to an appropriate reference index.

GRAPH 3: LISTED EQUITY FINANCED EMISSIONS OVER TIME BY SECTOR

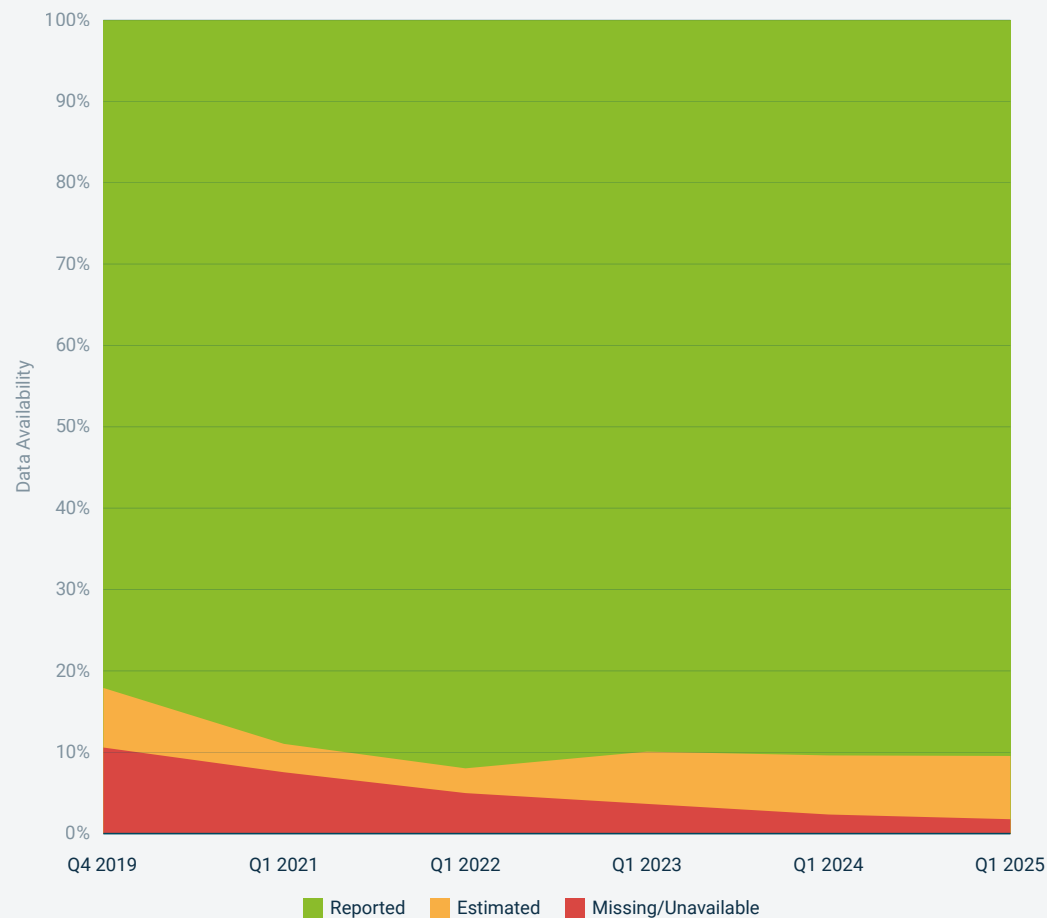




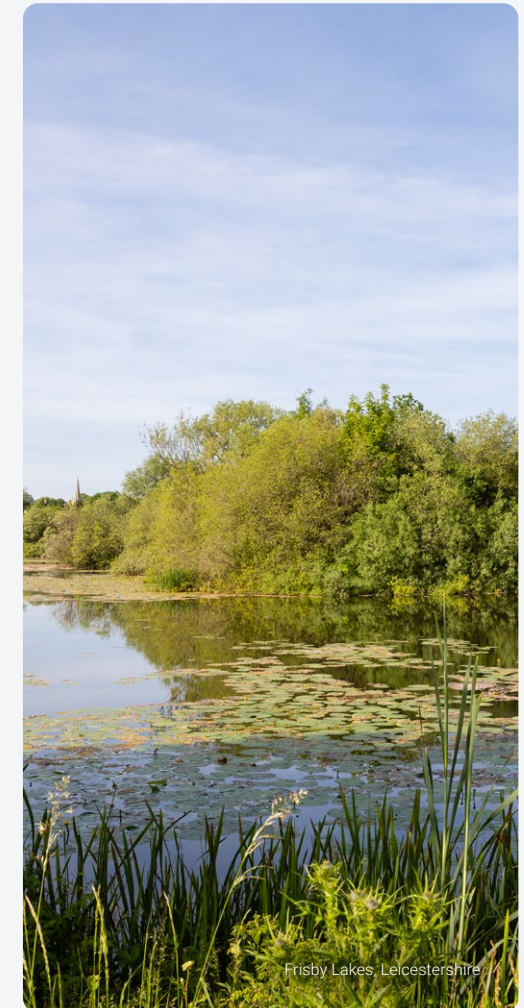
Metrics and Targets *(continued)*

Data

GRAPH 4: LISTED EQUITY DATA AVAILABILITY OVER TIME



While data availability for equities has been relatively strong since the Fund's carbon footprinting began, the graph above illustrates an improving trend as the data availability of portfolio companies improves. A high level of data availability implies the aggregated carbon metrics are more reflective of the portfolio's overall carbon emissions profile. Where data availability is lower, aggregated carbon metrics are more likely to be skewed and therefore less reflective of the actual portfolio emissions as a whole.





Metrics and Targets *(continued)*

Fixed Income

The below table shows the Fund's aggregated climate risk metrics for each portfolio in the Fixed Income asset class.

Fixed Income Fund Asset Class		Multiple Fund Classification		Multiple Fund Manager		£895,236,700 NAV				Blended Reference Index				Q1 2025 Period																
		Emissions Category				Portfolio		Previous Year				Portfolio		Index																
Listed Equity / Corporate Bonds																														
Financed Emissions (tCO ₂ e)		Scope 1+2				33,041		18,154		34,048		77.6%		93.4%																
		Scope 3				120,495		98,422		128,720		70.7%		85.1%																
Normalised Financed Emissions (tCO ₂ e/£m Invested)		Scope 1+2				72.6		81.5		85.1																				
		Scope 3				308.5		441.9		372.1																				
Weighted Average Carbon Intensity (tCO ₂ e/\$m Sales)		Scope 1+2				131.7		152.6		142.9		80.2%		94.5%																
Sovereign Debt																														
Financed Emissions (tCO ₂ e)		Production				41,642.6		27,532.3		60,544.2		99.9%		100.0%																
		Consumption				54,158.0		38,605.2		72,354.4		99.9%		100.0%																
Weighted Average Carbon Intensity (various)		Production				119.9		99.0		142.2		99.9%		100.0%																
		Consumption				9.4		8.1		9.2		99.9%		100.0%																
Top 10 Emissions Contributors																														
Issuer		Portfolio Weight	Index Weight	% Financed Emission	% WACI	Scope 1+2	Scope 3	Engage ment	LCT	ITR	SBT	Emissions Over Time																		
RWE FINANCE US, LLC		0.12%	0.005%	6.2%	1	1.72%	4	62.1M	21.6M	No	3.7	10.0	Yes	<div>● Normalised Financed Emissions (Scope 1&2) ● WACI (Scope 1&2)</div> <table><thead><tr><th>Year</th><th>Normalised FE (Scope 1&2)</th><th>WACI (Scope 1&2)</th></tr></thead><tbody><tr><td>2022</td><td>110</td><td>120</td></tr><tr><td>2023</td><td>100</td><td>130</td></tr><tr><td>2024</td><td>80</td><td>110</td></tr><tr><td>2025</td><td>80</td><td>110</td></tr></tbody></table>		Year	Normalised FE (Scope 1&2)	WACI (Scope 1&2)	2022	110	120	2023	100	130	2024	80	110	2025	80	110
Year	Normalised FE (Scope 1&2)	WACI (Scope 1&2)																												
2022	110	120																												
2023	100	130																												
2024	80	110																												
2025	80	110																												
SASOL FINANCING USA LLC		0.03%		5.5%	2	0.97%	8	64.4M	36.7M	No	1.4	10.0																		
Cemex, S.A.B. de C.V.		0.06%	0.003%	5.0%	3	0.90%	10	36.2M	16.5M	Yes	4.4	1.7	Yes																	
AMERICAN AIRLINES, INC.		0.15%		4.0%	4	0.80%	14	37.7M	14.3M	No	5.5	2.1	Yes																	
THE SOUTHERN COMPANY		0.17%	0.041%	3.0%	5	4.15%	1	79.6M	35.8M	Yes	3.4	4.0	Yes																	
CLECO CORPORATE HOLDINGS LLC		0.06%	0.002%	3.0%	6	2.37%	2	9.2M		No		7.8																		
WESTERN MIDSTREAM OPERATING, LP		0.18%	0.018%	2.8%	7	2.08%	3	4.9M		No	1.5	3.2																		
MEGLOBAL CANADA ULC		0.05%	0.001%	2.0%	10	0.58%	17	6.8M		No	3.9	10.0																		
OCCIDENTAL PETROLEUM CORPORATION		0.18%	0.049%	1.7%	11	1.06%	7	21.9M	234.0M	Yes	1.8	10.0																		
PERMIAN RESOURCES OPERATING, LLC		0.25%		1.3%	16	1.40%	5	2.3M		No	1.7	10.0																		
High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)																														
Fossil Fuel Reserves		Fossil Fuel Revenue		Thermal Coal Reserves		Coal Power Exposure		Cleantech Exposure		Cleantech Revenue		Engagement		Data Quality																
2.6% 3.0%		1.9% 1.6%		0.6% 0.8%		1.5% 3.3%		13.7% 17.0%		2.1% 2.5%		23.4%		2.3																
LCT		ITR		SBT		Alignment																								
36.4%		26.5%		45.3%		28.0%																								



Metrics and Targets *(continued)*

We analysed four fixed income portfolios totalling approximately £895.2 million, including one sovereign debt fund, accounting for £215.5 million, as of 31 March 2025.

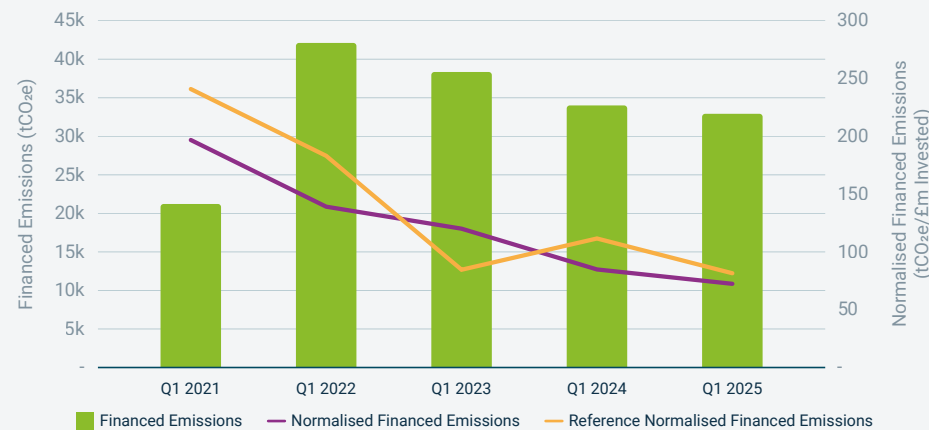
The reference indices we use to measure the fund's relative performances are as follows:

TABLE 11: REFERENCE INDICES

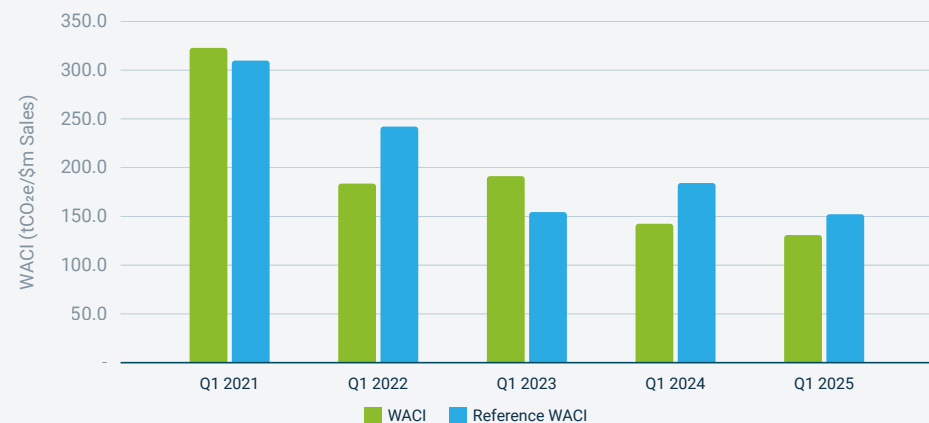
Fund	Reference Index
LGPS Central Multi Asset Credit Fund	N/A
LGPS Central Global Active Investment Grade Corporate Bond Fund	50% Global Investment Grade + 50% Sterling
LGPS Central Global Active Emerging Market Bond Fund	Emerging Market Bond Index
Aegon Short Dated Climate Transition Fund	Global Corporate
Aegon Index Linked	UK Gilts

Carbon Footprint Metrics

GRAPH 5: FIXED INCOME FINANCED EMISSIONS OVER TIME



GRAPH 6: FIXED INCOME WACI OVER TIME



Please note that for graph 5 reference financed emissions have been excluded as LGPSC Multi Asset Credit Fund accounts for approximately 47.6% of the Corporate holdings, but does not have a reference index, and there are therefore no reference financed emissions associated with these holdings. It is therefore inappropriate to provide a comparison of the aggregated corporate fixed income financed emissions to that of the reference index.

Corporate fixed income financed emissions have increased by 55.5% from 2021. However, this is alongside an increase in NAV of over 2x over the same timeframe. When we normalise for NAV fluctuations, we observe a decrease of 63.2%.

Similarly, we observe a 59.3% decrease in WACI from 2021, implying a decreased exposure to carbon intensive companies.

Decreased normalised financed emissions and WACI are both associated with the Fund's asset allocation decisions. Notably, the Fund invested in the Aegon Short Dated Climate Transition Fund prior to Q1 2022 and has more recently exited an actively managed emerging



Metrics and Targets *(continued)*

market bond fund, where the climate metrics were reflective of the investment regions decarbonisation progression.

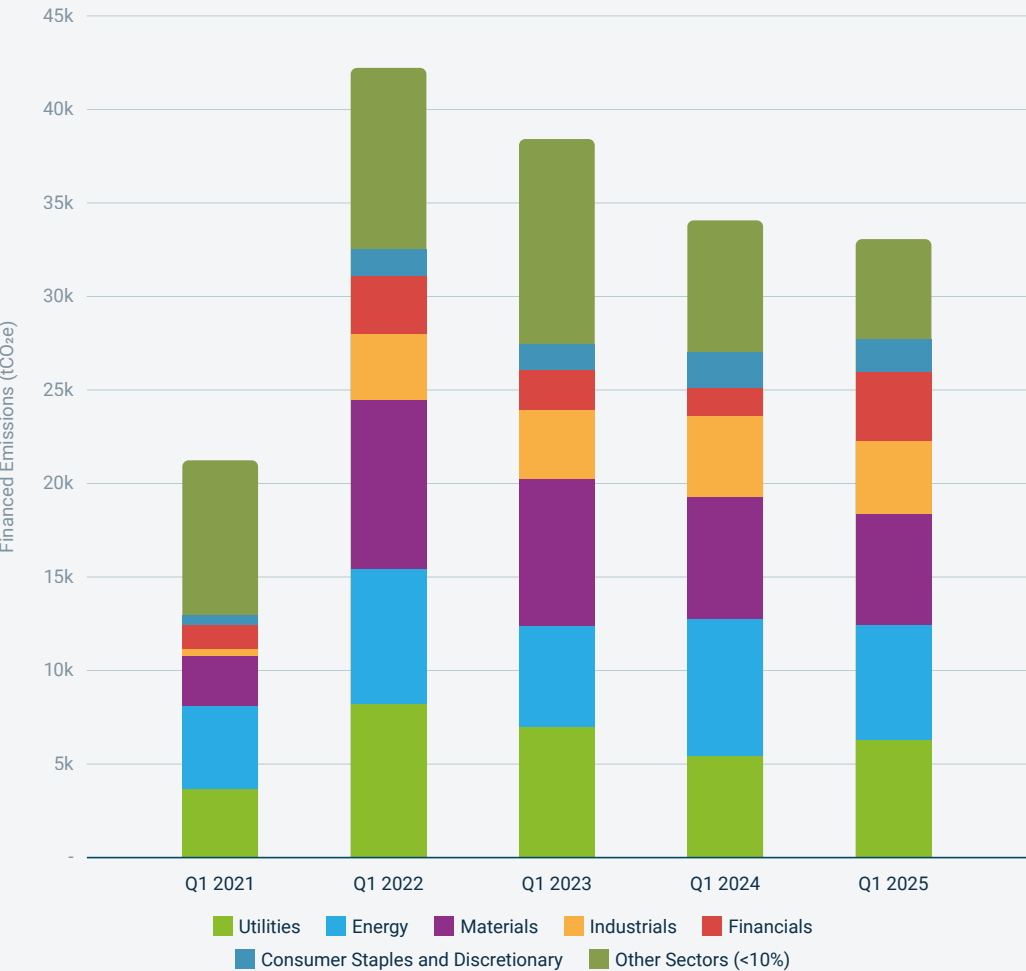
In Q1 2021 the energy, utilities and materials sector were the greatest contributor if financed emissions, with the utilities sector being the greatest contributor of WACI. While these sectors remain the greatest contributors to the corporate fixed income’s financed emissions, since 2021, the normalised financed emissions associated with these sectors have decreased by 35.2%, 57.3% and 43.1% respectively. While the WACI associated with the utilities sector has decreased by 55.6%.

Similar to listed equities, the portfolio’s declining normalised financed emissions and WACI illustrated in the above graphs climate metrics reflect the Fund’s and the underlying

manager’s effective approach to integrating financially material climate-related risks, thereby reducing the Fund’s exposure to such risks. However, it should be noted that these risks have a different financial impact on fixed income assets compared to equity assets, and their management therefore requires a distinct approach.

For example, an equity position typically represents an asset that can be held indefinitely, whereas fixed income assets usually have a defined maturity date. As a result, they may be insulated from longer-term risks that materialise after the asset has matured. Furthermore, equity holdings are generally more exposed to upside opportunities, while debt instruments are primarily concerned with the issuer’s ability to repay. Consequently, fixed income strategies tend to focus more on mitigating downside risk.

GRAPH 7: CORPORATE FINANCED EMISSIONS OVER TIME BY SECTOR

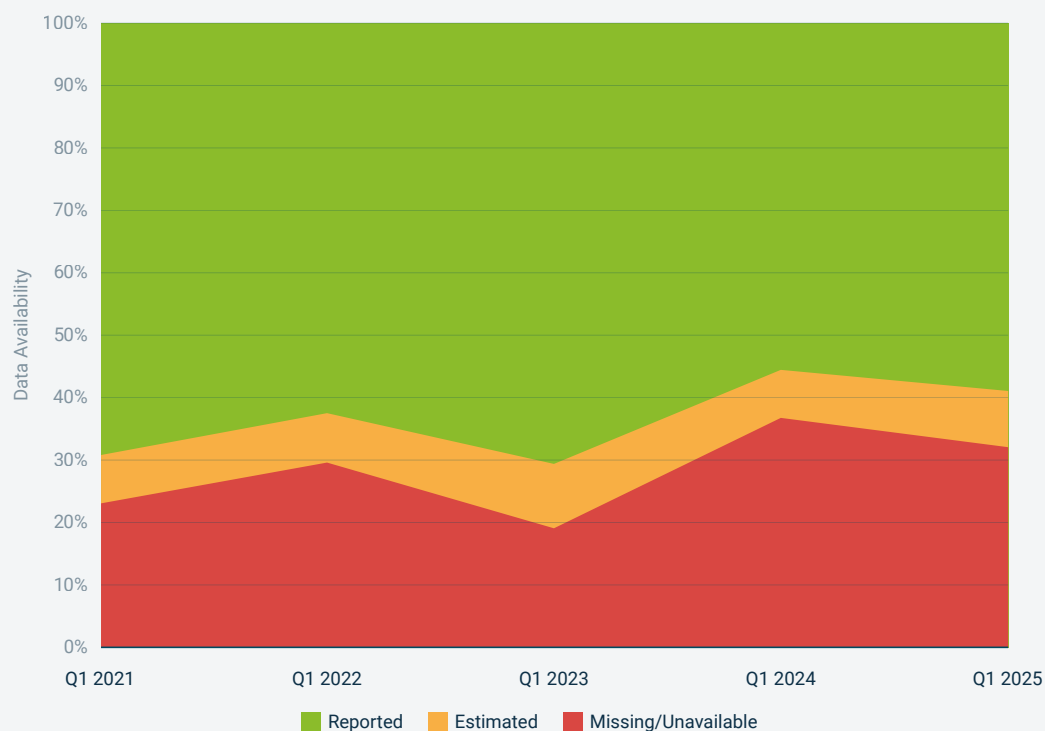




Metrics and Targets *(continued)*

Data

GRAPH 8: CORPORATE FIXED INCOME DATA AVAILABILITY OVER TIME



The graph above shows data availability for the corporate fixed income investments which fall within the scope of analysis.

Data availability and data quality for fixed income assets have traditionally been notably lower than listed equity.



Leicester, Leicestershire



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RESPONSIBLE INVESTMENT PLAN 2025

Qtr.	Date	Title	Description	Complete
Q4	31 January 2025	RI Plan	Communication and publication of the Fund's 2025 RI Plan	
		Strategic Asset Allocation	Consideration of the Fund's Net Zero Climate Strategy progress within the asset allocation.	
	5 February 2025	Local Pension Board Report	Update to the Local Pension Board on progress against the Fund's net zero targets and any RI matters.	
	28 March 2025	RI Report	Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund Forum, and developments on responsible investment matters with themes of interest to the Committee.	
		Manager Presentation	As part of DTZ (Property) report to Committee and provide an overview of the approach to ESG.	
	March/April/ May	Triennial Valuation	Review funding policies and employer risk management.	
		Newsletter	Second email newsletter to Fund Members on NZCS update and other Fund matters. 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	5 December 2025	Training	LGPS Central to provide training session on responsible investment/climate matters and engagement in advance of November Climate Risk Report. This will be as part of the Committee meeting.	
		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. The ISS is under review subject to Fit for the Future, this will include any review of the RI policy.	
		Manager Presentation.	Central presentation. 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.	
	11 December 2025	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 18 November 2025.
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 has continued to meet throughout the year. 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

Ad hoc

Continue review of best practice with regards to the Fund’s asset classes and climate reporting, and international industry standards.

for the future
considerations.

**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.



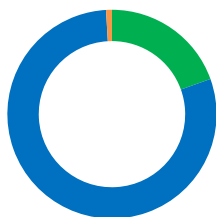
Leicestershire County Council Pension Fund

Voting Report, Q3 2025 (Jul-Sep 2025)

Over the last quarter we voted at **768** meetings (**7,078** resolutions). At **611** meetings we opposed one or more resolutions. We abstained at **zero** meetings. We voted with management by exception at **seven** meetings. We supported management on all resolutions at the remaining **150** meetings.

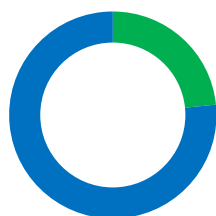
Global

We voted at 768 meetings (7078 resolutions) over the last quarter.



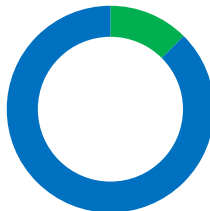
Developed Asia

We voted at 47 meetings (305 resolutions) over the last quarter.



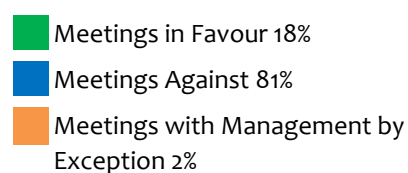
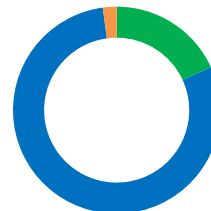
Australia and New Zealand

We voted at 16 meetings (68 resolutions) over the last quarter.



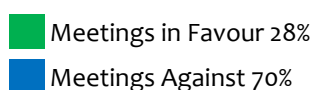
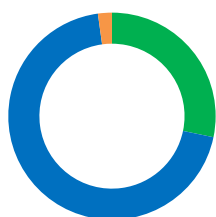
Emerging and Frontier Markets

We voted at 452 meetings (3371 resolutions) over the last quarter.



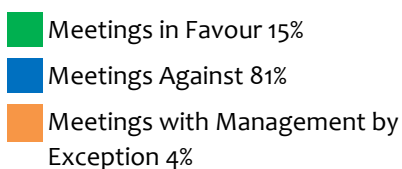
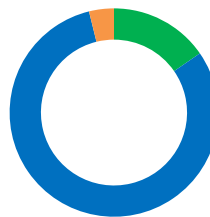
Europe Ex-UK

We voted at 46 meetings (621 resolutions) over the last quarter.



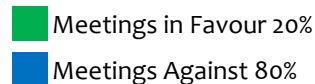
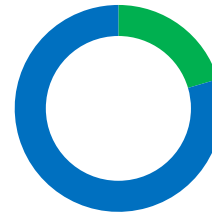
North America

We voted at 26 meetings (288 resolutions) over the last quarter.



United Kingdom

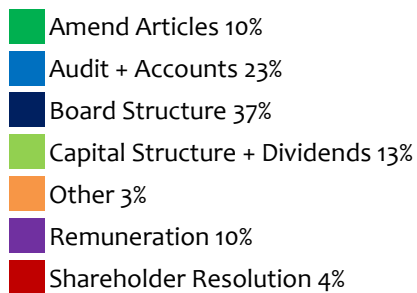
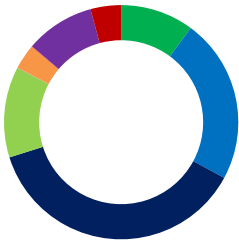
We voted at 181 meetings (2425 resolutions) over the last quarter.



The Issues on which we voted against management or abstaining on resolutions are shown below.

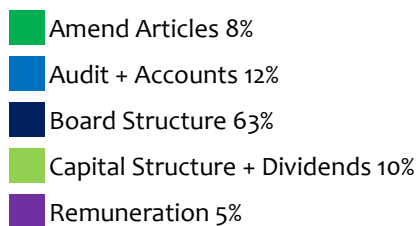
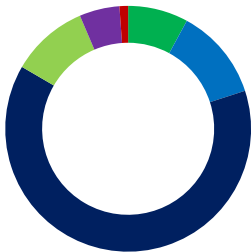
Global

We voted against or abstained on 6142 resolutions over the last quarter.



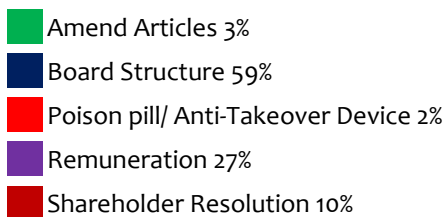
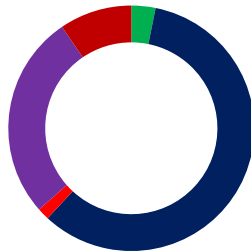
Developed Asia

We voted against or abstained on 265 resolutions over the last quarter.



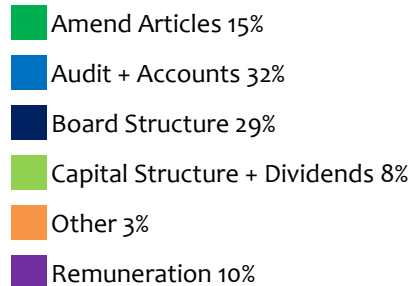
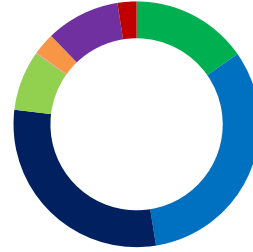
Australia and New Zealand

We voted against or abstained on 63 resolutions over the last quarter.



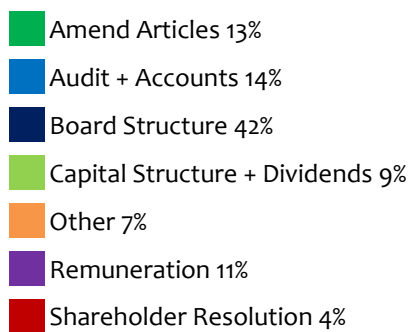
Emerging and Frontier Markets

We voted against or abstained on 2964 resolutions over the last quarter.



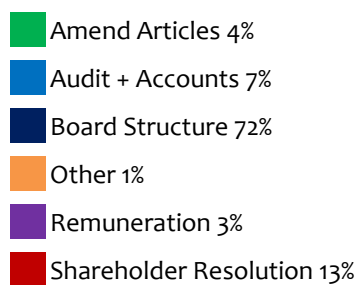
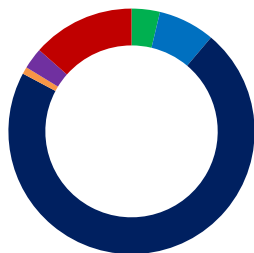
Europe Ex-UK

We voted against or abstained on 448 resolutions over the last quarter.



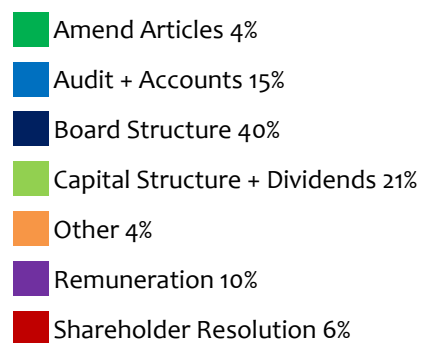
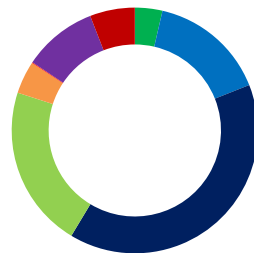
North America

We voted against or abstained on 215 resolutions over the last quarter.



United Kingdom

We voted against or abstained on 2187 resolutions over the last quarter.



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of the Local Government Act 1972.

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