Meeting: **Local Pension Board**

Date/Time: **Wednesday, 25 June 2025 at 10.00 am**

Location: **Sparkenhoe Committee Room, County Hall**

Contact: **Mrs A. Smith (0116 305 2583).**

Email: **Angie.Smith@leics.gov.uk**

AGENDA

Item		Report by	
1.	Appointment of Chairman.		
2.	Appointment of Vice-Chairman.		
3.	Minutes of the meeting held on 5 February 2025.		(Pages 3 - 8)
4.	Question Time.		
5.	To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
6.	Declarations of interest in respect of items on the agenda.		
7.	Pension Fund Valuation 2025 - Assumptions and Employer Risk.	Director of Corporate Resources	(Pages 9 - 40)
8.	Pension Fund Administration Report January to March 2025 - Quarter Four.	Director of Corporate Resources	(Pages 41 - 62)

9.	Additional Voluntary Contributions.	Director of Corporate Resources	(Pages 63 - 114)
10.	LGPS Central Update.	Director of Corporate Resources	(Pages 115 - 140)
11.	Internal Audit Arrangements (Including Internal Audit Work conducted During 2024-25) and the Internal Audit Plan 2025-26.	Director of Corporate Resources	(Pages 141 - 152)
12.	Pensions Dashboard Programme Report.	Director of Corporate Resources	(Pages 153 - 174)
13.	Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 175 - 186)

14. Dates of Future Meetings.

Future meetings of the Board are scheduled to take place on the following dates:

3 September 2025
29 October 2025

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

TO:

Employer representatives

Mr. J. Boam CC
Mr. P. Morris CC
Cllr. E. Cutkelvin

Employee representatives

Mr. A Cross
Ms. R. Gilbert
Mr. M. Saroya

Minutes of a meeting of the Local Pension Board held virtually on Teams on Wednesday, 5 February 2025.

PRESENT

Mrs. R. Page CC (in the Chair)

Mr. A. Cross	Mr. M. Saroya
Mrs. R. Gilbert	Mr. R. J. Shepherd CC

In Attendance

Mr. A. Stewart

19. Minutes.

The minutes of the meeting held on 16 October 2024 were taken as read, confirmed and signed.

20. Question Time.

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

21. Urgent items.

There were no urgent items for consideration.

22. Declarations of interest.

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

Mr. Shepherd declared a non-registrable interest in Agenda Item 6 (Pension Fund Administration Report October to December 2024 – Quarter Three) as he was a Member of the Teacher Pension Scheme.

23. Local Pension Board Terms of Reference.

The Board considered a report of the Director of Corporate Resources which sought approval of revised Terms of Reference (ToR) for the Local Pension Board. A copy of the report marked ‘Agenda Item 5’ is filed with these minutes.

Arising from the discussion, the following points were made:

i. Members asked that, due to the large number of reports on the agenda to be considered, that paragraph 9.1 in the ToR be amended to read ‘The Board shall meet up to five times a year', thus allowing for an additional meeting, such change to commence in 2026, as dates for 2025 had already been set.

ii. It was explained that the agenda for the current meeting was unusually heavy with reports brought forward in order to avoid the upcoming election period. It was also noted that contained in the ToR was the option of calling urgent meetings by the Chairman should the need arise.

iii. In response to a query, it was noted that the ToR included, under meeting procedures, the ability to hold meetings in person as and when required. Members agreed that, without formalising it in the ToR, one in-person meeting be held each year followed by training for Board members.

RESOLVED:

a) That the revised Local Pension Board Terms of Reference be approved.

b) That paragraph 9.1 be amended to read 'The Board shall meet up to five times a year', with the change to commence from 2026.

24. Pension Fund Administration Report October to December 2024 - Quarter Three.

The Board considered a report of the Director of Corporate Resources, which provided information on the main administrative actions in the third quarter period from October to December 2024 for comment. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion, the following points were made:

i. Since the writing of the report, nine new admission agreements had been received, including one from a county-maintained school, one from a city-maintained school, and seven from academies, which when added to the current three cases meant that resources had been refocussed to resolve these cases before the 2024-25 financial year end.

ii. A Member queried if the update of 2.5FTEs (full time equivalents) in the team moving forward would be sufficient to improve capacity to improve KPIs around the notification of members in terms of their retirements. It was explained that the additional staff members would have a significant impact on work levels, as recruitment had been pitched at a level higher than pension assistant to cover more detailed work, such as, transfers, death and divorce. Furthermore, a significant amount of training for newer team members had been delivered to bring them up to speed.

iii. It was noted that the Improvement Team had developed elements of robustness and resistance when looking towards the future, with particular reference to IT and cyber security was an area of risk and was continuously monitored.

RESOLVED:

That the Pension Fund Administration Report October to December be noted, and comments submitted to the Local Pension Committee on 14 March 2025.

25. Pension Fund - Business Plan and Budget 2025/26.

The Board considered a report of the Director of Corporate Resources, which provided information on the Pension Fund's Administration and Investment Business Plan and Pension Fund Budget and Training Plan for 2025/26. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

In response to a Member's query, it was explained that references to Investment Management Expenses, as outlined in the table at paragraph eight in the report, were fees paid to investment managers for dealing with the Fund's assets.

RESOLVED:

That the Administration and Investment Business Plans, Pension Fund Budget, and Training Plan for 2025/26 be noted.

26. Pension Fund Policy Report.

The Board considered a report of the Director of Corporate Resources, which presented the annual update of the Pension Fund's current strategies and policies and covered new policies that had been introduced or amendments that had been made. A copy of the report marked 'Agneda Item 8' is filed with these minutes.

Members questioned, with regards to managing risks, how the Fund positioned itself with current world trade issues and how investments would be affected. Officers explained that a report had been considered by the Local Pension Committee at its meeting in January at which it approved the Strategic Asset Allocation proposed to address this. The Board noted that given the Fund invested for the long-term, challenges always arose from time to time, such as investing in China, or Russian exposure. Such risks were similar in nature in the sense that they proposed investment downside risks and so were managed accordingly. Reassurance was given that the Fund had a very diversified portfolio, could withstand most shocks, and was not exposed to any one geography or sector.

RESOLVED:

That the Pension Fund Policy Report be noted, and comments submitted to the Local Pension Committee on 14 March 2025.

27. Record Keeping - Data Improvement.

The Board considered a report of the Director of Corporate Resources which provided information on plans to maintain and improve the quality of pensions data held during 2025/26. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

In response to a Member's query on monthly mortality screening, it was explained that it was not a statutory requirement but that it was considered prudent to undertake the checks to minimise overpayment of pensions to deceased persons. A contract had been held with a mortality screening provider, and checks were undertaken every month. In addition to the monthly screening, whilst the National Fraud Initiative (NFI) exercise took place every two years, the Fund paid to receive reports from the NFI every six months. In the event of an overpayment of pension, steps would be taken to recover that overpayment.

RESOLVED:

That the Record Keeping – Data Improvement report be noted.

28. Fit for the Future Consultation Response.

The Board considered a report of the Director of Corporate Resources which outlined the Fund's appended response to the consultation paper issued by the Ministry of Housing, Communities and Local Government titled "Local Government Pension Scheme (LGPS): Fit for the Future". A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

i. In response to a Member's question, it was noted that the Government had not yet set out any proposals for transition, but had stated its expectations that all administering authorities should pool all listed assets by March 2026, which was considered to be an ambitious timescale.

ii. Contained in the Fund's response was concern over the cost of transferring legacy assets if it needed to be done in a quick way, which might not be the most cost effective. Also, concern over the loss of control, but with continued accountability over investments had been highlighted. The request for fiduciary duty to be extended had been made, so that the pool had the same level of accountability.

iii. Members queried, whilst focussing on the Fund's main objective of having enough money to pay members' pensions, what the benefits and disbenefits of pooling were. Officers explained that investment management costs made up 80% of the budget and that there were economies of scale from greater pooling, with management costs reduced over time as investments were made. In addition, focus would be just on LGPS Central, as they would monitor the underlying managers, and reduce the governance burden.

iv. It was noted that the Fund would have less flexibility to make decisions on where to invest which would be a disbenefit, as would the pool not having the required suitable investments.

RESOLVED:

That the Local Government Pension Scheme (LGPS): Fit for the Future Fit for the Future consultation response be noted.

29. Net Zero Climate Strategy Progress Update.

The Board considered a report of the Director of Corporate Resources which provided an update on the latest Climate Risk Management Report for the Leicestershire County Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy (NZCS). A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from discussion, the following points were made:

i. A Member questioned if, when moving into a pooling situation, the move towards net zero would be considered individually by the Fund, or if it would be considered as a total pool agenda. Officers confirmed that responsible investment (RI) would still sit with the Fund. There would be some balance required if the Fund were to make specific targets which were misaligned with the Pool, which would be difficult for the Pool to implement. There was, however, benefit in that LGPS Central were aligned with a Net Zero target by 2050.

ii. The NZCS would be reviewed over 2025/26, and LGPS Central would be included in discussions to ensure realistic targets were set which LGPS Central could help the Fund achieve.

RESOLVED:

That the Net Zero Climate Strategy Progress Update report be noted.

30. Pension Fund Training Needs Self Assessment.

The Board considered a report of the Director of Corporate Resources, which provided an update on Training Needs Self Assessments undertaken by Members and set out progress against the Fund's Training Policy and 2024 Training Plan. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

a) That the Pension Fund Training Needs Self Assessment report be noted.

b) That all members should complete the training needs assessment if not yet completed by 5 February 2025.

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

31. Risk Management and Internal Controls.

The Board considered a report of the Director of Corporate Resources which provided 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 13' is filed with these minutes.

RESOLVED:

That the report on Risk Management and Internal Controls be noted.

32. Date of next meeting.

RESOLVED:

That the next meeting be held on 25 June 2025, at 10.00am.

10.00am to 11.44am
05 February 2025

CHAIRMAN

Leicestershire County Council

LOCAL PENSION BOARD

25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND VALUATION 2025 – ASSUMPTIONS AND EMPLOYER RISK

Purpose of the Report

1. The purpose of this report is to request that the Local Pension Board note the proposed assumptions and employer risk, used in the Leicestershire Local Government Pension Scheme (LGPS) valuation.

Background

2. Every three years each LGPS administering authority has a statutory obligation to have an actuarial valuation (Valuation) of the pension scheme. The Leicestershire Pension Fund's (Fund) assets and liabilities are assessed using market conditions on the 31 March 2025 and the overall funding position calculated.

3. The main aim of the Valuation is to set contribution rates for each employer for a three-year period that commences one year after the valuation date (namely for the period 1 April 2026 to 31 March 2029). To set the contribution rates the Fund's Actuary, Hymans Robertson, must take account of a number of factors, most of which are assumptions of what is likely to happen in the future. These assumptions do not impact the ultimate cost of paying benefits to members; instead, they simply calculate the liability derived from these benefits, which in turn impacts the level of employer contributions payable.

4. There is a requirement within the LGPS Regulations that there is an element of prudence built into the actuarial assumptions and that the actuary sets contributions in line with these prudent assumptions while maintaining contribution stability for employers, where possible.

5. In practice, being prudent means that the Fund is retaining a 'buffer' against the many risks and sources of uncertainty within the funding of its LGPS benefits. This buffer helps to protect the Fund (and its members) in the event of adverse future experience, for example, if future returns from its investments are worse than expected.

6. The Fund builds in prudence to its assumptions via the discount rate. How it achieves this is covered in more detail in the following section.

Assumptions

7. The assumptions required for the valuation are:

    1. Discount rate
    2. CPI Inflation (benefit revaluation)
    3. Salary increases
    4. Longevity
    5. Others

Further details can be found in the Appendix at slide 5.

8. The discount rate (the investment return) and CPI inflation (benefit revaluation) generally have the greatest influence on employer contribution rates.

Discount Rate

9. Benefits accrued in the Fund will be payable for many years into the future. To compare their value against the Fund’s assets, officers need to express this future value in today’s money. This is achieved by discounting the future benefits payable.

10. When calculating employer contribution rates, the Actuary stress tests its resilience to 5,000 different economic environment scenarios. The discount rate needs to reflect the uncertainty demonstrated by the 5,000 scenarios, and in order to do this, the discount rate is determined by the Fund’s required level of prudence.

11. The funding environment in which the Fund operates continues to be challenging. Whilst employer funding positions have improved since the previous valuation in 2022, financial markets have become more uncertain amid increasing geo-political risks, which may adversely affect future inflation and investment returns.

12. As a result of this extra uncertainty, increasing the prudence level from the 75% agreed for the 2022 valuation to 80% for the 2025 valuation was proposed to the Local Pension Committee meeting on the 29 November 2024 with Officers keeping this under review for the coming months. All else being equal, this change means that the Fund will assume a lower investment return when setting funding plans (which helps to mitigate market risk, whilst accepting that there is still a 20% chance that actual returns will be lower than we assume at this prudence level).

13. Following the ongoing review since the 29 November 2024, Officers will recommend to Committee at their meeting on the 27 June 2025, increasing

prudence to 80% at the 2025 valuation, for calculating funding levels and contribution rates, given the continuing uncertainty in financial markets.

14. 80% prudence was used for modelling the stabilised employer rates and should also be adopted for the remaining Fund employers.

15. By adopting an 80% prudence level, this generates a 6.0% per annum discount rate for the Fund, which is effectively the assumption about future investment returns. This gives an estimated funding level of 146%, and an estimated 18.1% of pay as the primary contribution rate (the employer rate for new benefits).

16. Officers have discussed this with the Fund Actuary and are comfortable with a 6.0% discount rate and 80% prudence.

Further details on slide 6 of Hymans' report at the Appendix.

<u>CPI Inflation (benefit revaluation)</u>

17. Members' pension benefits in the LGPS are linked to CPI. This is for pensions in payment and deferred, but also for the element of active members' pensions linked to the career average scheme.

18. The Actuary's 5,000 different economic environment scenarios include CPI inflation in the modelling.

19. At the 2022 valuation the Fund used a best estimate (median) CPI assumption of 2.7% pa plus an inflation risk premium of 0.2% pa, totalling 2.9% pa.

20. In the period since the last valuation, inflation was 10.1% in 2023 and 6.7% in 2024 but has continued to fall since 2024 with the general view inflation will trend towards the Bank of England's target of 2% per annum in the longer term.

21. However, Officers remain cautious about future inflation levels, given the continuing economic uncertainty and recommend retaining the inflation risk premium of 0.2% per annum. The 2025 modelling suggests that the best estimate (median) assumption of future CPI is now 2.3% per annum; adding on the inflation risk premium gives a total of 2.5% per annum for the 2025 valuation.

22. The stabilised employer rates have been stress tested against various levels of future CPI within the 5,000 modelling scenarios.

<u>Salary increases</u>

23. Salary increases are becoming less significant as more people have only career average benefits (CARE) service since April 2014. At the 2019 valuation 62% of active members had pre-April 2014 service, linked to final

salary, this had dropped to 40% at 2022, and has dropped further to approximately 35% at 2025.

24. Officers recognise that increases to the national minimum wage and national living wage have put pressure on salary rates across the whole workforce. However, from a Fund perspective, the impact on liabilities is not material as these increases affect a relatively small number of members with lower earnings and lower levels of pension benefit. There is therefore, no need to increase the assumption that is used for salary increases.

25. At the 2022 valuation, salary increase assumption was CPI of 2.9% per annum plus 0.5% pa plus a promotional element to account for people moving through the scale points within their pay grade, totalling 3.4%.

26. Officers recommend using the 2025 CPI assumption of 2.5% per annum plus 0.5% per annum, totalling 3.0% for the 2025 valuation.

27. Various levels of future salary growth within the 5,000 modelling scenarios have been used to stress test the stabilised employer rates.

    A summary of the proposed financial assumptions at the 2025 valuation, alongside those used at the 2022 valuation, is on slide 7 of Hymans' report Appendix A

<u>Longevity</u>

28. The Leicestershire Pension Fund use Club Vita to assist with life expectancy. The Fund's membership data is used to assess life expectancy using demographics including where pensioners live (based on latest postcode), salary and pension. This allows Hymans Robertson to calculate the longevity likelihoods by member (and employer) area within the Leicestershire Fund and benchmark this to the national average.

29. Longevity assumptions are based upon two components:

    1. Baseline
    2. Future improvements

    Further details on slide 8 of Hymans' report at the Appendix.

30. Baseline longevity assumption is an estimate of how long people are expected to live based on current levels of mortality.

31. Future improvements in longevity are uncertain, and there has been volatility in recent years, in particular COVID-19 and the ongoing longer-term uncertainty that remains linked to it.

32. There are many other uncertainties in relation to longevity; in isolation, the impact of changes to any one of the many factors that feed into the

longevity assumption does not have a material impact on the Fund's overall liabilities or funding position.

33. Hymans have considered the various aspects that could impact on longevity and modelled three possible options that would affect the overall assumption, labelled as 'low', 'default' and 'high'.

34. If longevity improvement is considered "low", Fund liabilities could be expected to reduce by up to 3%. However, if it's considered "high", Fund liabilities could be expected to increase by up to 6%.

35. Officers considered the three options with the Actuary. Given the various scenarios and the longer-term uncertainty with aspects that impact on longevity, Officers recommend the Actuary's default view for the 2025 valuation.

36. The 'default' assumption is designed to be a best estimate of future experience. It suggests there is some adaption to address climate change (but at a relatively slow pace), the level of deaths because of COVID-19 have stabilised with a slowdown of long COVID cases, a general reduction to NHS waiting times, and Government's health and social care budget remains constant in real terms.

37. The Fund's stabilised employer rates were calculated using the default option. For reference, stabilised employers are considered low risk (tax raising bodies such as larger Councils). A stabilised approach is applied to the setting of their contribution rates to provide protection from volatility between the three yearly valuation cycles. The approach allows rates to be "smoothed", meaning more gradual stepped increases when in deficit, but equally, gradual stepped decreases when in surplus.

<u>Other assumptions</u>

38. There are several other demographic assumptions that are listed on page 9 of the Hymans report.

These are;

- Withdrawals from the scheme (excluding ill health)
- Ill health retirements
- Death in service
- Promotional salary scale
- Members leaving dependants
- Age differences
- Commutation
- 50/50 scheme take up

These assumptions have been modelled using the Leicestershire Fund data and based on the Club Vita analysis.

Funding Strategy Statement and Investment Strategy Statement

39. The Fund is required to maintain two key governance documents.

40. The Funding Strategy Statement (FSS) sets out how the Fund plans to meet its long-term obligations to pay member benefits by collecting appropriate contributions from employers, using a prudent and transparent approach tailored to each employer's circumstances. It aligns closely to the Fund's investment strategy.

41. The Investment Strategy Statement (ISS) outlines the principles governing how the Fund invests to meet its long-term obligations. It covers the Fund's objectives, risk appetite, asset allocation strategy, and governance framework, ensuring alignment with regulatory requirements and its own funding strategy.

42. The key policy changes in the Fund's draft FSS will be reviewed by Officers and will be presented to the LPB and LPC in September 2025.

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

44. The final FSS and ISS will be presented to the LPB and LPC in early 2026.

Timeline

45. The valuation timeline is as follows:

Date	Topic	Stakeholder(s)
June 2025	Final valuation assumptions	**LPC and LPB – Current stage**
July 2025	Provide Hymans with all Fund data	Pension Section
August 2025	Calculate Fund results	Hymans
September 2025	Initial draft FSS and ISS changes, and request approval to consult with employers	LPC/LPB
September/October 2025	Whole Fund valuation results	LPC/LPB
October/November 2025	Provide employers with their indicative rates. 1 April 2026 to 31 March 2029 and commence FSS and ISS consultation	Pension Section/Fund employers
November/December 2025	Changes to the FSS and ISS	Pension Section/Fund employers

Date	Topic	Stakeholder(s)
February 2026	Finalise FSS and ISS	LPC/LPB
March 2026	Final valuation report produced with final employer rates	Hymans
April 2026 to March 2029	Employer rates implemented	Pension Section/Fund employers

Employer Risk

46. Part of the valuation process requires Officers to consider employer risk. Officers and the Fund Actuary have assessed employers by group and provided a risk rating (high, medium, low). The table below provides a broad outline of the risk rating and considerations.

47. Officers are working with high risk rated employers to understand their individual employer pension risk pressures and to mitigate these for the Fund where possible.

48. Specifically, Officers are in ongoing dialogue with the university group to understand their longer-term objectives and financial position.

49. Officers are working with the Fund Actuary to manage an appropriate funding strategy for this group which balances employer affordability, and the increased risks posed to the Fund. Officers may bring further information on pertinent outcomes to future committees.

Employer Group	Pension Risk Rating	Considerations
Stabilised employers – (Councils, Police, Fire)	Low	Tax raising bodies
Academies	Low	DFE pension guarantee
Further Education Bodies	Low/Medium	New DFE pension guarantee so risk level has reduced
Contractors	Low/Medium	Employer guarantor sits behind each contractor Usually, short term contract lengths
Town/Parish Councils	Medium	Small employers Resolution bodies so can decide to come out of the Fund
Community Bodies	Medium/High	Each employer considered individually Security in place Regularly assessed
Universities	High	No employer has DFE as guarantor

		Financial pressure in the University sector Ongoing work to identify and manage these risks

Recommendation

50. It is recommended that the Board notes the valuation assumptions and employer risk and considers if it wishes to make any comments to the LPC.

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

Equality and Human Rights Implications

51. 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

52. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they

can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendices

Appendix – Hymans Robertson Assumptions Paper

Background Papers

2025 Valuation Principles Report – Local Pension Committee 29 November 2024

https://democracy.leics.gov.uk/documents/s186699/2025%20Valuation%20Principles%20Report.pdf

Officers to Contact

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

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

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

This page is intentionally left blank

This summary document has been prepared solely for the purpose of presenting the proposed 2025 valuation assumptions of the Leicestershire Pension Fund to the Administering Authority of the Fund, and to the Pensions Committee. It should not be used for any other purpose and third parties should not place reliance on these results. Full details of the advice which was prepared for fund officers supporting these decisions is contained in the report entitled Leicestershire Pension Fund – 2025 Valuation Assumptions Advice paper (dated 28 April 2025).

Leicestershire Pension Fund

Actuarial valuation at 31 March 2025

Final assumptions and market volatility

Tom Hoare FFA

Richard Warden FFA

30 May 2025

Use the menu bar above to navigate to each section.

Contents

20

Addressee & Purpose

Addressee

This report has been requested by, and is addressed to, Leicestershire County Council in its capacity as Administering Authority to the Leicestershire Pension Fund (“the Fund”).

Purpose

As part of the 2025 formal valuation, the Fund carried out a review of the actuarial assumptions used by the Fund for funding purposes in April 2025. The provisional set of assumptions were discussed with Fund officers on 28 April 2025.

The results of this review were documented within the report titled Leicestershire Pension Fund – 2025 Valuation Assumptions Advice paper, which should be read in conjunction with this paper.

The purpose of this paper is to provide an update on the provisionally agreed assumptions to reflect the decisions made and to allow for market conditions as at the valuation date of 31 March 2025.

Further, this paper also provides commentary on volatility experienced since the valuation date with markets reacting to proposed trade tariffs. Given the timing of the market disruption, i.e. immediately after the valuation date of 31 March 2025, this paper seeks to provide the Pensions Committee with assurance that the agreed assumptions remain appropriate.

We accept no liability to third parties and/or for any other purpose than above, unless expressly accepted in writing.

HYMANS ROBERTSON

Final assumptions at 31 March 2025

Key decisions on assumptions

As part of the assumptions setting process, the following key decisions were provisionally agreed by Fund officers after a meeting on 28 April 2025 with the Fund actuary. The following pages summarise the proposed final assumptions that will be used for the 2025 formal valuation based on the key decisions made and market conditions as at the valuation date of 31 March 2025.

Assumption	Description of assumption	Key decision	Rationale
Financial assumptions			
Discount rate	Average annual rate of future investment return that will be earned on the Fund's assets.	Continue use of Hymans' ESS model. Increase the level of prudence in ongoing funding basis from 75% to 80%.	Higher prudence recognises increased uncertainty in the markets
CPI inflation **(Benefit increases and CARE revaluation)**	Average annual rate of future benefit increases and CARE revaluation (which are based on CPI inflation in the LGPS).	Continue use of Hymans' ESS model and retain inflation risk premium (IRP) of 0.2% pa.	Model reflects medium-to-long-term consensus expectations for UK headline inflation to stay slightly above the BoE's target of 2% pa, with higher inflation expected in the short-term. Fund concerns about inflation uncertainity justifies retaining 0.2% pa IRP.
Salary increases	Average annual rate of future inflationary salary awards.	Maintain current assumption of 0.5% pa above CPI inflation	No compelling evidence to justify a change.
Demographic assumptions			
Baseline longevity	How long we expect members to live based on current observed death rates.	Adopt latest Club Vita analysis, updated to reflect non-Covid related experience (as per 2022 valuation).	Ensures longevity assumptions are tailored to Fund's membership profile to reduce risk of actual experience being materially different from expectations.
Future improvements in longevity	How death rates are expected to change in the future.	Adopt latest available CMI model with parameters adjusted in line with the default approach to reflect the Fund's membership.	Latest version of CMI model is best practice. Officer beliefs about future longevity drivers align with the default assumption, overall.
All other demographic assumptions	Events such as retirement age, rate of ill health retirement, proportion leaving a dependant, level of commutation and 50:50 take up.	Assumptions to be based on LGPS-wide analysis, adjusted for Fund specific experience where required.	Ensures demographic assumptions reflect the Fund's membership experience.

Prudence level for the discount rate assumption

The discount rate assumption (i.e. the assumption about future investment returns) includes a prudence margin to meet the regulatory requirement for a 'prudent' valuation (i.e. there is a greater than 50% chance that the assumed level of future investment returns will be achieved). Note that all other valuation assumptions are "best estimate."

The Fund have decided to adopt a **prudence level of 80%** at the 2025 valuation, which is higher than the level of prudence adopted at the 2022 valuation of 75%.

This increase in prudence is in recognition of increased volatility in the markets and increased uncertainty in various other risks.

Based on market conditions at 31 March 2025, this results in a reported discount rate assumption of 6.0% pa and an estimate funding level of 146% (at whole fund level). As shown in Table 1, using a higher prudence level will result in a lower discount rate assumption and hence a lower reported funding level (and vice versa).

Based on the same 80% prudence level, we estimate Primary rates to be around 18.1% (using a single Fund employer that is representative of the whole Fund average primary rate). As shown in Table 2, adopting a higher prudence level increases the Primary rate i.e. the contributions payable towards future benefits (and vice versa).

Please note the funding levels and Primary rates provided here are estimates and the actual figures will only be known once the full valuation has been completed (and will vary by individual employer). Further details on the calculation of these estimates can be found in the Appendix 1.

Indicative funding level

Table 1	31 March 2025	
Prudence level	Reported discount rate (% pa)	Indicative funding level
75%	6.6%	159%
80%	6.0%	146%
85%	5.5%	134%

Indicative Primary rate

Table 2	31 March 2025
Prudence level	Indicative Primary rate* (% of pay pa)
75%	15.1%
80%	18.1%
85%	22.7%

*Indicative Primary rates include an allowance for expenses of 0.4% of pay in line with the 2022 valuation assumption

Summary of financial assumptions

The following table summarises the financial assumptions that will be used to calculate the funding level at 31 March 2025, along with a comparison at the last valuation.

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Financial assumptions			
Discount rate	6.0% p.a. (80% prudence)	4.4% p.a. (75% prudence)	Increase prudence in the ongoing basis from 75% to 80% to recognise increased uncertainty in the markets and other risks
Benefit increases / CARE revaluation	2.5% p.a.	2.9% p.a.	No change to current approach (median CPI plus 0.2% pa IRP), but updated to reflect current market conditions
Salary increases	3.0% p.a. (CPI + 0.5%)	3.4% p.a. (CPI + 0.5%)	No change to current approach (CPI + 0.5%), but updated to reflect current market conditions

26

Summary of longevity assumptions

The following table shows a summary of the longevity assumptions, along with a comparison at the last valuation. The same longevity assumptions are used in setting contribution rates and assessing the current funding level.

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Longevity assumptions			
Baseline longevity	VitaCurves based on member level lifestyle factors	VitaCurves based on member level lifestyle factors	No change to current approach, but updated to reflect the latest available Club Vita base tables.
Future improvements in longevity	**CMI 2023 model*** Initial addition = 0.25% (Male & Female) Smoothing factor = 7.0 1.5% pa long-term rate of improvement 0% weight placed on 2020 and 2021 experience 15% weight placed on 2020 and 2021 experience	**CMI 2021 model** Initial addition = 0.25% (Male & Female) Smoothing factor = 7.0 1.5% pa long-term rate of improvement 0% weight placed on 2020 and 2021 experience	Adopt latest CMI model with parameters updated to reflect the Fund's membership. Weightings placed on post-2022 experience to avoid long-term projections being unduly affected by short-term Covid-19 experience.

*At the 2025 valuation, we recommend using the latest available CMI model. This is currently CMI_2023, however this will likely be updated to CMI_2024 provided it becomes available before the valuation results are calculated. When CMI_2024 model becomes available, we will review and confirm the parameters that will be used for the 2025 valuation.

Summary of all other demographic assumptions

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Demographic assumptions			
Withdrawals	Default assumption scaled by 50% for part-time males, and 60% for part-time females. See sample rates in Appendix 4	See sample rates in 2022 valuation report	Rate of withdrawal updated to reflect recent experience of Fund's membership
Retirements in ill-health	Default assumption adopted. See sample rates in Appendix 4	See sample rates in 2022 valuation report	No change to current approach
Death in service	Default assumption adopted. See sample rates in Appendix 4	See sample rates in 2022 valuation report	No change to current approach
Promotional salary increases	Default assumption adopted. See sample rates in Appendix 4	See sample rates in 2022 valuation report	No change to current approach
Members leaving dependants	A varying proportion of members are assumed to have a dependant at death (e.g. at age 65 this is assumed to be 55% for males and 54% for females).	A varying proportion of members are assumed to have a dependant at retirement or on earlier death (e.g. at age 60 this is assumed to be 90% for males and 85% for females).	Updated to reflect Club Vita's LGPS-wide analysis
Age difference with dependant	The dependant of a male member is assumed to be 3.5 years younger than him and the dependent of a female member is assumed to be 0.6 years older than her.	The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.	Updated to reflect Club Vita's LGPS-wide analysis
Commutation	Retirements elect to take 70% of the maximum tax-free cash available in exchange for pension (for all tranches of benefit).	Retirements elect to take 55% of the maximum tax-free cash available in exchange for pension (for all tranches of benefit).	Updated to reflect the Fund's specific experience / No change to current approach
50:50 assumption	0% of existing members will opt to change schemes.	1.0% of existing members will opt to change schemes.	Updated to reflect the Fund's specific experience / No change

Post 31 March 2025 market volatility

Post 31 March 2025 market volatility

The final assumptions proposed for use at the 2025 valuation are based on market conditions at 31 March 2025. The impact of market conditions after this date are therefore not included in the setting of valuation assumptions. However, where there is significant disruption to markets, it is important to consider this impact as a post valuation date event and to understand whether it is appropriate to make any allowance within the valuation process.

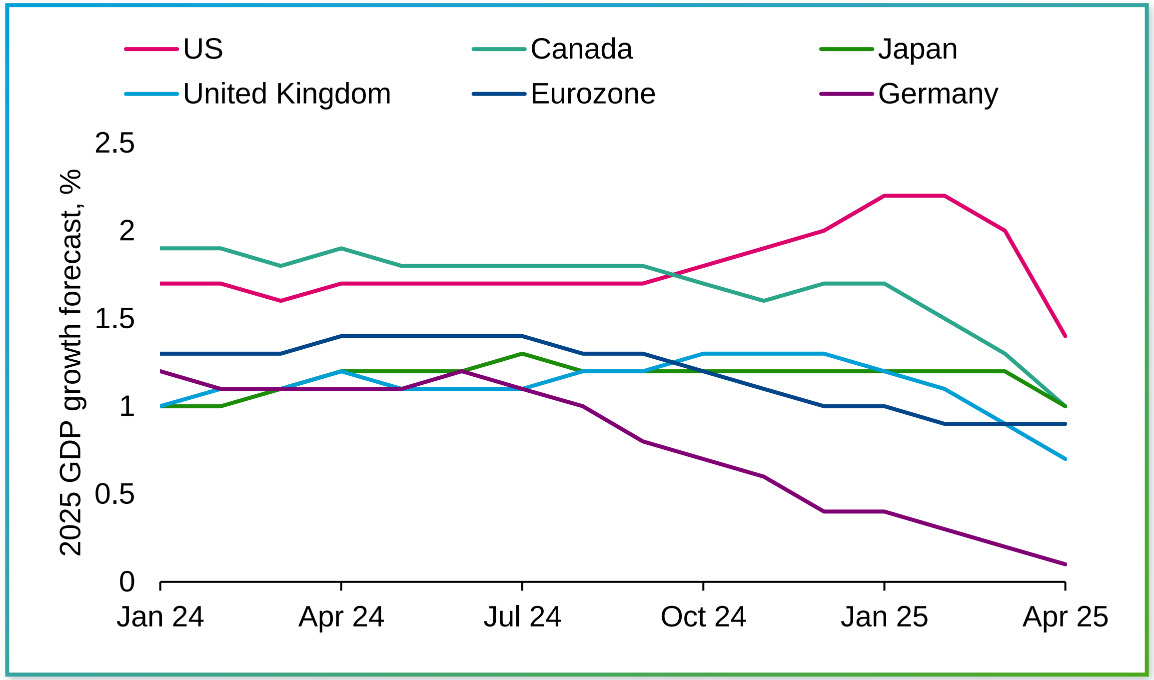
What has caused the recent market volatility?

The trade tariffs imposed by the US on the 2 April 2025 (dubbed as 'Liberation Day') were more severe than forecasters expected and has contributed to significant volatility in financial markets throughout April, particularly shortly after the valuation date of 31 March 2025.

The US have already postponed the implementation of additional reciprocal tariffs for all countries and, crucially, reached a trade deal with China which will lower the much higher duties imposed on China. However, the newly introduced baseline 10% tariff on all trading partners, along with significantly higher duties applied specifically to Chinese imports, will still substantially raise the US average effective tariff rate.

As a result, consensus forecasts for global growth have slipped since the start of the year, as seen in the chart. The impact will extend beyond US imports as global supply chains are disrupted. Despite the recent trade deal, growth is likely to remain weaker than anticipated prior to the tariff announcements.

Given this volatility is occurring around the date of the 2025 valuation, we have set out our current views on the following pages to provide some insight into how this may impact the Fund and the 2025 valuation (from an actuarial perspective).



Source: Consensus Economics

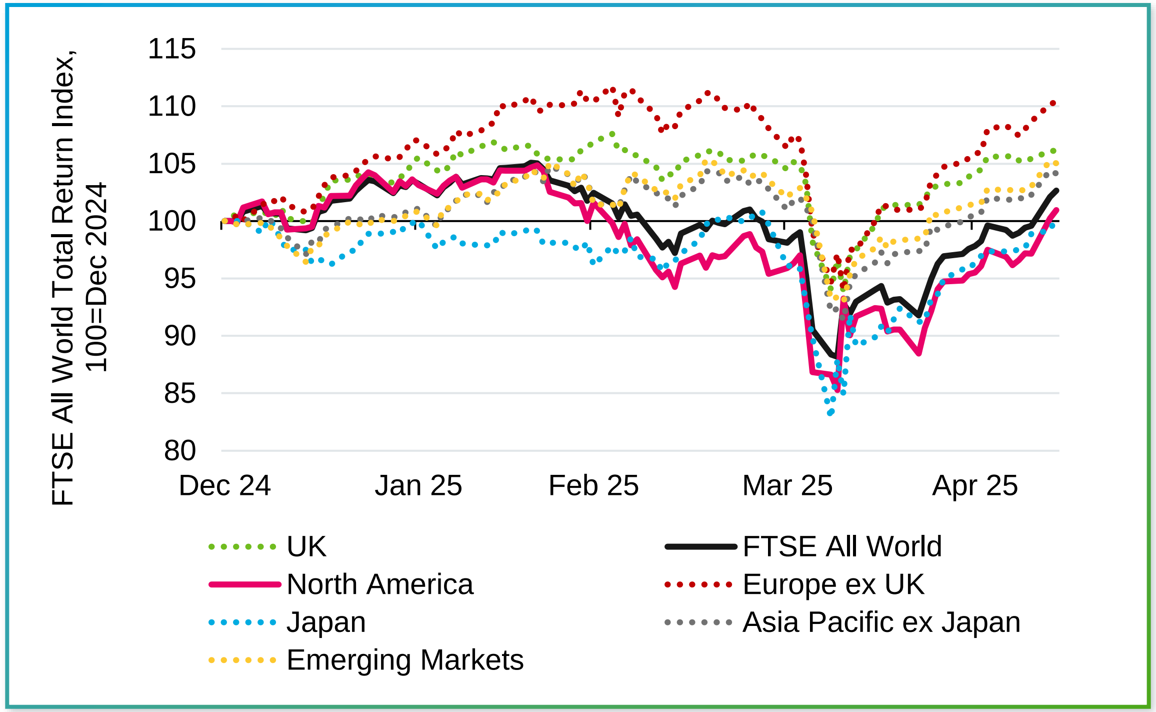
29

Impact on equity markets

As seen in the chart, equities fell sharply in the wake of tariff announcements.

However, all the lost ground has since been recovered as the US delayed the implementation of the tariffs and then reached trade deals with the UK and, more importantly, China. The UK trade deal will see cuts to tariffs on car and steel imports, but the 10% tariff on most other goods is still in place.

As of 13th May the FTSE All World was up 2.7% year-to-date, and only 2.5% below its February peak, having experienced a decline of 16% between February and April.



Source: LSEG DataStream

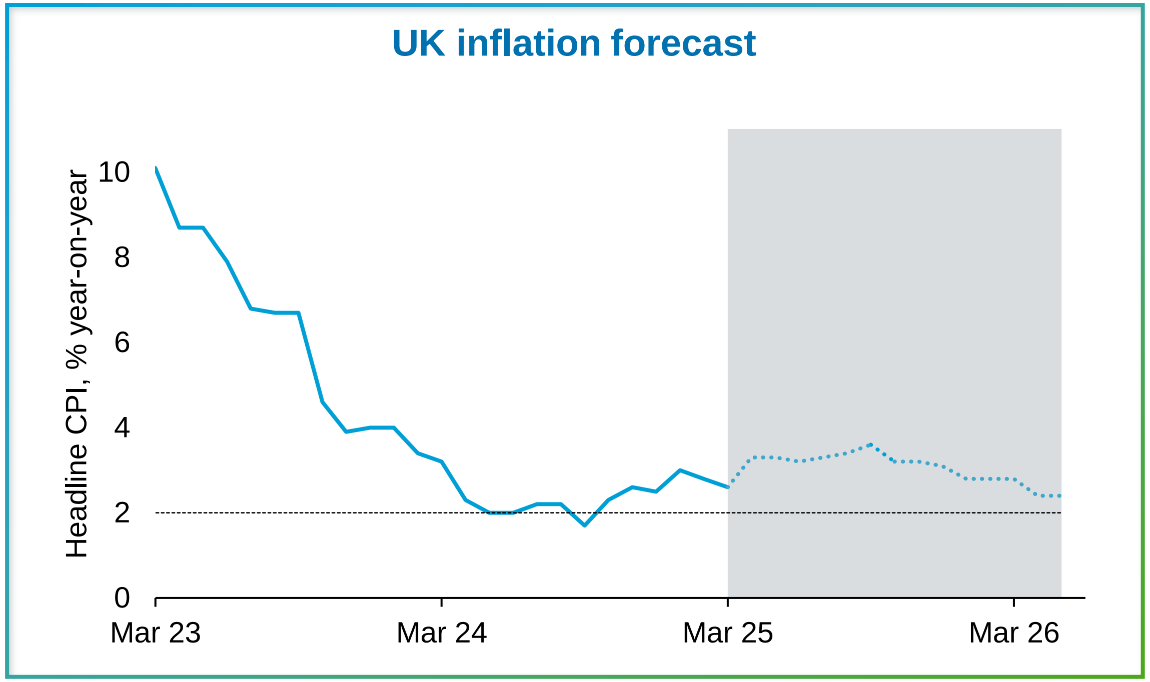
Equity markets sold off sharply following the “Liberation Day” tariff announcements but have since regained all their lost ground

Inflation forecast

Inflation forecasts have been drifting up, with at least some of that potentially owing to anticipated trade disruption.

The US is being hit with both supply and demand shocks, which will raise near-term inflation, but the impact on inflation elsewhere is more ambiguous.

There are other reasons the Bank of England might still be cautious with regards to rate cuts. UK year-on-year headline CPI inflation is forecast to rise to close to 4% this year. While much of this is due to energy prices, and so expected to be temporary, strong wage and service-sector point to some persistence in underlying domestic inflation pressures.



Source: LSEG DataStream and Consensus Economics

31

Future inflation remains uncertain

April 2025 market conditions

The chart on the right summarises how the expected future investment returns in our ESS model have changed between 31 March 2025 and 30 April 2025 for major asset classes.

Any decrease in the expected future investment returns caused by the recent disruption to the markets would generally have the following impact:

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

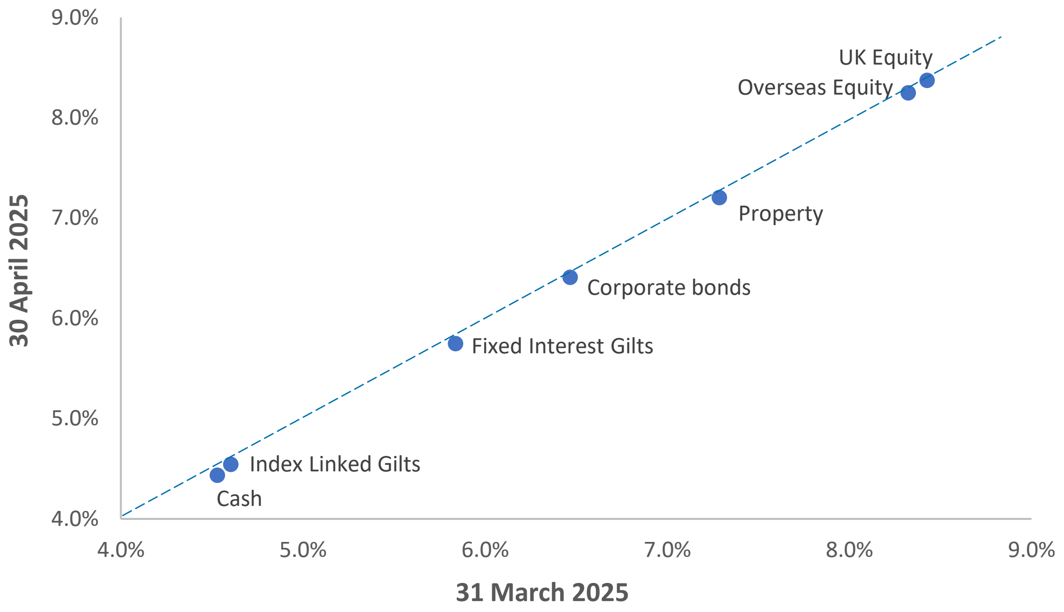
However, as seen in the chart, there is very little difference in the expected future investment returns in our ESS model between March 2025 and April 2025. This may appear surprising given the market volatility experienced throughout April, however this is due to the following reasons:

- Our ESS model already allows for market volatility, with the current levels of market performance falling within the range of potential outcomes over the short term; and
- Our model reflects the long-term nature of the LGPS as an open scheme, meaning a longer-term view can be taken on market volatility.

We therefore do not believe the recent market volatility has caused a significant shift in the future investment returns expected to be achieved by the Fund.

Further details on the ESS model calibration at 31 March 2025 and how that compares to 30 April 2025 are set out in Appendix 3.

20-year annualised expected returns (March 2025 vs April 2025)



Source: Hymans ESS model

The April 2025 calibration of our ESS model is broadly in line with the March 2025 calibration

Impact on the 2025 valuation

Are the assumptions set for the 2025 valuation still suitable?

Given the timing of this market shock (i.e. immediately after the 31 March 2025 valuation date), the impact of the volatility will continue to be monitored, however we do not propose any changes to the assumptions set for the 2025 valuation. This is due to the following reasons:

- the Fund's assumptions are constructed to reflect the long-term nature of the LGPS as an open scheme, meaning a longer-term view can be taken on currently heightened levels of market volatility (which may be temporary);
- the risk-based model used to set the Fund's financial assumptions allows for market volatility, with the current levels of market performance falling within the range of potential outcomes over the short term;
- there is no clear consensus or agreement about what these tariffs will mean for the economy in the longer-term, including future investment returns and inflation (the two main LGPS funding factors that may be affected by this announcement); and
- the Fund includes a margin of prudence within its discount rate assumption to help navigate periods of uncertainty – **noting the Fund has already proposed to adopt a higher margin of prudence at the 2025 valuation in recognition of increased uncertainty in markets**.

We therefore do not believe it would be appropriate to take any immediate action regarding the assumptions set for the 2025 valuation in light of the current activity in financial markets. At the time of writing, the proposed assumptions remain fit for purpose.

Impact on funding levels

Given asset values will likely have fallen in April due to market movements, funding levels may be slightly lower now than at the valuation date of 31 March 2025 (although markets have largely recovered lost ground). In general, funding level changes do not cause any immediate concern as the funding level is only a snapshot measure at a point in time and is only a backward-looking measure of liabilities earned to date. As an indicator of the long-term health of the Fund and funding plans, any snapshot funding level is of limited use.

Impact on funding plans

In recent months, we have worked with the Fund to communicate proposed contribution rates for 1 April 2026 onwards. At this stage we do not believe there is any need to review or change the rates that have been communicated for the same reasons:

- our risk-based model allows for market volatility, with the current levels of market performance falling within the range of potential outcomes over the short term;
- the Fund includes a margin of prudence within its funding strategy to help navigate periods of uncertainty;
- the results of the modelling were positive, including the alternative scenarios tested, including lower returns on growth assets and higher inflation)
- the Fund takes a long-term view when setting contribution rates and has adopted an approach in line with the existing stabilisation mechanism to contribution rate reductions.

Proposed assumptions (and funding plans) for the 2025 valuation remain appropriate

Appendices

APPENDIX 1

Technical detail for funding positions and Primary rates

In the *'Prudence level for the discount rate assumption'* section of this report we set out an estimated funding level as at 31 March 2025 for the Fund. The funding levels were extracted from our Funding Risk Monitoring (FRM) tool. The data, methodology and assumptions used are as set out below.

Data

Funding updates are based on the membership data provided for the 2022 valuation. Details on the quality of this data and a data summary can be found in the documentation provided for that valuation.

Methodology

Liability calculations are based on a roll forward of the liability calculated at the last valuation. The roll forward allows for experience based on the demographic assumptions made at the valuation, plus an allowance for actual pension increases vs the assumption made at the valuation. It also allows for changes in financial assumptions over time as market conditions change. Finally, it will allow for any change to the Fund's strategic asset allocation.

The model allows for actual pension increases based on the value of the UK CPI inflation measure at end of September. This measure is typically used to set the annual pension increases which come into force the following April. The model makes allowance for each actual pension increase once the inflation measure is available (instead of waiting until it comes into force in the following April).

Assets are projected from the last valuation date allowing for daily benchmark index returns and estimated cashflows. Where available, index returns are adjusted based on known actual returns to give the equivalent result over the same period.

Financial assumptions as at 31 March 2025

- Salary increases: 3.0% p.a.
- Benefit increases: 2.5% p.a.

Notes on roll-forward approach

In projecting forward the valuation results, a number of assumptions are made with regard to actual experience. The accuracy of the projection will likely decline over time as actual experience diverges ever more from assumed experience. Significant membership changes will exacerbate this issue and could have a significant effect on the accuracy of the projection. It is not possible fully to assess the accuracy of the projection without carrying out a full actuarial valuation.

Primary rates

The indicative Primary rates have been calculated using the membership data supplied for the purposes of the 2022 valuation (updated as appropriate for known benefit revaluation) and ESS assumptions as at 31 March 2025.

Leicestershire County Council have been modelled as representative of the whole Fund average Primary rate. The Primary rate is the future service rate required to be 100% funded on the ongoing basis at the end of a 17-year funding time horizon with a chosen likelihood.

APPENDIX 2

Investment strategy modelled

The Fund's current strategic benchmark investment strategy has been used for the analysis set out in the Section entitled '*Prudence level for discount rate assumption*' . The investment strategy to be modelled was agreed with the Fund.

Whilst we are not aware of any significant changes to the investment strategy, the analysis in this paper can be updated when any strategy decisions are made to understand what the impact may be.

		Current
Equities	Global equities	37.50%
	Private equity	7.50%
	Infrastructure equity	12.50%
Bonds	Fixed interest gilt (14 yr maturity)	0.90%
	Index-linked gilt (24 yr maturity)	3.50%
	UK corporate bonds (A-rated average)	4.65%
	Multi-asset credit	5.55%
Alternatives	DGF Low Beta	5.00%
	EM Debt Local	0.90%
	Asset Backed Securities	0.75%
	Property	10.00%
	Private lending	10.50%
	Cash	0.75%
Total		100%

36

APPENDIX 3

Economic Scenario Service (ESS)

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

The following table shows the calibration at 31 March 2025.

Annualised total returns													
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	3.5%	1.7%	2.2%	0.1%	-0.5%	0.2%	2.5%	2.2%	1.4%	1.2%	1.5%	4.8%
	50th %'ile	4.3%	4.5%	4.3%	8.2%	8.2%	6.8%	4.9%	3.8%	2.4%	2.8%	2.4%	5.8%
	84th %'ile	5.1%	7.5%	6.2%	16.4%	16.9%	14.1%	7.1%	5.3%	3.3%	4.3%	3.3%	7.1%
10 years	16th %'ile	3.6%	2.7%	4.2%	2.5%	2.1%	2.3%	4.5%	1.3%	0.8%	0.8%	0.8%	3.9%
	50th %'ile	4.6%	4.7%	5.4%	8.6%	8.5%	7.3%	6.0%	3.0%	2.1%	2.5%	2.1%	5.3%
	84th %'ile	5.8%	6.9%	6.5%	14.6%	14.8%	12.7%	7.3%	4.6%	3.3%	4.1%	3.3%	7.1%
20 years	16th %'ile	3.1%	2.9%	5.0%	3.8%	3.7%	3.5%	5.5%	1.0%	-0.5%	0.7%	-0.5%	1.6%
	50th %'ile	4.5%	4.6%	5.8%	8.4%	8.3%	7.3%	6.5%	2.5%	1.2%	2.3%	1.3%	3.6%
	84th %'ile	6.3%	6.4%	6.5%	12.9%	13.1%	11.3%	7.4%	4.2%	3.0%	3.9%	3.0%	6.2%
	Volatility (Disp) (1 yr)	0.3%	6.7%	5.5%	16.3%	18.6%	15.2%	6.5%	1.4%		1.4%		

APPENDIX 3

Economic Scenario Service (ESS)

For the purposes of comparison, the following table shows the calibration at 30 April 2025.

Annualised total returns													
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	3.2%	1.3%	1.9%	-0.4%	-1.3%	-0.2%	2.1%	1.9%	1.5%	0.9%	1.6%	4.8%
	50th %'ile	3.9%	4.1%	3.9%	8.1%	7.9%	6.5%	4.6%	3.4%	2.5%	2.4%	2.5%	5.9%
	84th %'ile	4.7%	7.1%	5.9%	16.7%	17.3%	13.8%	6.9%	5.0%	3.4%	4.0%	3.4%	7.1%
10 years	16th %'ile	3.4%	2.5%	4.0%	2.2%	1.7%	2.0%	4.3%	1.1%	0.9%	0.6%	0.9%	4.0%
	50th %'ile	4.4%	4.5%	5.2%	8.5%	8.3%	7.1%	5.9%	2.8%	2.2%	2.3%	2.2%	5.4%
	84th %'ile	5.6%	6.7%	6.3%	14.5%	14.8%	12.5%	7.2%	4.4%	3.4%	3.9%	3.4%	7.1%
20 years	16th %'ile	3.0%	2.8%	5.0%	3.7%	3.5%	3.4%	5.4%	0.9%	-0.5%	0.6%	-0.5%	1.6%
	50th %'ile	4.4%	4.5%	5.7%	8.4%	8.2%	7.2%	6.4%	2.4%	1.2%	2.2%	1.3%	3.6%
	84th %'ile	6.2%	6.4%	6.4%	12.8%	13.2%	11.2%	7.3%	4.0%	3.0%	3.8%	3.0%	6.2%
	Volatility (Disp) (1 yr)	0.3%	6.7%	5.5%	20.4%	24.3%	15.5%	6.7%	1.4%		1.4%		

APPENDIX 4

Further detail on demographic assumptions

The following tables show the default sample rates of male and female demographic assumptions. The Fund's specific demographic assumptions will be scaled accordingly in line with the decisions summarised on Page 9 of this paper and the final figures will be documented within the Fund's Funding Strategy Statement and 2025 formal valuation report.

Males

Age	Salary scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	609.76	0.00	0.00	0.00	0.00
25	117	0.17	213.65	402.77	0.00	0.00	0.00	0.00
30	131	0.20	151.59	285.73	0.00	0.00	0.00	0.00
35	144	0.24	118.44	223.22	0.10	0.07	0.02	0.01
40	151	0.41	95.36	179.66	0.16	0.12	0.03	0.02
45	159	0.68	89.57	168.72	0.35	0.27	0.07	0.05
50	167	1.09	73.83	138.92	0.90	0.68	0.23	0.17
55	173	1.70	58.14	109.45	3.54	2.65	0.51	0.38
60	174	3.06	51.82	97.51	6.23	4.67	0.44	0.33
65	174	5.10	31.81	59.85	11.83	8.87	0.00	0.00

Females

Age	Salary scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	373.90	0.00	0.00	0.00	0.00
25	117	0.10	189.71	251.55	0.10	0.07	0.02	0.01
30	131	0.14	159.02	210.83	0.13	0.10	0.03	0.02
35	144	0.24	137.25	181.90	0.26	0.19	0.05	0.04
40	151	0.38	114.23	151.34	0.39	0.29	0.08	0.06
45	159	0.62	106.60	141.21	0.52	0.39	0.10	0.08
50	167	0.90	89.87	118.92	0.97	0.73	0.24	0.18
55	173	1.19	67.06	88.83	3.59	2.69	0.52	0.39
60	174	1.52	54.04	71.50	5.71	4.28	0.54	0.40
65	174	1.95	25.76	34.07	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively

APPENDIX 5

Reliances and limitations

This paper is addressed to Leicestershire County Council as Administering Authority to the Leicestershire Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of summarising the final assumptions for the 2025 formal valuation and providing commentary on the impact of recent market volatility. It has not been prepared for any other purpose and should not be used for any other purpose.

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

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

Please note that we are not lawyers. The advice in this paper is actuarial in purpose and any legal aspects, including the interpretation of any relevant legislation, should be referred to an appropriate lawyer. This report does not constitute accounting or tax advice. Hymans Robertson LLP (HR) is not qualified to provide such advice, which should be sought independently.

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

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282.

A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Hymans Robertson is a registered trademark of Hymans Robertson LLP.

LOCAL PENSION BOARD – 25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ADMINISTRATION REPORT

JANUARY to MARCH 2025 - QUARTER FOUR

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (LPB) of the main administrative actions in the fourth quarter period from January to March 2025. The report covers governance areas, including administration of Fund benefits and the performance of the Pensions Section against its performance indicators. The LPB is recommended to raise any areas of concern to be reported to the Local Pension Committee.

Background

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme benefits of the Leicestershire Pension Fund's 107,000 members.

3. Items that previously were in the Continuous Improvement report are incorporated into this report in respect of topics such as McCloud, Pension Dashboards and The Pension Regulator's Code of Practice.

Performance Indicators

4. Attached to this report are the performance indicators for the Pensions Section, which form part of the Section's Service Plan and have been agreed by the Director of Corporate Resources. These indicators are split into two broad categories, namely how quickly processes are carried out and how customers feel they have been kept informed and treated by staff.

Performance of Pensions Section

5. The results for the quarter January to March 2025 are included as Appendix A and the full year April 2024 to March 2025 as Appendix B.

6. The performance levels for the full year are all lower than the previous year, largely due to the impact of the McCloud remedy on casework. Retirements and death cases in particular were affected, whilst officers adapted to dealing with an extra layer of complexity caused by the remedy.

7. The McCloud remedy was introduced on 1 October 2023 following an age discrimination court case. It rectifies the discriminatory treatment that affected some scheme members when the Government introduced changes to public sector pensions in 2014 and 2015.

8. In addition, system changes were introduced, also in October 2023 to the pensioner payroll database that initially caused complications when transferring figures from the administration element of the system to the payroll system. The changes slowed the process for many calculations of retirements and deaths.

9. A further update to the system has largely fixed the issues caused by the initial changes, whilst the impact of the McCloud remedy has mainly been absorbed for 'Business as Usual' cases.

10. Going forward, KPI figures are returning to pre-McCloud levels and the figures for the final quarter of the year shown in Appendix A reflect this.

11. Officers are currently reviewing the way that performance is measured and reported on. This may result in some changes in future reports for the Board.

Governance – Service Delivery

General Workloads

12. The tables below show the volumes in each work area during the months January to March 2025.

13. The Pensions Manager has included a RAG rating to each work area to highlight which areas are below target, close to target, or good or better than target.

14. The rating compares the cases that can be processed to the maximum target number of cases at month end. This is designed to assist Officers identify the work areas that require the greatest immediate attention.

15. Good progress has been made with preserved benefits ahead of this year's valuation and the number of outstanding cases continues to fall. Incoming transfers are a little higher than we would like but plans are in place to target these over the next quarter.

Target	Rating
Below target	▼
Close to target	►
Good or better than target	▲

January 2025

Area	**Cases Completed**	**Cases Ready for Processing**	**All Cases Outstanding**	**Maximum target number of cases that can be processed at month end**	**Rating**
Preserved Benefits	178	1749	2110	800	▼
Aggregations	383	2138	2369	600	▼
Transfers in	43	245	376	200	▼
Retirement Options	316	162	394	300	►
Retirements Paid	271	97	360	300	►
Deaths	124	108	284	200	►
Pension Estimates	56	108	130	250	▲
Transfers out (excluding interfunds out) *	41	11	37	100	▲
Refunds	189	59	189	400	▲
New starters set up**	842	N/A	N/A	N/A	N/A

February 2025

Area	**Cases Completed**	**Cases Ready for Processing**	**All Cases Outstanding**	**Maximum target number of cases that be processed at month end**	**Rating**
Preserved Benefits	146	1500	1902	800	▼
Aggregations	184	2156	2380	600	▼

Transfers in	50	232	391	200	▼
Retirement Options	271	210	435	300	▼
Retirements Paid	196	81	313	300	►
Deaths	115	94	298	200	►
Pension Estimates	92	132	160	250	▲
Transfers out (excluding interfunds out) *	44	14	42	100	▲
Refunds	119	17	173	400	▲
New starters set up**	736	N/A	N/A	N/A	N/A

March 2025

Area	**Cases Completed**	**Cases Ready for Processing**	**All Cases Outstanding**	**Maximum target number of cases that be processed at month end**	**Rating**
Preserved Benefits	203	1092	1591	800	▼
Aggregations	175	2109	2328	600	▼
Transfers in	43	209	357	200	▼
Retirement Options	298	186	408	350	►
Retirements Paid	241	76	309	350	▲
Deaths	151	76	272	200	►
Pension Estimates	108	107	138	250	▲
Transfers out (excluding	29	10	40	100	▲

interfunds out) *					
Refunds	111	49	175	400	▲
New starters set up**	590	N/A	N/A	N/A	N/A

*Interfunds out are excluded from the figures as Regulations allow one year for members to decide whether to transfer.

**New starters are set up from I-Connect interfaces load files provided by the employers.

Governance – General

Complaints – Internal Disputes Resolution

16. The Pension Section deals with complaints through the Local Government Pension Scheme's (LGPS) formal Internal Dispute Resolution Procedure (IDRP). However, complaints are usually resolved informally, avoiding the need for the IDRP to commence. Initial complaints are often caused by misunderstandings or human error and can quickly be resolved.

17. In the fourth quarter period there were no new IDRP Stage 2 cases.

18. There were three historic transfer cases with the Ombudsman. One of the cases has now been concluded with the Ombudsman deciding to discontinue any further investigation, leaving two outstanding. The Ombudsman has contacted Officers for more information which has been provided. A decision is awaited.

Breaches Log

19. The Pension Manager retains the Fund's breaches log. Each breach is reviewed to decide if the breach is material or not. Only material breaches are reported to the Pensions Regulator.

20. There were no material breaches reported in the quarter.

21. **Governance – Audit**

22. During the quarter one new Internal Audit report was received. This related to the Pension Dashboard Programme (PDP), covered elsewhere in this report.

23. The objective of the audit was to establish whether the Fund was on track in preparation for the launch of the PDP.

24. Substantial assurance was given. Three recommendations were made:

a) A suitable IT contact should be identified to respond to any technical issues that might arise during the programme
b) Phase 2 deliverable dates should be agreed with Heywood as a matter of priority
c) Heywood should be reminded of the agreement for their project manager to take minutes and circulate to all attendees

25. The recommendations were accepted and the following actions have been taken:

a) Although an IT contact was originally in place at the start of the project, the officer has since retired. A replacement has now been appointed.
b) Phase 2 dates have been agreed with Heywood and are detailed in a separate Dashboard report that will be presented to the Board today.
c) Heywood have been reminded of their agreement for the project manager to take minutes for circulation to all attendees ahead of Phase 2. This has been acknowledged and will be actioned for future meetings.

TPR Code of Practice Update

26. Officers have now completed the work in respect of the final outstanding areas in respect of the TPR Code of Practice.

27. At the time of writing contact has been made with Audit regarding a final check to confirm that full compliance has been achieved.

28. It is expected that the Audit will be completed ahead of the next Board meeting and this will be included in next quarterly report.

Pension Website

29. Officers continue to work on the Fund's new websites. Two new sites will be created and linked: LCC will create a pensions website accessible to all and Heywood will create a self-service site to replace the Member Self Service (MSS) facility.

LCC Website

30. An initial review of the existing site content has been completed and Officers have established what needs to be removed, amended or transferred without changes.

31. Officers met with the LCC web team in May to discuss site design and requirements in respect of functionality.

32. An updated timeline for this exercise is below on 30 May 2025.

Action	Date Due	Responsibility	Completed (Y/N)
Initial internal prep, review of existing content	31 March 2025	Pensions	Yes
'Plan and deliver' meeting with LCC web team to gather information	20 May 2025	Pensions/Web Team	Yes
Web team to share website 'concept' / design with Pensions	18 June 2025	Web Team	No
Write content	8 September 2025	Pensions	No
Add content to website	15 October 2025	Web Team	No
Testing Period	29 August - 20 October 2025	Pensions/Web Team	No
Build website	24 October 2025	Web Team	No
Website complete	28 November 2025	Web Team	No

<u>Heywood 'Engage' Website</u>

33. A 'Kick-Off' meeting was held with Heywood in May for initial conversations regarding the new site.

34. An updated timeline for this exercise is below on 30 May 2025.

Action	Date Due	Responsibility	Completed (Y/N)
Project Kick Off Call	8 May 2025	Heywood/Pensions	Yes
Project Documentation Issued	30 May 2025	Heywood	Yes
Site Designs	TBD	Heywood/Pensions	No
Site Build	June/July	Heywood	No
Training of Pensions Officers	w/c 6 October 2025	Heywood	No
Delivery acceptance	w/c 6 October 2025	Heywood/Pensions	No
Testing Period	w/c 6 October 2025 – 14 November 2025	Heywood/Pensions	No
Website complete	30 November 2025	Heywood/Pensions	No

35. The existing website will reach end of life on 31 January 2026.

36. An update on progress on this project will be provided at the next Board meeting.

MSS Registration Figures

37. The latest statistics in respect of scheme members who have registered for Member Self Service can be found in Appendix C. The figures show a steady increase in the year. The next figures will be produced at the start of 2026/2027.

McCloud and Dashboards

38. The Board has requested McCloud and Dashboards are standing items at each quarterly report.

McCloud

39. Officers continue to work on the implementation of the McCloud remedy.

40. The Department for Levelling Up, Housing and Communities (DLUHC), now known as the Ministry of Housing, Communities and Local Government (MHCLG) issued statutory guidance in June 2024 which stated that all work related to the 'McCloud Implementation phase' of the remedy must be completed by 31 August 2025. However, there is scope within the guidance for this deadline to be extended to 31 August 2026, subject to approval by the Local Pension Committee.

41. The 'McCloud implementation phase' covers all work in respect of the McCloud remedy with the exception of on-going 'Business as Usual' casework.

42. Work began on the implementation of the ruling in September 2020 prior to the McCloud remedy coming into force on 1 October 2023.

43. Additional temporary resource was added to the Pensions Section, to assist with the initial preparatory work that was required. Officers were required to review and amend contractual hours data for members deemed 'in-scope' for the ruling. This would allow the records to be accurately assessed to establish if there any entitlement to additional pension under the remedy would be due. This has been a major exercise, mainly manual and was finally completed on 31 March 2025.

44. The inclusion of the McCloud remedy into 'Business as Usual' casework has impacted significantly on office resource and this has been reflected in Key Performance Indicators since October 2023. Whilst approval for additional permanent resource was recently approved and a recruitment exercise is nearing completion it is likely that any new Officers will require extensive training and it will take some time before any impact will be felt.

45. Consequently, Officers will not be able to complete the remaining areas of work by 31 August 2025 and are seeking approval from the Committee to extend this deadline. It is proposed that the deadline is extended to 31 August 2026, this being the maximum extension possible.

46. In addition to the McCloud remedy deadline there is also an existing statutory deadline for production of Annual Benefit Statements for active and deferred members by 31 August each year. These are produced following the completion of the annual year end exercise. This year's exercise is underway and the latest position is detailed elsewhere in this report. With effect from 2025, details of any additional pension that members are entitled to following the McCloud ruling must be included within these statements.

47. Officers are prioritising this requirement and expect to meet the deadline.

48. Pensions already in payment will also need to be assessed to establish if any increase is due under the same legislation. These cases will be identified by 30 September 2025.

49. The remaining areas of work that will need to be completed are detailed in the grid below which gives the position as of 30 May 2025.

50. It is expected that the number of members who will benefit from the McCloud remedy will be low.

51. A further update on progress will be provided at the next Board meeting.

'Business as Usual' Casework	Following the implementation of the McCloud remedy on 1 October 2023, all 'Business as Usual' cases have included an assessment to establish any entitlement to additional benefit arising from the remedy, and where this was established, was included in calculations.
Changes to contractual hours between April 2014 and March 2022	Data has been received from all employers and manual updates have now been **completed.** Whilst other cases are likely to emerge, for example where scheme members previously not in-scope declare membership of other public sector pension schemes that could mean they become in-scope for this exercise, this phase of the project has now finished. Any remaining cases will be addressed as part of 'Business as Usual' casework following their date of leaving.
Active and Deferred Members 'in-scope'	Records of active and deferred members must be updated with underpin data (used to establish additional pension due to the

	McCloud remedy) for inclusion in Annual Benefit Statements by **31 August 2025**. Records will be updated using 'bulk' facilities available in Altair and any errors will be addressed manually.
Pensioners 'in-scope'	'Bulk' facilities available in Altair will be used to identify pensioners (including dependant pensioners) who are entitled to an underpin (additional pension) by **30 September 2025**. The work required to increase their pension value will be completed by **31 August 2026.**
Other members 'in-scope'	Remaining categories of McCloud related work will also be processed by **31 August 2026.** This will include: Death Cases Transfers Interfund Adjustments Trivial Commutations Teachers (Enhanced Pensions) Some aspects of transfers will require system upgrades to be applied before re-calculations can be processed.

<u>Pension Dashboards Programme</u>

52. A separate report on the Pension Dashboards Programme will be presented to the Board on this occasion.

53. A further update on this project will be provided in this report at the next Board meeting.

<u>2024/25 Year End Preparation</u>

In February 2025 Officers wrote to all Fund employers detailing the requirements for the 2024/25 year-end. The deadline for employers to provide year-end data was 30 April 2025.

54. All year-end data has now been received from fund employers. Officers are working through the data and identifying queries to return to employers for

clarification. Larger employers have been prioritised along with any schools that are expected to close over summer.

55. This is a summary of the position on 12 June 2025:

Number of Employers/Payroll Providers	**281**
With Pensions: Work in Progress	**207**
With Employers: Queries Raised, Awaiting Replies	**51**
With Pensions: Queries Returned	**20**
Employers without active members – no further action required	**3**

56. There are also three pre-April 2025 outstanding admission agreements detailed later in the report. Officers continue to try and resolve these with the relevant parties.

57. Officers are satisfied that the year-end exercise is currently on track to meet the statutory deadlines to provide annual benefit statements by 31 August 2025 and pension taxation saving statements by 6 October 2025.

58. An update will be provided at the next Board meeting.

Access and Fairness Consultation

59. MHCLG has launched a consultation on changes to the Local Government Pension Scheme (LGPS) in England and Wales. The proposed changes are intended to improve fairness in and access to the LGPS. The proposals include:

- addressing survivor pensions and death grants
- addressing the Gender Pension Gap in the LGPS
- collecting data on how many members opt out of the scheme and why
- changes to forfeiture, aiming to tackle long-standing issues with forfeiture in the LGPS
- several technical changes to how the McCloud remedy operates
- a number of other miscellaneous changes, including changes to five-year refunds, pre 2014 AVCs and small pot payments.

60. The consultation also includes questions on the potential administrator burden and the Government's duty under Public Sector Equality Duty.

61. MHCLG has published a draft statutory instrument, the Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2025.

62. The consultation closes on 7 August 2025.

63. The Pensions Manager will consider the consultation and prepare a reply on behalf of the Leicestershire Fund.

Fit for the Future Consultation

64. On 29 May 2025, the Government published its response to the 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation. The response confirms that the core proposals included in the consultation will be taken forward. Whilst the majority of the proposals relate to investment, the following areas relate to governance and administration.

65. The following proposals will be implemented as consulted upon:

- Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme
- Requirement to prepare and publish an administration strategy
- Changes to the way in which strategies on governance and training, funding, administration and investments are published
- Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.
- Requirement for Administering Authorities to set out within their government and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.
- Requirement for Administering Authorities to participate in an independent governance review and, if applicable, produce an improvement plan to address any issues identified.

66. After consideration of consultation responses, the government has decided to:

- Require an independent governance review to take place once in every three-year period rather than every two years. This will align the reviews with the valuation cycle;
- Require Administering Authorities to have an independent advisor without voting rights, rather than an independent member of the committee;
- Require Administering Authorities to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration, and publish these either as separate strategies or as a single document. The knowledge and training strategy will be required to include a conflicts of interest policy.

67. The Pension Schemes Bill will include provision for the independent governance review. The other governance policy measures will be dealt with under existing powers. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements. The deadline for the Fit for the Future changes is 31 March 2026.

68. Regulations and statutory guidance will follow in due course.

69. Officers will work through each of the points and present an update at a future Board meeting.

Governance – Employer Risk

70. Fund Officers continue to regularly review employer risk. Where there are outstanding admission agreements or bonds, these are reported to the Board each quarter.

71. In the table below, the outstanding cases are listed in risk order, highest to lowest. The highest risk cases tend to be the longest unsigned admission agreements. Unsigned admission agreements mean, the staff that have transferred to the new employer are currently not active LGPS members. Once the admission agreement is legally signed, the pension start date for the staff will be backdated to the date of transfer, so the staff do not lose any scheme membership.

72. Medium or lower risk cases tend to be where bonds are outstanding. The risk level is assessed by either bond value or the type of employer that provided the outsourcing and their ability to act as guarantor to the Fund.

73. When scheme members reach age 55 the risk increases because if those members are made redundant or retire on interests of efficiency, they qualify for unreduced pension benefits. A strain cost is generated in these cases that must be paid in full by the employer.

74. The position on 30 May 2025 is as follows:

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments	Fund Risk Level
MCS Cleaning (LCC, Hugglescote)	Admission Agreement and Bond (3 members)	Pass-through 1 November 2024	£10,500	Final admission agreement and bond agreement circulated for signatures. Executed counterparts received from LCC. Awaiting MCS and guarantor's signed counterpart. Officers continue to chase MCS and their guarantor.	High
Miquill Catering (Holywell PS)	Admission Agreement (2 members)	Pass-through 1 January 2025	n/a	Final admission agreement circulated for signatures Executed counterparts received from LCC and Miquill Catering. Awaiting Holywell PS's signed counterpart.	High

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments	Fund Risk Level
				Officers continue to chase Holywell PS.	
Kindred (The Futures Trust)	Admission Agreement (5 members)	Pass-through 1 February 2025	n/a	Draft admission agreement circulated for approval. Approval received from The Futures Trust. Awaiting approval from Kindred. Officers and The Futures Trust continue to chase Kindred.	High
Taylor Shaw (Elior) - MET	Bond (6 members)	n/a	£12,000	Taylor Shaw are still chasing their bond provider. Taylor Shaw have approved the bond agreement and are sourcing a bond. The guarantor made some amendments. These have been reviewed and counter amendments have been sent for approval. Whilst this issue remains outstanding, MET are aware of the risks as the outsourcing employer. Officers continue to chase Taylor Shaw and their guarantor.	Low

75. The cases completed in the quarter are listed below.

- Relish (RISE) – Admission Agreement
- CleanTEC (LWLAT) – Admission Agreement
- ABM Catering (City, Crown Hills) – Bond Agreement
- Dolce (LCC, Little Bowden Sch) – Admission Agreement
- Coombs (Odyssey Trust) – Admission Agreement
- Aspens (ALT, Uplands Inf) – Admission Agreement
- Dolce (Discovery, Ashfield) – Admission Agreement
- Aspens (LEAD AT, Uplands Jr) – Admission Agreement

- Aspens (Attenborough Trust) – Admission Agreement
- Relish (City, Rolleston PS) – Admission Agreement
- Miquill Catering (Learn AT 1) - Admission Agreement
- CleanTEC (Lionheart AT) – Cash Deposit Agreement
- Taylor Shaw (Inspiring PAT) – Admission Agreement

76. Officers are chasing to resolve the three outstanding admission agreements which commenced pre-April 2025 as a priority in order to complete year-end and meet the statutory deadlines.

Recommendation

77. It is recommended the Board considers the report and raises any areas of concern with the Local Pension Committee.

78. The Board is also invited to consider and comment regarding the proposed extension of the McCloud deadline ahead of the Local Pensions Committee on 27 June 2025.

Equality Implications

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

Appendices

Appendix A: Key Performance Indicators Quarter Four
Appendix B: Key Performance Indicators 2024/2025
Appendix C: Member Self Service Registration Figures

Officers to Contact

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

Stuart Wells
Pensions Project Manager
Telephone: (0116) 305 6944
Email: Stuart.Wells@leics.gov.uk

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

This page is intentionally left blank

Appendix A

Quarter Four - 1 January 2025 to 31 March 2025

Business Process Perspective	Target	This Quarter		Ave.days	Previous Quarter
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	4	80%
Pension payments made within 10 working days of receiving election	95%	95%	▲	4	94%
Death benefits/payments sent to dependant within 10 working days of notification	90%	79%	▶	8	59%

Customer Perspective - Feedback	Target	This Quarter		Previous Quarter
Establish members understanding of info provided - rated at least mainly ok or clear	95%	100%	▲	96%
Experience of dealing with Section - rated at least good or excellent	95%	89%	▶	87%
Establish members thoughts on the amount of info provided - rated as about right	92%	97%	▲	88%
Establish the way members are treated - rated as polite or extremely polite	97%	98%	▲	98%
Email response - understandable	95%	100%	▲	98%
Email response - content detail	92%	96%	▲	97%
Email response - timeliness	92%	95%	▲	94%

Below target	▼
Close to target	▶
Good or better than target	▲

This page is intentionally left blank

Full Year - 1 April 2024 to 31 March 2025

Appendix B

Business Process Perspective	Target	This year		Ave days	Previous Year
Retirement Benefits notified to members within 10 working days of paperwork received	92%	80%	►	6	88%
Pension payments made within 10 working days of receiving election	95%	90%	►	5	94%
Death benefits/payments sent to dependant within 10 working days of notification	90%	61%	▼	10	83%

Customer Perspective - Feedback	Target	This year		Previous Year
Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲	98%
Experience of dealing with Section - rated at least good or excellent	95%	88%	►	93%
Establish members thoughts on the amount of info provided - rated as about right	92%	91%	►	93%
Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲	99%
Email response - understandable	95%	98%	▲	98%
Email response - content detail	92%	97%	▲	100%
Email response - timeliness	92%	94%	▲	95%

Below target	▼
Close to target	►
Good or better than target	▲

This page is intentionally left blank

Member Self Service Statistics as at 20th May 2025
Figures show members who have partially or completely registered for MSS

	Current Figures for Board Report dated 20th May 2025	Current Figures for Board Report dated 20th March 2024
	All Employers	**All Employers**
Active Members	**21562 (53.01%)**	**19905 (49.93%)**
0-39	5052 (38.92%)	4617 (36.58%)
40-49	5105 (50.76%)	4589 (46.62%)
50-59	7259 (62.873%)	6969 (59.93%)
60+	4146 (68.103%)	3730 (64.593%)
Deferred Members	**12200 (37.55%)**	**11121 (34.95%)**
0-39	2027 (27.86%)	1734 (23.72%)
40-49	3055 (32.18%)	2725 (29.89%)
50-59	5452 (45.00%)	5229 (43.21%)
60+	1666 (46.18%)	1433 (44.00%)
Pensioner Members	**18499 (54.87%)**	**16016 (50.44%)**
Dependant Members	**879 (26.95%)**	**798 (25.01%)**

This page is intentionally left blank

LOCAL PENSION BOARD – 25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board of the outcome of the Fund's Additional Voluntary Contribution (AVC) tender and some improvements introduced for the Fund's AVC payers.

Background

2. The Local Government Pension Scheme has a regulatory requirement to provide members with access to a defined contribution Additional Voluntary Contribution scheme. Active contributors may opt to pay extra pension contributions, known as AVCs.

3. AVCs are used to increase scheme member benefits. Whilst they can be used to increase the annual pension, they are often used to increase a scheme member's tax-free lump sum when they are taken at the same time as their LGPS benefits. Less commonly the AVC can be transferred separately from the LGPS to another pension scheme or arrangement which may increase the options available to them from this other pension arrangement.

4. Officers cannot provide financial advice, but the Money Helper service joins up several money and pension guidance services and is a free impartial service sponsored by the Government. Members can use Money Helper to discuss their AVC options.

5. In early 2025, Fund Officers concluded an external tender via the National LGPS Frameworks for the Leicestershire Fund's AVC provider. The successful bidder was Prudential. The Prudential has been the Leicestershire Pension Fund's AVC provider since 1996, so this extends the Fund's longstanding relationship with the Prudential.

Salary Sacrifice Shared Cost AVC

6. There is a provision within the regulations to allow an employer to also contribute to their employee's AVC. This is known as a 'Shared Cost' AVC which can be provided through a salary sacrifice arrangement, often referred to as a Salary Sacrifice Shared Cost AVC (SSSCAVC). The decision to offer SSSCAVCs lies with individual Fund employers, not the Pension Fund, and there are currently only a small number of employers within the Leicestershire Fund that offer this to their members.

7. Under the SSSCAVCs, an employee agrees to enter a salary sacrifice arrangement under which they accept a reduction in their gross salary equal to their chosen AVC contribution amount and in return the employer pays the amount of the salary sacrificed into the AVC fund. In addition, the employee is required to pay an individual contribution into the SSSCAVC arrangement as the "shared cost element". This shared cost contribution must be at least £1 per month and is deducted from the employee's gross salary and paid into the AVC fund in addition to the contribution from the employer under the salary sacrifice arrangement.

8. For employees, the advantage is that they will not pay tax or national insurance contributions (NICs) on the amount of salary sacrificed. As a result, operating Shared Cost AVCs through a salary sacrifice arrangement provides an opportunity for employees to save NICs in addition to the usual tax savings, thus increasing take-home pay.

9. In addition, the employer will benefit from a reduction in the employer national insurance contributions.

10. The Prudential can administer SSSCAVCs for Leicestershire Fund employers. Should other fund employers decide to implement SSSCAVCs in future, Prudential are willing to work directly with these employers when implementing and administering SSSCAVCs.

11. Employers may choose to work with third party providers to manage the salary sacrifice arrangement. The third-party providers must comply with the Prudential processes in dealing with the salary sacrifice contributions.

12. The Pension Fund can administer SSSCAVCs with the Prudential alongside normal employer and employee AVCs.

13. Officers will write to all the Fund employers informing them of the outcome of the tender and Prudential's ability to administer SSSCAVCs.

Investment Choices

14. AVCs and SSSCAVCs, are invested by Prudential into each AVC scheme payer's individual investment choice. The individual can spread their contributions across several investment funds if they wish.

15. The investment fund choices include - higher risk, medium/higher risk, medium risk, lower/medium risk, and minimal risk. This allows the Fund's AVC payers to make their own investment choice, based on their own risk appetite.

16. There are annual management charges deducted from the contributions and in some cases other charges may apply. The charges are shown in the table in point 25 below.

17. The charges are lower than the rates in place before the tender, thereby benefiting the Fund's AVC payers, by increasing the amount of their AVCs invested for retirement.

18. Currently the Fund offers 18 different fund choices to Fund members. 16 are non-lifestyle fund choices and 2 are lifestyle fund choices which track a members age and de-risk the investment as the member nears retirement age.

19. However, Prudential offer a HSBC Islamic Global Equity Index S3 Fund. This only invests in shares of companies that meet Shariah compliance principles.

20. The Director of Corporate Resources and the Pensions Manager have agreed to add this investment option to the Fund's AVC investment portfolio as there have been requests for this option from members as it provides a greater diversity for its AVC scheme payers.

21. Inclusion of this fund increases the investment choice to 19.

22. The Default Investment Option is the Prudential With-Profits Fund.

23. Further information on the choices available can be found in the proposed Prudential Leicestershire County Council Pension Fund AVC Fund Guide (see Appendix A attached to this report).

24. The change to the Fund's AVC investment portfolio will become active from the 1 July 2025.

Non-Lifestyle Fund Choices

25. The charge stated below is made up of the Annual Management Charge plus any further costs that may apply from 1 July 2025. More information can be found in the Fund Guide.

	Fund Name	**Investment Risk**	**Asset Class**	**Active or Passive**	**Charge each year %**
1	UK Equity Fund	Higher	Equities	Active	0.50
2	UK Equity Passive Fund	Higher	Equities	Passive	0.43

3	Global Equity Fund	Medium/Higher	Equities	Active	0.54
4	International Equity Fund	Medium/Higher	Equities	Active	0.54
5	Positive Impact Fund	Medium/Higher	Equities	Active	0.54
6	HSBC Islamic Global Equity Index	Medium/Higher	Equities	Passive	0.68
7	Discretionary Fund	Medium	Equities	Active	0.54
8	Dynamic Growth IV Fund	Medium	Multi-Asset	Active/Passive	0.51
9	Dynamic Growth V Fund	Medium	Multi-Asset	Active/Passive	0.51
10	Index-Linked Fund	Medium	Bond	Active	0.54
11	Long-Term Gilt Passive Fund	Medium	Equities	Passive	0.44
12	Dynamic Growth I Fund	Lower/Medium	Multi-Asset	Active/Passive	0.51
13	Dynamic Growth II Fund	Lower/Medium	Multi-Asset	Active/Passive	0.51
14	Dynamic Growth III Fund	Lower/Medium	Multi-Asset	Active/Passive	0.51
15	Fixed Interest Fund	Lower/Medium	Bond	Active	0.54
16	With Profits Fund	Lower/Medium	Multi-Asset	Active	*See note
17	Cash Fund	Minimal	Deposits	Active	0.43

*The charge will depend on the investment returns achieved and the expenses incurred by the Fund (higher investment returns will be associated with a higher charge and lower investment returns will be associated with a lower charge). The charge is currently expected to be approximately 0.76% a year if the investment return in the With-Profits Fund is 5% a year.

Prudential previously offered the Prudential Deposit Fund, but this closed to new members on the 31 May 2017.

Lifestyle Fund Choices

	Fund Name	Investment Risk	Asset Class	Active or Passive	Charge each year
18	Prudential Dynamic Growth IV Lifestyle targeting 100% cash	Lower/Medium (moving to Minimal)	Equities / Bonds	Active	Dependant on which fund member is in at any given point
19	Prudential Dynamic Growth IV Lifestyle targeting	Lower/Medium	Equities / Bonds	Active	Dependant on which fund member is

	retirement options				in at any given point

26. The Prudential Dynamic Growth Funds may invest in a range of assets which include equities, bonds, property and cash.

27. The Lifestyle Fund choices are made up of three funds:

- Dynamic Growth IV Fund (medium risk)
- Dynamic Growth II Fund (lower/medium risk)
- Cash Fund (minimal risk)

28. The ‘targeting 100% cash’ choice is aimed at those intending to take their fund as a lump sum. The ‘targeting retirement options’ lifestyle is for those that want a lifestyle option but are unsure how they might want to access their pension savings when they take their benefits.

Service Standards and Communications

29. Officers have developed Key Performance Indicators with the Prudential to monitor their performance.

30. Officers recognise the benefit of AVCs for scheme members. Prudential will work with Fund Officers to drive an increase in the number of AVC payers and will provide access to a suite of new member promotional and educational materials to assist with this. Fund employers will also receive communication on AVCs.

31. As part of the contract review, Prudential have agreed lower annual management charges for the unit linked investment funds offered. These revised rates come into effect from 1 July 2025. Details are included in Appendix A.

32. Prudential will communicate the lower annual management charges to the existing AVC payers, and these come into effect on the 1 July 2025.

33. Officers have ongoing quarterly governance meetings with the Prudential that include the following areas: KPIs, communications, AVC take up and new employers implementing SSSCAVCs, value for money.

Pension Dashboards

34. To comply with the new National Pension Dashboards, the Fund must ensure AVC data is sent to the dashboard along with LG pension data.

35. It’s proposed AVC data will be provided securely by the Prudential to the Fund every month and the Fund will capture this on the member’s individual pension record. The AVC data will then be transmitted to the dashboard

alongside the member's LG pension data by the Fund using a secure ISP when required. This is known as the "single source" approach and enables the person to see their pension data together.

36. Officers have started work with the Prudential and the Fund's employers on monthly AVC data collection.

37. The Fund's deadline for the National dashboard is the 31 October 2025.

Recommendation

38. It is recommended that the Board notes the report and considers if it wishes to make any comments to the Local Pension Committee.

Equality Implications

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

Human Rights Implications

40. There are no human rights implications arising from the recommendations in this report.

Appendix

Appendix A – Prudential Leicestershire County Council Pension Fund AVC Fund Guide (from 1 July 2025)

Officers to Contact

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

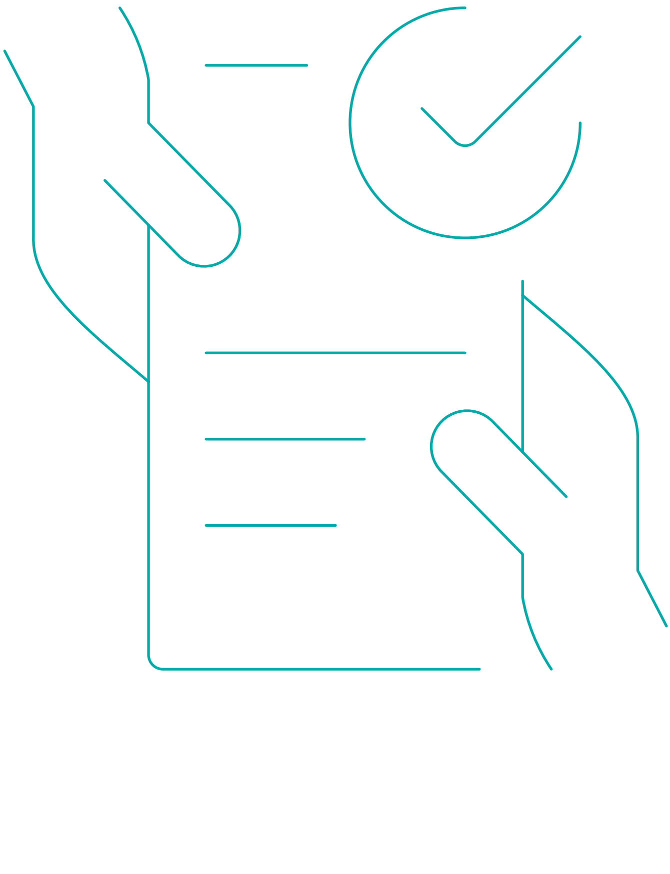
Simone Hines
Assistant Director of Finance, Strategic Property and Commissioning
Telephone: (0116) 305 7066
Email: Simone.Hines@leics.gov.uk

Pru
part of M&G plc

Fund Guide

Leicestershire County Council Pension Fund

Local Government AVC Scheme



Hello and welcome to your fund guide. You have this guide as you're a member of your employer's pension scheme. The scheme has selected funds to be available for you to invest your pension savings in.

Saving for retirement is a great idea for most people. By putting money away, and investing it where it may grow in value, you're taking a step towards living the way you want to in later years.

This guide includes information to help you understand funds and investments. It has detailed descriptions of the fund options that are available to you. And includes a glossary and other practical information.

If you need any additional support we suggest speaking to a financial adviser. If you don't already have an adviser, you can find out more at **pru.co.uk/find-an-adviser**

It's important that you read this document before making any decisions.

It may be a part of a pack of other related materials, which may include the Key Features document. The Key Features document has the main features, benefits and risks of your scheme.

We recommend you read all the materials you've been provided, and store them in a safe place so you can refer to them in the future.

Helping you to think about your future

This guide is set up in three sections.

Section 1 covers some investment basics, and you'll learn about funds, risk and diversification as well as charges and costs. It's worth reading this section first before moving on to the next ones.

Section 2 has more specific details on the actual funds you can invest in within your pension. Some of the terms used might be new to you or a bit trickier to understand. So please make sure you have first read section 1 and make use of the glossary in section 3. You might also want to speak to an adviser – see below.

In section 3 we cover more practical things about funds and how they work as well as things like the Financial Services Compensation Scheme. This is also where you'll find the glossary.

We know that customers will use this guide in different ways, but we'd recommend, even if you feel confident about investing, that you read the whole guide at least once. Especially sections 1 and then 3 before looking at your available fund choice in section 2.

The value of your investment can go down as well as up so you might get back less than you put in.

The information included in this guide is correct at the time of production in May 2025.

Financial Advice

Before you read any further, you'll see that throughout the guide we suggest that you may wish to speak to an adviser for more information. An adviser can be useful in a variety of financial situations including pensions, providing expert help and advice when you think you might need it. To find an adviser in your area go to **pru.co.uk/find-an-adviser**

Contents

Using this guide

We'd strongly recommend you read the whole of this document. You can also use the information on the previous page to find out where to find information you're looking for.

If you're looking at this guide online then there are bits of the document that you can interact with.

Fund links – When you're connected to the web, if you click on a fund name the fund factsheet will open for you. Look out for your cursor changing as you move through the 'Available funds' section.

Our factsheets contain more detailed information about our available funds. You can find all our fund factsheets at **pru.co.uk/ourfactsheets**

If you have a printed copy, but would like the latest online version, then search for **https://www.pru.co.uk/pdf/LAVS379702.pdf**

If you'd like to ask us for anything, please visit **pru.co.uk/contact-us** or call us on 0800 000 000 between 8am and 6pm, Monday to Friday.
(We might record your call for training and quality purposes.)

Section 1

Useful things to know about your investment choices

This section will help you find out about things like funds, risk and diversification as well as charges and costs. You can find out more about many of the terms used here in the **'Useful things to know about investing'** section as well as the **glossary**.

Useful things to know about investing

Assets

These are just different types of investments. You may have heard of some common ones like equities (also called shares), bonds or deposits. Another is property.

A fund manager thinks about putting money in different asset types depending on where they are allowed to invest, and how well they think the asset might do.

You can see definitions of some different asset classes in our glossary at the end of this guide.

Risk and reward

Always remember that some assets are riskier than others. So you might get back more money from one type of asset class than another, but there's also a chance that you might lose more money. It's about weighing up the risk against the potential reward.

Diversification

This sounds quite complicated but it's just a way to manage risk. You probably learnt years ago about the benefits of not putting all your eggs in one basket. Well, the same thing goes with investments.

Spreading your money out across different assets or investments means if one falls in value then there's a chance the others won't be affected so badly.

There's lots of different ways to diversify for example by asset class, country, industry, size or type of company and so on. Fund managers will use diversification and it can help reduce risk to your money.

Charges and costs

You won't be surprised to know there's a cost to investing. Different funds have different charges and further costs. You can find out more about these, and how much they are, later in this guide.

Active and passive investing

Just as you might think, an 'active' investment style is one where the fund manager actively uses skill, research and knowledge to select and manage assets.

While, as the name suggests, a 'passive' style is where the manager takes a step back. The fund is managed to follow the performance of an index like the share price of the 100 largest companies in the UK, for example.

As a result, active funds often have a higher charge than passive funds. The active manager would expect that the extra cost was rewarded by better performance. This isn't always the case.

Some risks to think about

You'll need to take risk to grow your retirement savings, so risk isn't always a bad thing. But there are a number of different kinds of risks to take into account. We've explained some of these risks in the table below which we hope you'll find useful.

Find out more about many of the terms used here in the earlier 'Useful things to know about investing' section as well as the **Glossary.**

Risk Type	Investment Risk	Inflation Risk	Liquidity Risk
What it is	This is about how the assets that funds invest in react to changes in the marketplace. Riskier assets like equities, which can potentially give a higher return, can move sharply down and up (be more volatile) than less risky ones.	You can think of inflation as the increasing cost of buying things. So inflation risk is the risk that the value of your investments grow slower than inflation does. This might happen if for example, you only invest in minimal risk funds such as a Cash fund.	Some asset types can take longer to buy and sell than others. A good example is property – as with buying or selling a house, it can also take the fund manager longer to buy or sell property than an equity. So this is the risk that you might not be able to get your money back as fast as you might like or need to.
The potential impact on you	Selecting higher rated funds like equities will mean you're more likely to experience the ups and downs of sharp market movements. But you may benefit from higher returns over the long term (up to 15 years).	If inflation is higher than your investment return, then you're effectively losing money in real terms. In other words, your money will be able to buy less than it could before.	If you can't buy or sell an asset as fast as you would like or need to, it might affect any plans you have for your investment.
When is this most likely to be important to you	Throughout your investment journey, with increasing importance when you come to take your retirement savings.	Throughout your investment journey.	When you take your retirement savings.

There are other risks that might apply to you at different times as you save for and take your retirement benefits. For more information on these, please speak to a **financial adviser**.

Funds

When you put money into your pension it goes into one or more funds of your choice. You'll see on the right what a fund is. We offer a number of different funds for you to invest in and each invests money in a slightly different way. This means you have a choice of funds that might suit your own investment aims.

Find out more about many of the terms used here in the 'Useful things to know about investing' section as **well as the Glossary.**

Funds – what they are

Lots of investors pool their money together. This gives them the chance to use the expertise of a fund manager and invest in a wider range of assets than they would if they invested themselves.

A fund manager decides year-to-year, week-to-week, day-to-day where to invest the money. They do that based on the agreed objective of the fund, which explains what the fund is trying to achieve and where it can and cannot invest.

Over time the assets the fund manager invested in should generate a return. Returns aren't guaranteed and will depend on things like where the fund manager has invested the money and market conditions.

When an investor decides to leave the fund they take their share. Hopefully they get back a positive return. The aim is to provide a positive return over the medium to long term (10 to 15 years) which is usually the case for many types of investment. Not always though and no-one knows what might happen in the future.

Important to know

The way a fund's managed depends on its 'aim' or 'objective' which is just a description of what the fund aims to do, and how. It's a bit like some rules that the fund manager has to follow. Because all funds have different aims and objectives, the return from each fund is usually different.

Let’s talk about risk – and potential reward

Although risk can sound quite unsettling, when it comes to investing, it’s about getting a balance between the amount of risk you take and the potential return you might get back. Your attitude to risk is personal to you. It’s likely to change over time as your outlook, ability to accept any potential investment loss and circumstances change.

Deciding what’s right for your investment journey

If you’re just starting or already on the retirement savings journey…

Then you might have as much as 30 or 40 years of saving ahead of you. In that case it’s likely that you would be able to take on a higher level of investment risk for the potential of a higher return. It could be that you’re less concerned by day-to-day rises and falls in the investment markets, as you’re a long-term investor and have time to ‘ride out’ any short-term storm.

Or if you’re closer to taking your retirement savings…

Then it’s probably more important to consider protecting the value of the retirement savings you’ve built up by using funds with less investment risk.

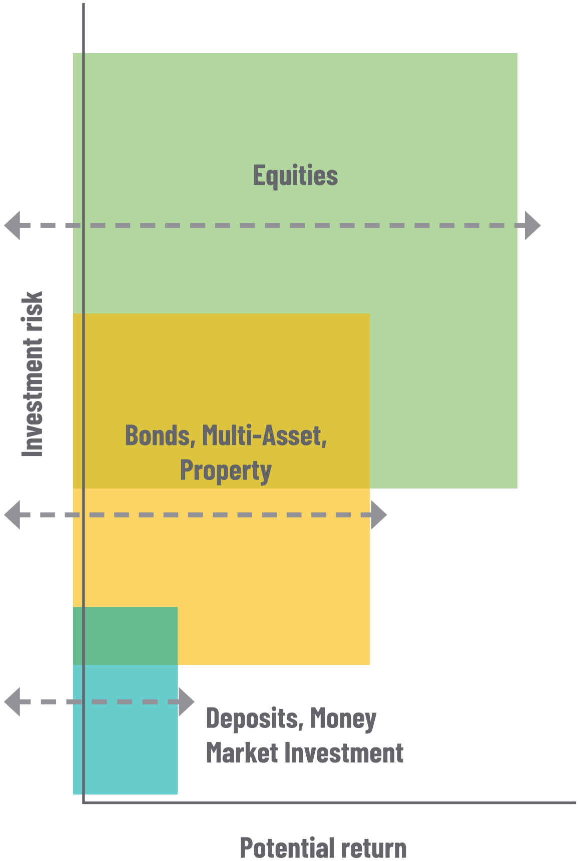
So, your personal circumstances need to be considered carefully when you make any decisions.

Throughout your investment journey, events in financial markets will cause the value of assets a fund invests in to rise and fall. We call this volatility and funds with a higher level of risk will be more affected by it than those with a lower level. The diagram on the next page helps to show how the relationship between risk and return can work.

Let's talk about risk – and potential reward continued

Different levels of investment risk

This chart is an example of how volatility relates to asset classes.



Higher investment risk

Some funds tend to rise in value more than lower-risk funds over the medium to long term (ten to fifteen years), but there's a greater chance they will experience large drops in value compared to those less risky funds.

To get more back you need to take more risk – but more risk means more potential for loss.

Lower investment risk

For some funds, there's a good chance that their values will only go down and up by small amounts compared to other funds. These are lower risk funds.

But, the less risky the fund, the lower the potential gain. And that might mean it can't provide you with the amount of money you need when you come to take your retirement savings.

Some funds are riskier than others and so have different levels of potential return. So it's important that if you're selecting your own funds, you select those which invest in assets that you feel will have a chance of providing enough for you to live on when you retire. It's about trying to get a trade-off between risk and reward that you're comfortable with.

Below we show the level of investment risk we think each different type of fund has, depending on what the fund invests in.

Our risk ratings are based on this scale. Later in the guide you'll see the funds you can invest in with their Prudential risk ratings. **Find out more about many of the terms used here in the previous 'Useful things to know about investing' section as well as the Glossary.**

What does the fund typically invest in?	Risk Rating
Equities (Shares)	**Higher Risk** These are specialist equity funds that focus on set geographical regions or a particular type of share eg shares of smaller companies or those that conform to certain criteria.
	Medium to Higher Risk These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus eg ethical. The equity funds within this category will have greater overseas exposure and underlying volatility than the 'medium risk' sector.
Corporate Bonds, Government Bonds (Gilts), Multi-Asset, Property	**Medium Risk** These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK Gilts) are also in this category.
	Lower to Medium Risk These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).
Deposits, Money Market Instruments	**Lower Risk** These funds may invest in assets, combination of assets or defensive strategies, where the chances of values falling and rising are likely to lie between those of funds investing in money market instruments and funds investing solely in corporate bonds.
	Minimal Risk These funds may invest in a combination of deposits, money market instruments and other types of interest-bearing securities.

Potential return: Higher – Lower

Investment risk: Higher – Lower

Important to know

Our risk ratings are based on our expectation of future volatility (how much the value of the fund could rise and fall). Other companies use different approaches and descriptions, so these risk ratings shouldn't be considered as generic across the retirement savings or fund management industry.

We regularly review our risk ratings so they may change. Please make sure that you understand the risk rating of any fund before you decide to choose it.

Fund charges and further costs

When you invest your retirement savings in a fund there are charges and costs. Further information on what these are for the funds you can invest in, are shown later in this guide.

We take an Annual Management Charge (AMC) for looking after your investment, from each of the funds you invest in. AMCs may vary in the future and may be higher than they are now. We'll write to you if an AMC goes up for a fund you are invested in, unless the change in the AMC we quote is part of the expected function of that fund (for example the With-Profits Fund – see your Key Features document for more information).

In addition to our AMC, there may be further costs incurred. Where these are applicable, they are paid for by the fund and will impact on the overall performance. We've included more information on further costs on the next page. As it's normal for further costs to vary over time, we won't contact you when they change.

This is the total of the Annual Management Charge and further costs.

The name of the fund these charges and costs are applicable to.

Fund Name	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
An Example Fund	0.75	0.18	0.93
What this means in money terms based on retirement savings of £10,000.	£75	£18	£93

This isn't a real life example or a recommendation.

Further costs

In addition to our annual charges, there may be further costs incurred. Where these are applicable, they're paid for by the fund and will impact on the overall performance.

Some examples of what further costs might include are shown below. These aren't listed in order of importance, they won't necessarily apply to all funds, and this isn't an exhaustive list.

Name	What that means	Where appropriate, are they included in the further costs figures we show in this fund guide?
Miscellaneous fund administration fees and costs	There can be a number of different administration fees associated with funds. These can include, for example, audit fees, custody fees, infrastructure costs, registrar fees, regulatory fees, transaction related custody fees and trustee fees.	No, for unit-linked funds, apart from transaction related custody fees*. Yes, for the With-Profits Fund (if an option for your scheme).
Performance fees	In some funds the fund managers are paid a fee depending on how they perform.	No, but if they're applicable they will impact on the performance of a fund.
Property expenses	For funds that invest in property, either directly (i.e. the fund owning physical property) or indirectly (i.e. owning units in a property fund or shares in a property company) there are costs incurred for managing these properties. These can include costs for development, maintenance, oversight and renovation of the properties held, collecting rents, and managing tenants, as well as running costs that can't be passed onto tenants.	Yes.
Transaction costs	When a fund manager trades the investments in a fund (for example, makes a decision to sell one holding and buy another) there are associated costs, for example taxes.	No, but if they're applicable they will impact on the performance of a fund.

* *Currently, for unit-linked funds, we give these back (rebate these) to the fund, so they won't impact the fund performance, and aren't disclosed. We reserve the right to not rebate them in the future.*

The further costs listed in this guide are indicative, based on the current levels of costs, and are correct as at May 2025.

Further costs might be incurred by a Prudential fund or, where it's applicable, any fund our fund invests in (see the 'Objective' for information on where a fund might invest).

You can find details of how we manage our unit-linked funds at **pru.co.uk/ppfm/ul**

With-Profits information

Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred.

Over time, if investment returns are higher, then the charges would be expected to be higher, and if investment returns are lower, the charges would be expected to be lower.

An indication of the current estimated level of the annual charge can be found in your Key Features Document and, for existing With-Profits investors, your Annual Benefits Statement.

There's also a charge to pay for all the guarantees the With-Profits Fund supports. That charge isn't included in this guide but you'll find information on this, and further information about With-Profits, in your Key Features document.

The annual charge, further costs, and charges to cover the cost of these guarantees, are already taken into account when we calculate the bonus rates for our With-Profits Fund.

If you move money out of the With-Profits Fund a Market Value Reduction (MVR) may be applied, which would cause the value of your retirement savings to fall. MVRs are our way of protecting the interests of all of our With-Profits customers. They ensure that every investor gets a fair return based on the earnings of the With-Profits Fund over the period their payments have been invested. For more information, please see our 'MVR – a clear explanation' document, on **pru.co.uk/PRUS6165.pdf**

For With-Profits investments, the rate of future bonuses cannot be guaranteed. Final bonus may vary and is not guaranteed. For investments in the With-Profits Fund, the value of the Policy depends on how much profit the Fund makes and how we decide to distribute that profit. Policyholders usually receive their shares of any profits as bonuses but we may use other methods to distribute profits.

For further information on With-Profits please refer to your Key Features Document or visit **pru.co.uk/funds/ppfm/**

You can find details of how we manage our With-Profits Fund at **pru.co.uk/funds/ppfm**

Section 2

Your Investment choices

Here's where you can find out about the funds you can invest in. You can narrow down the options that suit you. You can find out more about many of the terms used here in the **'Useful things to know about investing'** section as well as the **glossary**.

Available funds

In this section you'll find a list of all the funds you can invest in. The most you can choose is twenty (if your scheme offers that many funds). We've organised the funds by their risk ratings. Further information on our risk ratings is available in section 1 of this guide. We've also included an explanation on charges and costs.

For any fund, there may be a delay in buying, selling or switching of units. These delays will only apply in exceptional circumstances and we will let you know if they apply to you. There may, for example, be circumstances outside our control which prevent us, from acting upon an instruction to buy, sell or switch units. For example, where, due to restrictions imposed by an external fund manager, we are unable to sell units in an externally-managed fund.

Equally we may need to delay acting upon an instruction where we believe that will protect remaining investors in the fund from suffering an unfair reduction in the value of their investment in the fund or some other form of unfair treatment.

- Other than in very exceptional circumstances we would not expect delays to be longer than six months for investments in property and land and one month in the case of units in other funds.
- While we will not delay buying, selling or switching units for longer than reasonably required, we cannot guarantee that we will never delay acting upon your instructions beyond the timescales set out above.
- If we do delay, we will use the unit prices that apply on the day we actually sell, buy or switch units after the delay has ended, unless, again, we believe that in the particular circumstances that would not be fair to investors in general.

The price of units can go up or down during this time. If these delays apply to you, we'll let you know.

Monitoring our fund range

You can be confident that we continually monitor our fund range and may remove or add funds if we think it is in the best interests of our investors. If we stop offering a fund you're invested in, we'll write to you to let you know.

You can find more details on our funds, including performance on our factsheets at **pru.co.uk/ourfactsheets**

Your scheme's default investment option

You may not feel comfortable making a choice. That's okay.

Your scheme has selected a default investment option. It's there for those that are not comfortable making their own investment choices. The Default Investment Option for your plan is the Prudential With-Profits Fund. It's the responsibility of your trustee or employer to select the Default Investment Option with guidance from their adviser. If you're invested in your scheme's default investment option then you can change your mind at a later date.

This doesn't represent a recommendation on behalf of Prudential and you should consider and choose fund options to suit your needs. Please speak to a financial adviser if you need help.

Available funds continued

Fund Name	Fund Charges and Further Costs: Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Higher Risk These are specialist equity funds that focus on set geographical regions or a particular type of share e.g. shares of smaller companies or those that conform to certain criteria.			
Prudential UK Equity Fund	0.49	0.01	0.50
Prudential UK Equity Index Fund	0.43	0.00	0.43
Medium to Higher Risk These funds offer a diverse geographical spread of equity investment or have multi-asset strategies with a specialist focus (e.g ethical). The equity funds within this category will have greater overseas exposure and underlying volatility than the 'medium risk' sector.			
HSBC Islamic Global Equity Index Fund	0.68	0.00	0.68
Prudential Global Equity Fund	0.53	0.01	0.54
Prudential International Equity Fund	0.53	0.01	0.54
Prudential Positive Impact Fund	0.53	0.01	0.54
Medium Risk These funds may invest in multi-asset strategies with a higher weighting in equities (or with significant derivative use), while funds investing mainly in property, high yield or government bonds (such as UK Gilts) are also in this category.			
Prudential Discretionary Fund	0.53	0.01	0.54
Prudential Dynamic Growth IV Fund	0.50	0.01	0.51
Prudential Dynamic Growth V Fund	0.50	0.01	0.51
Prudential Index-Linked Fund	0.53	0.01	0.54
Prudential Long-Term Gilt Passive Fund	0.43	0.01	0.44

Available funds continued

Fund Name	Fund Charges and Further Costs		
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)
Lower to Medium Risk These funds may invest in corporate bonds or multi-asset strategies with a higher weighting in corporate bonds (and other comparable strategies).			
Prudential Dynamic Growth I Fund	0.50	0.01	0.51
Prudential Dynamic Growth II Fund	0.50	0.01	0.51
Prudential Dynamic Growth III Fund	0.50	0.01	0.51
Prudential Fixed Interest Fund	0.53	0.01	0.54
Prudential With-Profits Fund	†	0.31	†
Minimal Risk These funds may invest in a combination of deposits, money market instruments and other types of interest bearing securities.			
Prudential Cash Fund	0.43	0.00	0.43

† *For further information on the Prudential With-Profits Fund please see the With-Profits information earlier in the guide. Please also see your personalised illustration, where relevant, for an indication of your current estimated yearly total value.*

Further costs

Further costs will depend on which funds your money is invested in and when any costs are calculated.

Lifestyle options

How lifestyle options work

We'd recommend reading this page and the next at the same time as looking at real life lifestyle options as it'll help matching the theory with an actual example. **Your lifestyle options can be found on the next few pages.**

Why use a lifestyle option

Investment needs change the closer you get to retirement. When you're further away from taking your retirement savings it makes sense to invest in funds that offer greater potential for growth. That also potentially means more risk, so as you move closer to retirement it also makes sense to start to move into generally lower-risk funds.

A lifestyle option can do this for you automatically, without you having to make any decisions about:

- when to make changes
- which funds to choose, and
- how much to change.

The diagram on the next page shows you how that might look with a 'growth' phase being followed by a 'defensive' phase.

How it works

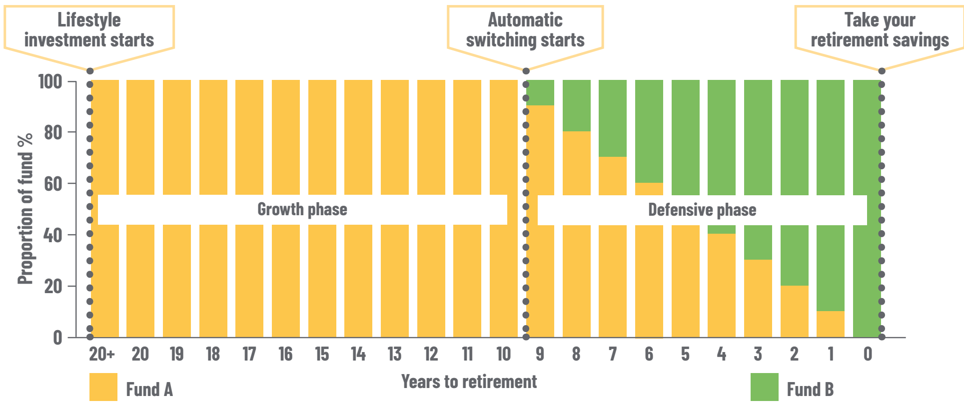
The first phase (we call it the 'growth' phase), is when the aim is to grow the value of your retirement savings. You do that by investing in funds that aim to provide a higher return by taking higher risk.

In the second phase (which we call the 'defensive' phase), your investments are switched automatically, into preselected funds that should help reduce the risk of short-term falls in the value of the retirement savings you've built up.

How this can benefit you

Using a lifestyle means that you don't need to closely manage the funds through the years you're invested. But it's a good idea to check your options from time to time to make sure you're happy it's on track to support you as you would like.

It can be a really good option to consider if you're not keen to take active, regular control on where you are invested. You can find out more at **pru.co.uk/lifestyling**



Some things we think you should read

- We've designed the switches between funds (shown by funds A and B in the example diagram on the previous page) so that the investment in each fund changes as you approach the date you plan to take your retirement savings.
- The actual funds used, their risk ratings and the point where your fund value will start automatic switching, will be dependent on the lifestyle option you choose. The lifestyle options available to you can be found on the next few pages.
- If you choose a lifestyle option, all your contributions will be made into the lifestyle option and you will not be able to select any other funds or lifestyle option at the same time. You can switch all your retirement savings out of this option at any time.
- As a lifestyle option moves your money between funds, the actual fund charges and costs will be based on a proportioned split between the funds you're invested in and the fund charges and costs applicable at that time.
- We reserve the right to change the terms of a lifestyle option. If such a change applies to you, we'll let you know.

Your lifestyle options

We've shown here the lifestyle options available to you, including the funds used. The funds change automatically and monthly throughout the year to achieve the pre-set proportions. We've included the objectives for each of the funds used in each lifestyle option in the available funds section.

If you're invested in a lifestyle investment option then you can change your mind at a later date.

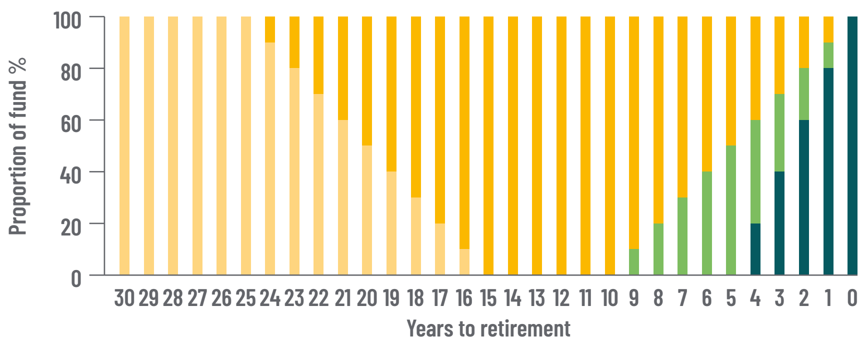
As a lifestyle option moves your money between funds, the actual fund charges you pay will be based on a proportioned split between the funds you're invested in and the fund charges and costs applicable at that time.

Your plans for taking your pension may influence how you want to invest. We have designed some lifestyles to reflect these different approaches.

Visit **pru.co.uk/approachingretirement** to find out more about accessing your pension.

The lifestyle options are not a recommendation from Prudential and suitability will depend on your individual aims and requirements. Please speak to a financial adviser if you need help or want to know more about your lifestyle options.

Prudential Dynamic Growth Lifestyle targeting cash



Risk rating

- Prudential Dynamic Growth IV Fund – Medium
- Prudential Dynamic Growth V Fund – Medium
- Prudential Dynamic Growth II Fund – Lower to Medium
- Prudential Cash Fund – Minimal

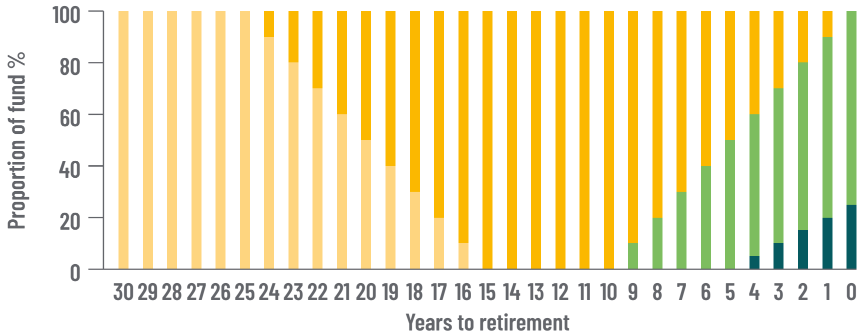
The graph shows the funds included in the lifestyle option, where you're initially invested and how the proportions invested change automatically and monthly, to achieve the pre-set proportions, each year to retirement.

Charges and costs in this guide depend on which funds your money's invested in and when these are calculated.

The 'targeting cash' lifestyle is for those intending to take their pension as a single or series of cash lump sums. At retirement, you'll need to consider whether by taking cash you will have sufficient income to meet your needs.

Lifestyle options aren't risk rated by Prudential. More lifestyling information is available in the 'Lifestyle options' section.

Prudential Dynamic Growth Lifestyle targeting retirement options



Risk rating

- Prudential Dynamic Growth IV Fund – Medium
- Prudential Dynamic Growth V Fund – Medium
- Prudential Dynamic Growth II Fund – Lower to Medium
- Prudential Cash Fund – Minimal

The graph shows the funds included in the lifestyle option, where you're initially invested and how the proportions invested change automatically and monthly, to achieve the pre-set proportions, each year to retirement.

Charges and costs in this guide depend on which funds your money's invested in and when these are calculated.

The 'targeting retirement options' lifestyle is for those that want a lifestyle option, but aren't sure how they might want to access their pension savings when they take their benefits.

Lifestyle options aren't risk rated by Prudential. More lifestyling information is available in the 'Lifestyle options' section.

Closed funds

These funds are now closed to new members. If you are already invested you may still be able to make additional payments if you want to.

Fund Name	Fund Charges and Further Costs			Date Closed
	Annual Management Charge (%)	Further Costs (%)	Yearly Total (%)	
Prudential Deposit Fund	N/A*	N/A	N/A	31/05/2017

* *For further information on the Prudential Deposit Fund please see the 'Fund descriptions' section.*

Fund descriptions

Here's a list of all the funds you can invest in, with a description of the funds' objectives. The most you can choose is twenty (if your scheme offers that many funds). We've organised the funds by their risk ratings. Further information on our risk ratings is available earlier in the guide. We've also included an explanation on charges and costs.

You can find more details on our funds, including performance on our factsheets at: **pru.co.uk/ourfactsheets**

Fund Name and Manager	Asset Class, Active or Passive	Objective
Higher Risk		
Prudential UK Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G UK Equity Fund - the underlying fund. Underlying Fund Objective: The fund invests, via other M&G funds, in the shares of UK companies. The fund is actively managed against its benchmark, the FTSE All-Share Index. It is a "fund of funds" holding units in several more specialised UK equity funds giving access to a variety of methods for generating investment returns in differing market conditions. Derivative instruments may be used for efficient portfolio management. Performance Objective: To outperform the benchmark by 0.75%-1.0% a year (before charges) on a rolling three year basis.
Prudential UK Equity Index Fund Prudential	Equities, Passive	Objective: The investment strategy of the fund is to purchase units in the M&G PP UK Equity Index Fund – the underlying fund. Underlying fund objective: The fund gains its exposure via the M&G (ACS) BlackRock UK All-Share Equity Fund. The underlying fund aims to be fully invested in the equity securities and equity related securities of companies that are constituents of the FTSE All-Share Index. Within the index-related limits, the Investment Manager uses a structured and systematic, bottom- up stock selection process to build a portfolio with similar risk-return characteristics as the index in order to meet the fund's investment objectives. In addition, the Investment Manager aims to reflect a fundamental ESG approach by overweighting its investments in securities which score well against the Investment Manager's ESG research framework and underweighting the securities which score less well. Performance objective: The fund aims to provide a total return (i.e. capital growth plus income), gross of the Ongoing Charges Figure, over any three year period.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Medium to Higher Risk		
HSBC Islamic Global Equity Index Fund HSBC	Equities, Passive	Objective: The investment strategy of the fund is to purchase units in the HSBC Islamic Global Equity Index Fund - the underlying fund. Underlying Fund Objective: The Fund aims to track as closely as possible the performance of the Dow Jones Islamic Market Titans 100 Index (the Islamic Index). The Index is comprised of the shares of companies in emerging and developed markets that are based anywhere in the world. The Fund will be passively managed and will aim to invest in the shares of the companies in generally the same proportion as in the Index. The shares are selected by filtering the Index universe through screens for business activities and financial ratios to remove stocks that are not Shariah compliant. The Fund will only invest in shares of companies that meet Shariah compliance principles as interpreted or approved by the Shariah Committee. The Shariah Committee monitors the Fund throughout the year and issues an annual Shariah certificate on the Fund's compliance with Shariah principles. This certificate is included in the annual report of the Fund as confirmation of the Shariah compliance for that year. The Fund will not invest in derivatives.
Prudential Global Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Global Equity Fund - the underlying fund. Underlying Fund Objective: The fund provides an all-equity approach to investment, holding a 55% UK equity and 45% mix of overseas company shares. For the overseas shares, the fund is actively managed against an internal composite benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management. Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three-year basis.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential International Equity Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP International Equity Fund - the underlying fund. Underlying Fund Objective: The fund invests, primarily via other M&G funds, in the shares of overseas companies. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management. Performance Objective: To outperform the internal composite benchmark by 1.0% a year (before charges) on a rolling three year basis.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Positive Impact Fund Prudential	Equities, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Positive Impact fund (the underlying fund). Underlying fund objective: The Fund has two aims: • To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI ACWI Index over any five-year period; and • To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges. The Fund gains its exposure through the M&G Positive Impact Fund, an M&G OEIC. The Fund is a concentrated portfolio of global stocks, usually holding fewer than 40 stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the Fund's investment universe and assessing business models. The Fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions. The Fund invests in three categories of positive impact companies: • "Pioneers", whose products or services have a transformational effect on society or the environment; • "Enablers", which provide the tools for others to deliver positive social or environmental impact; and • "Leaders", which spearhead the development of sustainability in their industries. Investing in these categories provides diversification across industries and maturity of business models. Dialogue with the companies in which the Fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. The Fund may also invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G). Derivatives may be used for Efficient Portfolio Management and hedging.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Medium Risk		
Prudential Discretionary Fund Prudential	Multi-Asset, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund - the underlying fund. Underlying Fund Objective: The fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property, cash plus listed alternative assets primarily through other M&G funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. It is a "fund of funds" where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments may be used for efficient portfolio management. Performance Objective: To outperform the internal composite benchmark by 1.15% - 1.40% a year (before charges) on a rolling three year basis.
Prudential Dynamic Growth IV Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Dynamic Growth V Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 60% of its assets in equities but may invest up to 100%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Index-Linked Fund Prudential	Government Bond, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Index-Linked Fund - the underlying fund. Underlying Fund Objective: The fund invests mainly in UK Government index-linked gilts, typically with over five years to maturity. The fund is actively managed against its benchmark, the iBoxx UK Gilt Inflation-Linked Over 5 Years Index. The fund can also invest in corporate bonds, overseas government bonds and fixed interest gilts. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging. Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.
Prudential Long-Term Gilt Passive Fund Prudential	Government Bond, Passive	Objective: The investment strategy of the fund is to purchase units in the M&G PP Long-Term Gilt Passive Fund - the underlying fund. Underlying Fund Objective: The fund invests in UK Government gilts with over 15 years to maturity. The fund is passively managed against its benchmark, the iBoxx Sterling Gilts (15+) Index. Tracking this index is achieved by fully replicating the stocks in the index. Performance Objective: To match the performance of the benchmark as closely as possible.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Lower to Medium Risk		
Prudential Dynamic Growth I Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest a maximum of 30% of its assets in equities. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Dynamic Growth II Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 10% of its assets in equities but not more than 40%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.
Prudential Dynamic Growth III Fund Prudential	Multi-Asset, Active	The fund aims to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 20% of its assets in equities but not more than 55%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations.

Fund Name and Manager	Asset Class, Active or Passive	Objective
Prudential Fixed Interest Fund Prudential	Government Bond, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Fixed Interest Fund - the underlying fund. Underlying Fund Objective: The fund invests mainly in UK government gilts. The fund is actively managed against its benchmark, the iBoxx Sterling Gilts Index. The fund can also invest in overseas government bonds and corporate bonds issued by UK and overseas companies and institutions. Exposure to short-term exchange rate movements from any overseas holdings is mitigated by hedging. Performance Objective: To outperform the benchmark by 0.75% a year (before charges) on a rolling three year basis.
Prudential With-Profits Fund Prudential	Multi-Asset, Active	Objective: The fund aims to produce growth over the medium to long-term (5 to 10 years or more) while smoothing some of the ups and downs of short-term investment performance. The fund spreads investment risk by investing in a range of different asset types, which currently includes UK and international equities, property, fixed interest securities, index-linked securities and other specialist investments.
Minimal Risk		
Prudential Cash Fund Prudential	Deposits, Active	Objective: The investment strategy of the fund is to purchase units in the M&G PP Cash Fund - the underlying fund. Underlying Fund Objective: The fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark, the Sterling Overnight Index Average 1 Week. Performance Objective: To outperform in line with the benchmark before charges on a rolling three year basis.
Prudential Deposit Fund Prudential	N/A, Active	The current practice, which we can review at any time, is to set and declare the interest rate on the first of each month, in line with the Bank of England base rate. Any interest is declared monthly and there are no explicit charges. The assets of this fund are part of the With-Profits Fund which is a multi-asset fund. The capital you hold in the Prudential Deposit Fund will not decrease.

Section 3

Further information

More information we think it's worth reading, including the **'Useful things to know about investing'** section as well as the **glossary**.

Further information

How unit-linked funds invest

Some of the Prudential funds listed in this guide may invest in 'underlying' funds. Some of these underlying funds may invest in derivatives or other investment vehicles. Have a look at a fund's objective and that will tell you where it invests – including if that's in an underlying fund or funds.

If the Prudential fund is investing in just one underlying fund then it's what's known as a 'mirror' fund, as the performance of the Prudential fund broadly aims to reflect the performance of the underlying fund it invests in. The performance of our Prudential fund, compared to what it's invested in won't be exactly the same. The differences between the underlying fund and our fund can be due to:

- additional charges,
- cash management (needed to help people to enter and leave our fund when they want),
- tax,
- timing of investments (this is known as a fund's dealing cycle, it varies between managers and can be several days).

Find out more about how we manage our funds

You can find more details of how we manage our unit-linked funds at **pru.co.uk/ppfm/ul/**

You'll also find a shortened version, our "Customer Guide", which explains briefly how the Prudential unit-linked funds work, our current approach to managing them, and the standards and practices we use to manage the funds.

This Customer Guide will explain:

- the nature and extent of the decisions we take to manage the funds, and
- how we treat customers and shareholders fairly.

Switching between funds

- When switching between different unit-linked funds, the sale of existing units and the purchase of new units will not normally take place on the same date. There will be a lead-time involved in making unit prices available and where external companies are involved, this lead-time may be longer than for funds managed by Prudential. The prices of units can go up or down during that time: this is a risk to you. The exact time lapse between sale and purchase will depend on the funds involved in the switch. No interest is due for the period between the sale and purchase of units.

- When switching an existing investment from a unit-linked fund to a lifestyle option (if available), the total value of your fund will be switched automatically to that lifestyle option.
- If you choose a lifestyle option (if available), all of your payments will be made into that option and you will not be able to select any other funds or lifestyle option. You can switch all of your retirement savings out of this option at any time.
- If your scheme offers the With-Profits Fund, there may be a Market Value Reduction (MVR) applied if you move money out of the fund. You'll find more information about an MVR in the 'With-Profits information' section earlier in this guide.

A bit about how our funds work

- Funds are legal arrangements which pool together the contributions of numerous individuals (such as members of schemes like you) to collectively buy assets like shares and bonds. These funds are then divided into units of equal value. In return for their contributions, each individual receives ownership of their share of the fund in the form of these units.
- These funds – known as 'unit-linked' funds – have a single price, based on the valuation of the assets held by the fund. Each unit will have this price.
- The unit-linked funds are "forward priced". This means that the unit price you receive is the next available price after you have invested money in or taken money out of a fund.
- When calculating the unit price of a fund it is important to consider how much money is either going into or being taken out of the fund. If more money is being paid into the fund than is being taken out, then the fund will need to purchase assets. If this is the case then the purchase price (or "offer" price as it is sometimes known) will be relevant in determining the unit price of the fund.
- If more money is being taken out of the fund than is being paid in then the fund will need to sell assets. If this is the case, the sale price of the underlying assets will be more relevant when calculating the unit price.
- Sales prices are generally lower than purchase prices so a switch from a purchase price to a sales price will result in a lower unit price. Conversely, a switch from a sales price to a purchase price will result in a higher unit price.

  In both cases the movement in unit price can be significant and will occur immediately.

  This is known as a "single swinging price". It is done to protect the interests of those customers who remain in the fund and means that

Further information continued

the costs of buying and selling assets are borne by those customers who are trading in and out of the fund. The difference between the purchase and sales price reflects these costs which tend to be largest for funds investing in property, smaller companies and developing markets. The costs can include stockbroker commission and withholding taxes (such as stamp duty in the UK) and are outside Prudential's control.

It also means that, whenever you switch funds, there may be an investment cost to you if you switch from a fund where the sales price applies that day to a fund where the purchase price applies on the day the switch is completed.

Changes to our funds

We reserve the right to make changes at any time to the funds we make available, subject to certain restrictions. We might also introduce new funds. To find out about changes to our range of funds, please go to **pru.co.uk/cpfundupdates**

If you want to contact us then visit **pru.co.uk/contact-us** for information on how to do so.

You can change your funds

You can switch your money between funds at any time. We won't charge you for this though, as noted earlier, there is a risk to you as the prices of units can go up or down during the lead-time involved in making those prices available. If this changes in the future we will let you know.

The Financial Services Compensation Scheme

The products Prudential Assurance Company Limited (PACL) offer are covered by the Financial Services Compensation Scheme (FSCS). If we get into financial difficulties, you may be able to make a claim. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is referred to as being 'in default'.

Losses, which may result from poor investment performance, are not covered by the FSCS.

Where does FSCS protection apply?

There is full FSCS coverage if PACL is 'in default'.

- Your pension is protected up to 100% of the value of your claim.
- Any funds you choose to hold in your pension will be included in the value of your claim in the event that PACL is declared 'in default'.
- If you hold the Prudential With-Profits Fund or Deposit Fund (if an option for your scheme) in your pension, they are protected 100% in the event of the default of PACL.

All the other funds we offer, apart from those mentioned above, are unit-linked, and invest in other funds managed by non-PACL fund managers. FSCS cover does not apply if the non-PACL fund manager were to be 'in default'.

- There is no FSCS cover for unit-linked funds investing with non-PACL fund managers if that manager were to be 'in default'.
- See 'How unit-linked funds invest' for further information on these types of fund (often called 'mirror' funds).

You can find out more information on the FSCS at **pru.co.uk/fscs**, or you can call us.

Information is also available from the Financial Services Compensation Scheme.

Visit their website: **fscs.org.uk**

Or write to: The Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY

Or call the FSCS: Telephone: **0800 678 1100**

Where FSCS coverage does not apply, then other factors can come in

As explained in the 'Where does FSCS protection apply?' section, the FSCS doesn't cover every situation. For example unit-linked funds that invest in the funds of non-PACL fund managers (often called 'mirror' funds).

But, where FSCS protection does not apply, there are other factors that could help if the worst happened and a provider was 'in default'. For example, the use of custodians or depositories to provide protection for fund assets, where there is separate legal ownership of assets and legal entities that aren't liable for any losses of a fund manager. In so doing, the intention is that the underlying fund will not be liable for any losses the underlying fund management company incurs.

PACL would aim to recover any money invested in an underlying fund where the fund manager has been declared 'in default', but PACL would not be liable for any loss incurred from the default of the non-PACL fund manager.

Note about the Financial Times Stock Exchange (FTSE)

Glossary – a high level guide to some useful investment terms

It's not meant to cover every term you may come across. Please speak to a financial adviser if you need help or want to know more about terms used around investments.

Bonds and Fixed Interest Securities

A bond is an 'I owe you' that promises to pay an amount of money on a specified date and pay a fixed rate of interest along the way. Companies and governments can issue bonds when they want to raise money. Bonds issued by companies are called corporate bonds. Bonds issued by the UK government are called gilts and those issued by the US government are called treasury bonds.

Collective Investment Schemes

A way of pooling investment with others within a single fund. Once you've joined the scheme, you can have access to a wider range of investments than if you were investing individually. You'll also share the costs and benefits.

Collective Investment Schemes, such as OEICs, Unit Trusts, Mutual funds, usually target investments in geographic regions (like emerging market countries) or specific themes (like technology or property).

Custodian

A, normally large and reputable, financial institution that holds customers' securities for safekeeping in order to minimise the risk of their theft or loss. A custodian holds securities and other assets in electronic or physical form.

Depository

A depository can be appointed to a fund to safe keep the assets of the fund (whether by taking them into custody, or record-keeping and verifying title of them) and oversee the affairs of the fund to ensure that it complies with obligations outlined in relevant laws and the fund's constitutional documents.

Deposits

Money that is placed with banks, building societies and other organisations to earn interest. Deposits can be considered to be minimal risk, but there are exceptional circumstances where they can fall in value.

Derivatives

These refer to products such as futures and options which are generally an arrangement between different parties to buy or sell a standard quantity of a specified asset on a fixed future date at a price agreed today.

Equities

Equities are also known as shares or stocks. They are a share of the ownership of a company.

Money Market Investments

These are cash and investments similar to cash such as bank deposits, certificates of deposits, fixed interest securities or floating rate notes. They usually have a life of less than a year.

Glossary continued

Multi-Asset

A fund that invests in a range of assets, such as equities, bonds, property and alternative assets, is known as a Multi-Asset fund.

By investing in a range of assets the fund is not relying on the performance of assets of the same type. This helps to give diversification of risk.

OEIC (Open Ended Investment Company)

An open ended investment company is a way to invest collectively with others into a portfolio of companies or assets.

It pools investors money and uses it to invest in companies, assets and other commodities that it thinks may generate a return.

The value of the OEIC is equally divided into shares which will vary in price and in the number issued. When new money is invested, new shares or units are created to match the share price.

Property

Investment in commercial property (such as retail, office and industrial properties). This can be done either by investing directly (eg owning physical property) or indirectly (eg owning shares in a property company). The return achieved from investing in property is a combination of rental income and changes in the value of the property, which is generally a matter of a valuer's opinion rather than fact. It should also be noted that property can be difficult to sell, which can delay withdrawing money from a fund that invests in property. Property can be considered to be lower risk than equities, but higher risk than bonds over the long term.

Smaller Companies

Companies that you can find on a recognised exchange that have lower value than blue chip companies.
In the UK, smaller companies are usually defined as those with market values below the largest 350 companies in the FTSE All Share Index.

Thank you for reading this guide. We recommend you read any other documents we've sent you, and store them in a safe place so you can refer to them in the future.

If you have any questions about the funds and investments that are available to you, or you need any additional support we suggest speaking to a financial adviser. If you don't already have an adviser, you can find out more at **pru.co.uk/find-an-adviser** pru.co.uk

LAVS379702 05/2025

LOCAL PENSION BOARD – 25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Board with an update on the outcome of the fit for the future consultation and pooling matters with LGPS Central.

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

Policy Framework and Previous Decisions

3. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of LGPS Central Limited (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 it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.

4. Central has been in operation since 1 April 2018. As of 31 March 2025 Leicestershire County Council Pension Fund (the Fund) has circa £3.8bn invested in Fund's managed by Central. In addition, at the time of writing the Fund has over £650million in uncalled commitments to LGPS Central private market investments.

Background

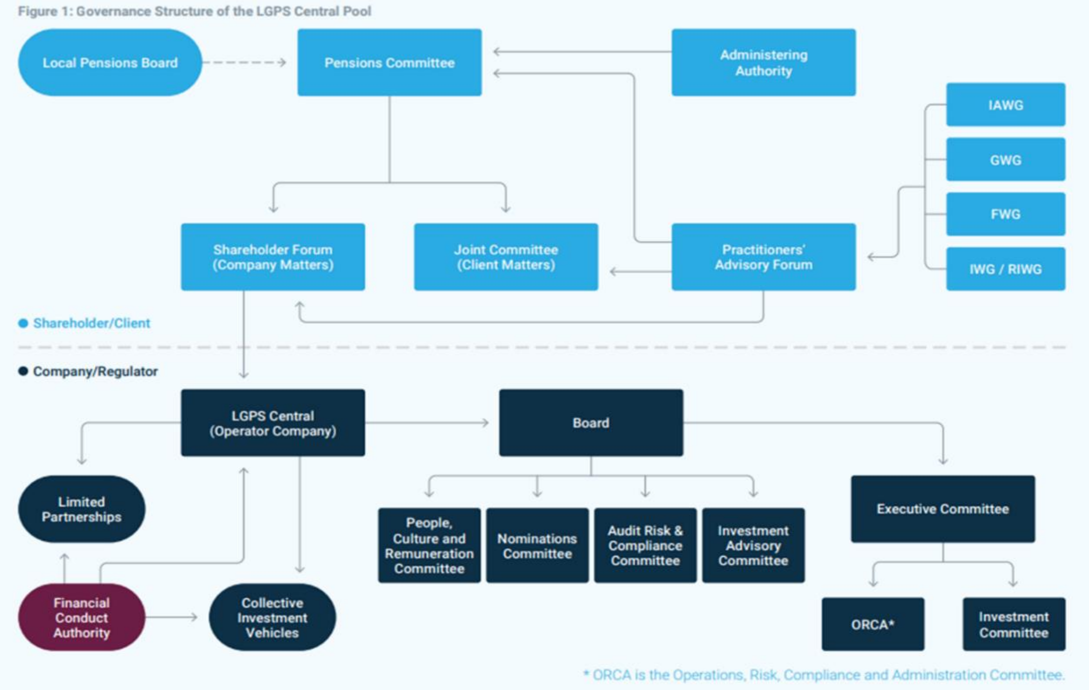
5. In 2016 the Local Government Pension Scheme Regulations 2016 came into force. These regulations mandate that the separate LGPS funds in England and Wales combine their assets into a small number of investment pools. To meet the requirements of these regulations Leicestershire County Council, alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire,

West Midlands, Worcestershire helped develop LGPS Central Limited, which they each jointly own.

6. 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.

7. The Fund is a stakeholder in LGPS 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)

8. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy Statement, Investment Statement Strategy and Conflict of Interest Policy. The figure below illustrates the relationships between the various bodies.



9. In November 2024 the 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 2025 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.

<u>'Fit for the Future' Consultation Outcome</u>

10. Alongside the 'Fit for the Future' consultation, each LGPS pool was invited to submit a transition proposal on how they would seem to meet the minimum standards by the proposed deadline. Following the Government's assessment, support was expressed for six (including Central) out of eight pools on 11 April 2025. Government invited the remaining two pools to engage with pools to determine which they wish to form a new partnership with. For affected funds they have been asked to provide an in-principle decision between themselves and the pool they wish to work with by 30 September 2025, with shareholder or client agreements in place by March 2026.

11. On 29 May 2025 the Government published the final report of the Pensions Investment review and 'Fit for the Future' consultation outcome, which confirmed all core proposals are to be implemented. In summary these are as follows.

12. **Reforming the LGPS asset pools** by mandating certain minimum standards which were:

    - All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.

    - Pools must become Financial Conduct Authority (FCA)-regulated investment management companies. This is already the case for LGPS Central.

    - A March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to pool management, where Funds are continuing with their existing partner funds, like Leicestershire.

13. **Local and Regional Investment -** Fund's will be required to set target ranges for local investment in their Investment Strategy Statements and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.

14. Local investment is defined as broadly local or regional to the Fund or pool. It will be for the Fund to work with the pool and other partner funds on any appropriate framework and collaborate as necessary.

15. **Governance –** The Government will work with the Scheme Advisory Board to produce statutory guidance to implement the 2021 Good Governance Review recommendations, this will include areas such as training, governance, and triennial independent governance reviews.

16. This will include appointment of Senior LGPS Officer with delegated responsibility for fund management and budget-setting, separate from the administering authority. The Government is expected to clarify how the role relates to the S151 officer and pools in its guidance.

17. Funds must also appoint a non-voting independent advisor for investment strategy oversight and governance support to the LPC.

18. Partner Funds and Pools will be able to agree appropriate governance structures for Pool Company Boards.

19. The Government intends to establish statutory asset pooling requirements for the LGPS through the Pension Schemes Bill. The Government have said subsequent regulations and statutory guidance will provide more detail on implementation. . The Government have said they will consult on draft regulations in due course.

20. Where Funds do not comply with aforementioned requirements the Pensions Bill is also looking to clarify the existing provision in the Public Service Pensions Act 2013 to allow for the winding-up of pension funds (for example where funds may need to merge as a result of local government reorganisation) as well as compulsory mergers to enable government to intervene in the event that local decision making is not effective in bringing about satisfactory arrangements.

21. At a high level there are plenty of positives to be taken in continuing the Fund's trajectory towards pooling which will continue the good practice already achieved with Central and partner funds. It will be important as part of the implementation that partner funds and pools continue to work closely to ensure changes are enacted appropriately so as not to lose sight of the schemes primary purpose.

22. These proposals will mean significant changes to how Fund's and their Committees and Pools interact as are highlighted below but also provide opportunities for pools and partner funds to develop their own best practices for developing pooling moving forward.

23. These changes will require significant governance reviews at pool, and Fund level to ensure existing structures are appropriately set up for the new roles and responsibilities, this will include legal, financial and many other considerations ahead of the 31 March 2026 transition for all assets. The Board and Committee will be updated as matters progress.

Presentation

24. Representatives from LGPS Central will be in attendance to deliver a presentation to the Board, attached as an appendix. This provides highlights of Central's work, their approach to investment and developments in relation to Fit for the Future.

Recommendations

25. It is recommended that the Board note the report and presentation.

Background papers

26. None.

Equality Implications

27. 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

28. 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

Appendix: LGPS Central Presentation

Officer to Contact

Declan Keegan, Director of Corporate Resources

Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

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

Bhulesh Kachra, Senior Finance Business Partner - Investments
Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

Cat Tuohy, Responsible Investment Analyst
Tel: 0116 305 5483 Email: Cat.Tuohy@leics.gov.uk

Leicestershire Local Pension Board
LGPS Central Limited

25 June 2025

Agenda

Leicestershire Local Pension Board

1. *Welcome and introductions*
2. *LGPS Central highlights*
3. *LGPS Central investment approach*
4. *Fit for the Future*
5. *Closing comments*

122

LGPS Central Highlights

Our achievements

£45bn
Assets under our stewardship (at 31 January 2025)

£12bn
Internally managed public market assets

£108m
Gross savings generated to (at 31 December 2024)

£360.7m
Projected gross savings by 2033/34

28 Funds
Including two newly launched credit vintages

1st Quartile
Flagship Global Equity fund performance since inception (at 31 January 2025)

£6bn
In private market commitments by Partner Funds

90
Colleagues

100%
Responsible Investment Integrated Status

40%
Colleagues with a non-white ethnic background

775
Companies engaged with on ESG matters in 23/24

2050
Net Zero commitment on assets under our stewardship

UK Stewardship Code
Signatory

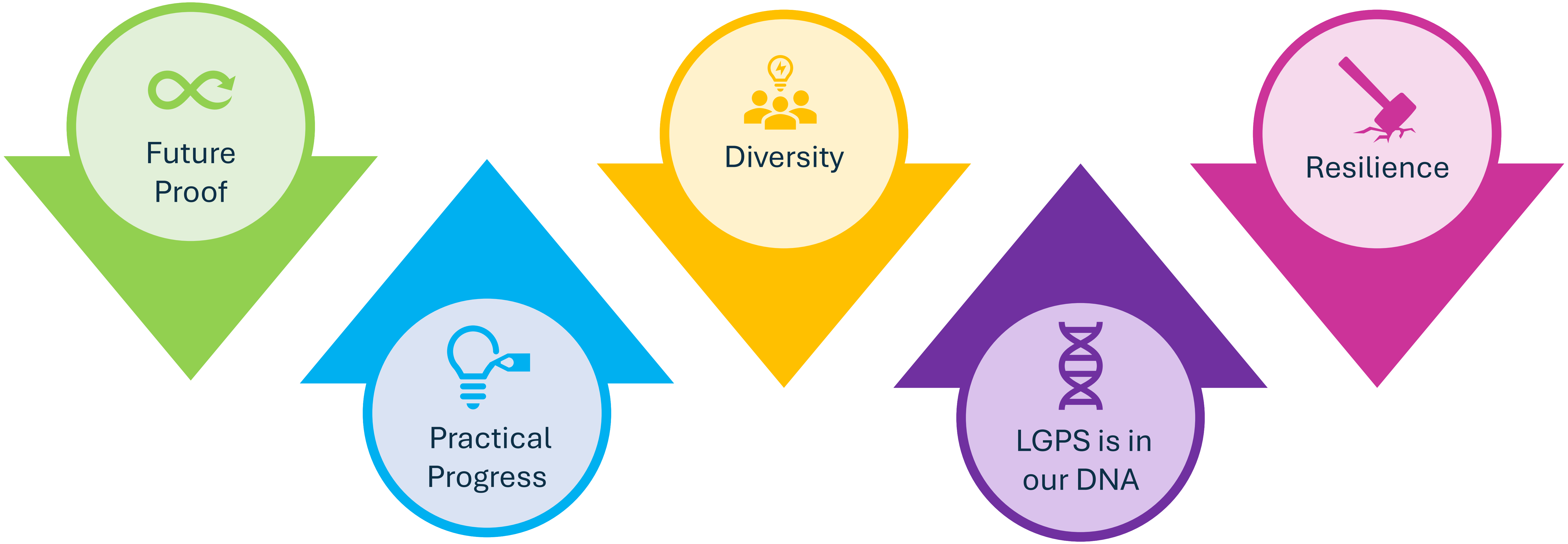
25%
Of private market deployed investment is in the UK

£5.2bn
Pooled Assets invested in the UK

£30m
Invested in Local NHS Facilities

LGPS Central Highlights

Our approach



LGPS Central Pool

Governance and Stakeholder Engagement

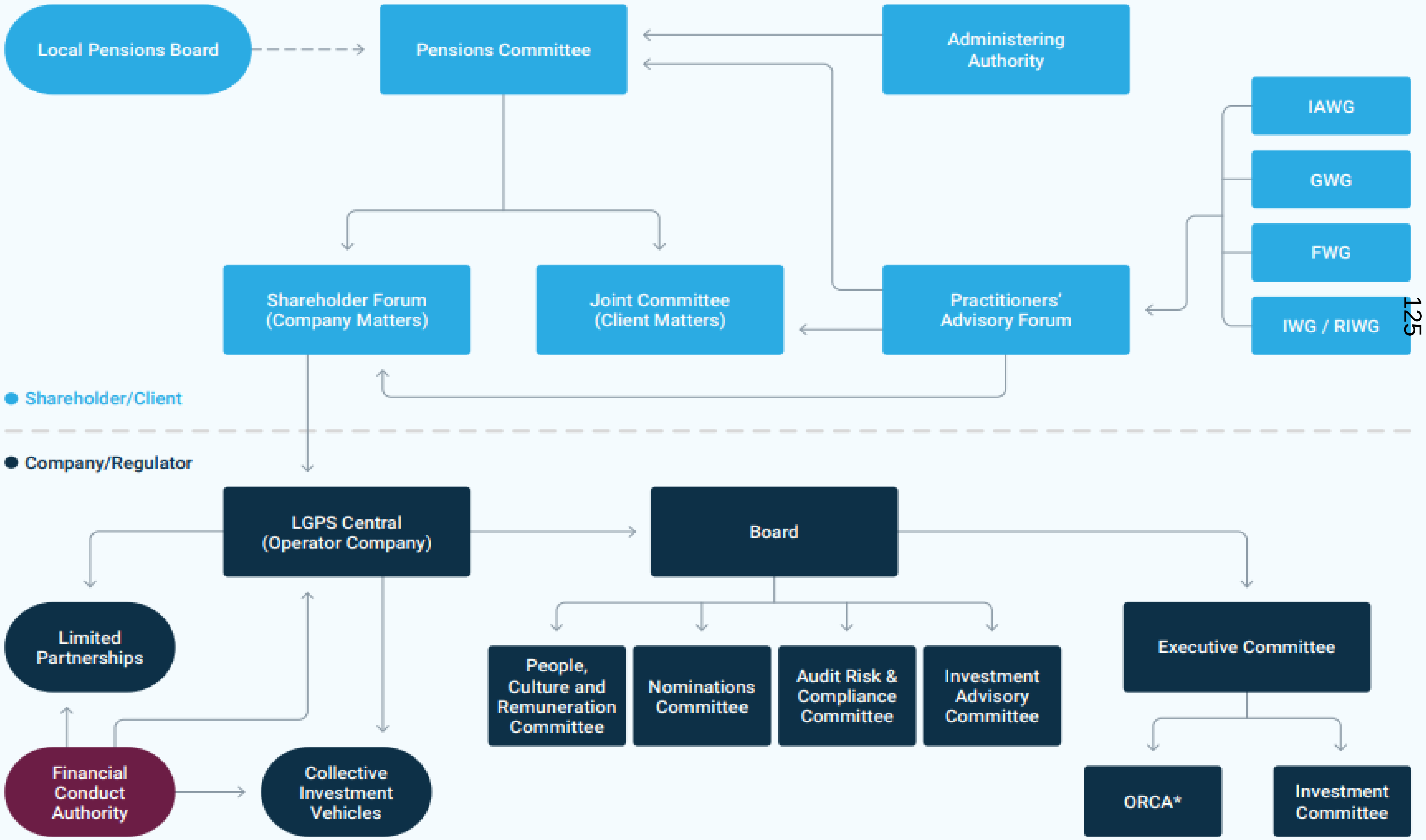
Frequent and regular dialogue and engagement takes place between the Board and LGPSC's clients and Shareholder representatives through Company and Partner Fund forums covering specific aspects of the Company's development and progress.

Company General Meetings

The Company's most recent annual general meeting was held on 24 September 2024. The key business discussed at that meeting included the non-executive director succession plan, Board continuity and the annual governance report to Shareholders. There were also routine updates from the Chair of the Board and the chair of each underlying sub-committee. Shareholders had an opportunity to question the Board and vote on resolutions, including the re-election of directors and the adoption of the Company's annual report and financial statements.

A general meeting was then held on 25 February 2025.

Figure 1: Governance Structure of the LGPS Central Pool



* ORCA is the Operations, Risk, Compliance and Administration Committee.

Investment Approach

LGPS Central Approach

Investment beliefs are the core convictions that shape how LGPS Central approaches investing

LGPS Central Approach

Manager monitoring

ROUTINE SCRUTINY

MANAGER LEVEL

- Daily analysis of activities
- Weekly internal review meetings
- Review of allocations
- Informal performance reviews
- 1-2-1 with fund managers on monthly/quarterly basis
- Analysis of outcomes

FUND LEVEL

- Address mandate suitability
- Strategy adaptation
- Performance reporting
- Internal governance on process, performance, people, RI integrated status
- RI integration and engagement

TRIGGERS FOR INTERVENTION

- Sustained under/over performance
- Process drift and performance
- Risk not in-line with expectations.
- Changes in business ownership, client concentration and liquidity.
- Operational concerns
- Suitability of mandate drifts from purpose

FOCUSED INTERVENTION

IDENTIFY AND ANALYSE ROOT CAUSE

INTERROGATE STRATEGY

FORM VIEW ON MANAGER STRATEGY AND EXECUTE DECISION

RETAIN

REPLACE

REDUCE

3 YEAR REVIEW

FORMAL “FIT-FOR-PURPOSE” REVIEW COVERING ALL AREAS OF THE FUND

Extended analysis of fund	✓
Mandate and market	✓
Fund strategy	✓
Delegated managers	✓
Responsible investment	✓
Recent innovations	✓
Continued appropriateness	✓

CLIENT TOUCH POINTS THROUGHOUT PROCESS

Leicestershire County Council Pension Fund

Investments with LGPS Central

Fund Name and Benchmark	Valuation 31/03/2025 (£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	783	February 2019	11.97	11.27	16.56	14.76	8.79	8.14	3.92	5.46
LGPS Central Limited All World Equity Climate Multi Factor Fund	843	December 2020	9.41	9.20	13.96	13.76	7.50	7.32	3.90	3.73
LGPS Central Global Active Investment Grade Corporate Bond Multi Manager Fund	167	April 2020	0.46	-0.05	1.36	0.86	0.50	0.15	4.89	3.82
LGPS Central Global Multi Asset Credit Multi Manager Fund	426	April 2021	1.16	3.32	-	-	2.75	4.32	5.80	4.97
Under Pool Management	**Valuation as at 31 March 2025 (£m)**	-	-	-	-	-	-	-	-	-
LGPS Central LGIM Passive Funds Oversight and Stewardship Services	1,123	-	-	-	-	-	-	-	-	-
Total Public Markets Under Pool Management	**3,342**	-	-	-	-	-	-	-	-	-

Source: LGPS Central, figures subject to rounding

Total Proportion Pooled: c. 58%

Leicestershire County Council Pension Fund

Investments with LGPS Central

Private Markets	Closing Value 31/12/2024 (£m)	Leicestershire Commitment (£m)	Total PF Commitments (£m)	Drawn	IRR	B'mark	Target
Direct Property	67	120	130	61%	4.9%	MSCI +0.5%	
LGPS Central PE Primary Partnership 2018 LP	9	10	150	90%	11.4%	12.2%	16.2%
LGPS Central Core/Core Plus Infrastructure Partnership LP	143	235	1,104	68%	6.3%	5.8%	9.3%
LGPS Central Value Add/Opportunistic Infrastructure Partnership LP	2	30	266	26%	3.8%	5.8%	10.8%
Private Credit I	36	60	305	69%	8.7%	12% - 14%	
Private Credit II	163	240	1,165	76%	9.8%	6% -8%	
Private Credit IV	65	117	587	66%	1.2%	4.5% - 6%	
LGPS Central PE Primary Partnership 2021 LP	10	30	365	31%	14.0%	13.6%	17.6%
LGPS Central PE Primary Partnership 2023 LP	6	80	315	7.8%	Not meaningful		
LGPS Central Private Credit Direct Lending Partnership 2024 LP	-	180	460	-	-	-	-
LGPS Central Private Credit Real Asset Partnership 2024 LP	-	100	198	-	-	-	-
Total Private Markets	501	1,202	5,045	-	-	-	-

Source: LGPS Central, figures subject to rounding

Total Proportion Pooled: c. 58%

Fit for the Future

LGPS Central Plan

Fit for the Future

Government Requirements

1. Administering Authorities would remain responsible for setting a high-level investment strategy for their fund but would be required to use the pool as the principal source of advice on their investment strategy

2. Authorities would be required to fully delegate the implementation of their investment strategy to the pool

3. Pools would be required to be established as investment management companies authorised and regulated by the FCA, with FCA permission to provide advice and with the expertise and capacity to implement investment strategies

4. Administering Authorities would be required to transfer all assets, including legacy assets, to the management of the pool

5. Pools would be required to develop the capability to carry out due diligence on local investments and to manage such investments

Working with our Partner Funds

Implementation of the LGPS Central Fit for the Future Plan

Preservation of Value	Preservation of value in assets to be transitioned.
Depth of Knowledge	Recognition of the value of Partner Fund knowledge and experience.
Collaborative Solutions	Delivering the high standard of service our Partner Funds expect, working with our Partner Funds to develop solutions to meet their strategic needs.
Robust Governance	Reviewing and enhancing pool governance to ensure it meets Partner Fund requirements for oversight as well as the Government's objectives.
Flexible and Pragmatic Approach	The deadline for Partner Funds to transition assets is fast approaching, we need to work together to meet requirements.

Appendices

About LGPS Central

LGPS Central at a Glance

CORE SERVICES:
- Investment Management
- Asset Pooling
- Advisory Services
- Responsible Investment Advisory, Analytics and Reporting

OUR STORY:
- Founded in 2017 by eight Partner Funds - AUM £62bn
- ~70% of partner fund assets pooled so far
- 27 investment funds across seven asset classes
- FCA regulated
- Over £6bn committed in Private Markets

TEAM:
- A team of 90 experienced professionals including investment specialists covering all asset classes, with a strong focus on responsible investment, supported by professionals in legal, finance, risk management, technology, procurement, programmes, people and culture, and client services
- 43% from non-white ethnic backgrounds
- 50% of Board members are female

UK Investment

£10.8bn **of assets** invested in the UK

£825m (28.6%) **of private market investment** is in the UK

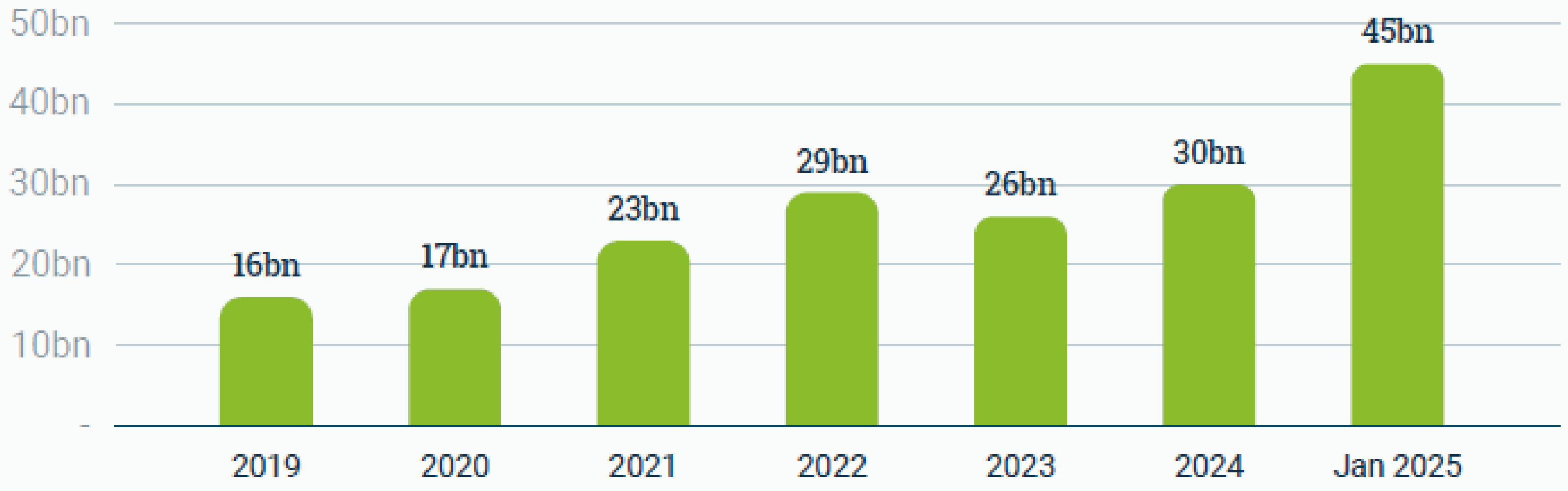
£2.3bn **of committed funds** are available to make further investments

Direct UK Property Fund initially attracting £130 million in commitments to date

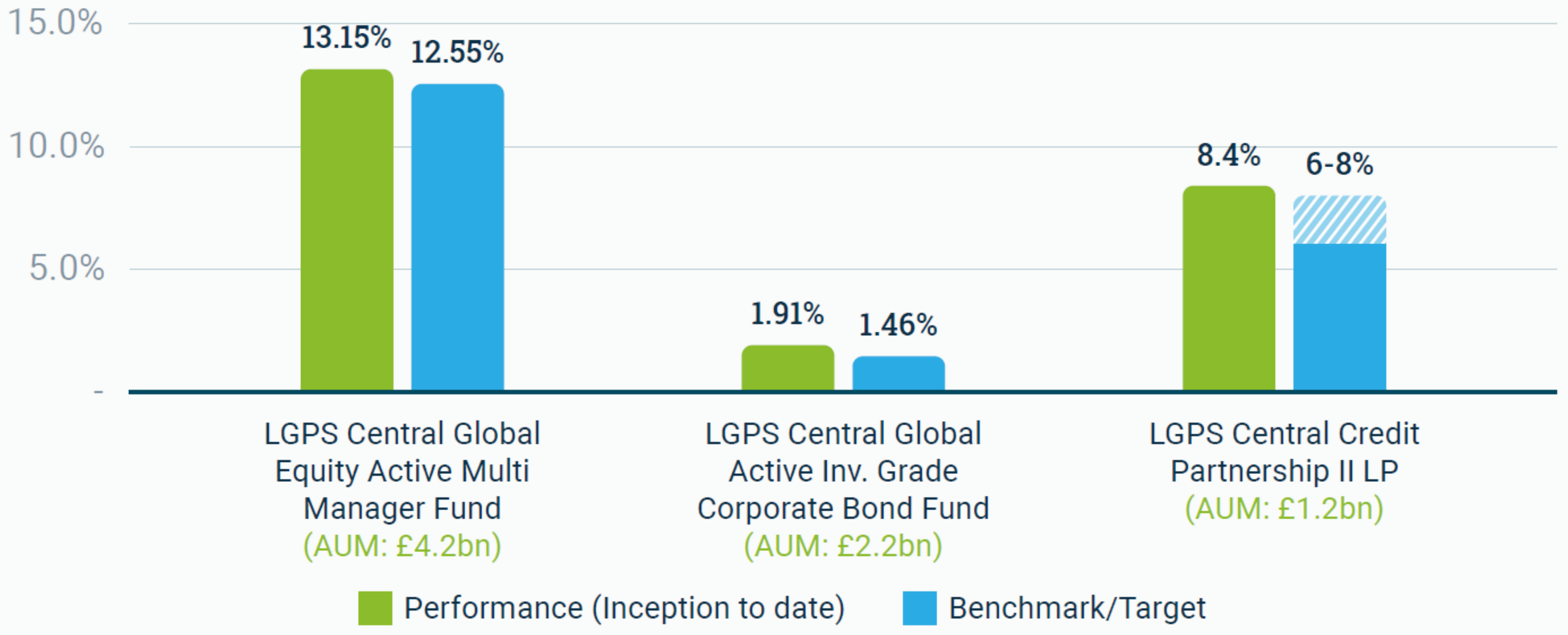
Residential UK Property Fund focused on assets in the social, affordable and private rented sector initially attracting commitments of £115 million to date

£30m invested in local NHS facilities

Assets Under Stewardship



Performance Highlights



Cost Efficiency and Value

£108m gross cost savings achieved since inception

£361m gross cost savings forecast by 2033/34

Over £12bn of internally managed public market assets

Responsible Investment & Stewardship

Voted at 3,432 meetings comprising of **41,754 resolutions**

5-star UN PRI scores in five out of six categories

Signatories of the **UK Stewardship Code** since 2021

All Partner Funds producing **TCFD-compliant Climate Reports**

Disclaimer: Global Equity Active Multi Manager Fund & Global Active Investment Grade Corporate Bond Fund data as at 31/12/2024. Credit Partnership II data as at 30/09/2024. Cost Efficiency and Value data as at 31/12/2024. UK Public Assets at 28/02/2025. UK Private Assets at 30/09/2024. Source: LGPS Central Reporting data. Date of document issue April 2025.

Governance

Stakeholder Engagement

Shareholder Forum

The Shareholder Forum comprises a representative of each of the Administering Authorities and its primary role is to oversee the operation and performance of the Company and to ensure that the ownership rights and interests of the Administering Authorities are represented. It is a forum for discussing shareholder matters, including reserved matters under the Shareholders' Agreement.

Joint Committee

The Joint Committee is a public forum for the Administering Authorities to perform oversight of client matters and is made up of one elected member per authority. The Joint Committee meets twice a year, and its role is to support and provide assistance, guidance and recommendations to the individual Administering Authorities in connection with Company-related investment issues.

The Company provides updates to the Joint Committee on investment performance, manager oversight, responsible investment and engagement, and its key operational performance indicators.

PAF (Practitioners Advisory Forum)

PAF comprises officers of the Administering Authorities, and its over-riding objectives are to collectively ensure that the pool meets the statutory requirements for investment pooling and to agree a programme of products that meet the needs of all Partner Funds. The Company provides PAF with updates on key strategic and business items. Discussions during the year have included an update on key elements of the Company's business plan, people strategy, operational resilience, programme of assurance and controls reporting.

Governance

Stakeholder Engagement

Investment Working Group (IWG)

The IWG comprises representatives from each of the eight Partner Funds. The Company provides monthly updates relating to investment fund development and performance. The IWG is the principal mechanism through which collective Partner Fund views are sought on the development and evolution of the Company's investment funds. Discussions have included the development of new funds and progress updates on fund implementation, due diligence and manager selection protocols, RI&S Stewardship updates, market outlook, fund factsheets and other reporting.

Responsible Investment Working Group (RIWG)

The RIWG includes representatives from some of the eight Partner Funds and the Company's RI&S team and meets regularly throughout the year. The Company provides updates and worked with the group on topics such as climate change, the use of plastics, voting and engagement issues, consultations and climate risk reporting.

Other Working Groups

IAWG (Internal Audit Working Group

GWG (Governance Working Group)

FWG (Finance Working Group)

LGPS Central Limited

Contacts

Richard Law-Deeks
Chief Executive Officer

E: Richard.Law-Deeks@lgpscentral.co.uk

Trevor Castledine
Chief Commercial Officer

E: Trevor.Castledine@lgpscentral.co.uk

Jayne Atkinson
Chief Investment Officer

E: Jayne.Atkinson@lgpscentral.co.uk

DISCLAIMERS

This document has been produced by LGPS Central Limited and is intended solely for information purposes. Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future.

The information and analysis contained in this publication have been compiled or arrived at from sources believed to be reliable, but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author.

This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of 11 June 2025.

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority, Registered In England, Registered Office: i9 Railway Drive, Wolverhampton, WV1 1YD

"One central team, working in
partnership to invest with **purpose**
and deliver **superior** returns"

This page is intentionally left blank

LOCAL PENSION BOARD – 25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT ARRANGEMENTS (INCLUDING INTERNAL AUDIT WORK CONDUCTED DURING 2024-25) AND THE INTERNAL AUDIT PLAN 2025-26

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Board (the Board) about: -
   a. the internal audit arrangements for the Leicestershire County Council Pension Fund (the Fund) and LGPS Central Limited.
   b. to summarise the outcomes of audits conducted during 2024-25 and outline the internal audit plan for 2025-26.
   c. implementation of the Global Internal Audit Standards in the UK Public Sector (GIAS/UK Public Sector).

Background

2. The Terms of Reference for the Leicestershire Local Pension Board (the Board) record that it shall, *'…assist (Leicestershire) County Council (the Council), as administering authority, in ensuring the effective and efficient governance and administration of the (Local Government Pension) Scheme'*.

3. The Council is required to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Council's Director of Corporate Resources who undertakes the role and responsibilities of Fund Treasurer (the Treasurer).

4. The Council's Financial Procedure Rules apply to the administration of the Fund and specifically rule 4F (15) which places responsibility on the Director of Corporate Resources for arranging a continuous internal audit of the County Council's financial management arrangements. This responsibility is derived from the Local Government Act 1972 and the Accounts and Audit Regulations 2015. Leicestershire County Council Internal Audit Service (LCCIAS) managed by the Head of Internal Audit and Assurance Service (HoIAS), provides the internal audit function to the Fund.

5. The Board's constituted responsibility for ensuring effective and efficient governance, allows for reporting plans for, and the results of, internal audit activity to the Fund's designated governing body.

<u>The Internal Audit Function</u>

6. The Public Sector Internal Audit Standards (PSIAS), revised 2017, define internal audit as 'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

7. The PSIAS require that after the closure of the audit year, the HoIAS reports to those charged with governance (the Board), on work conducted during the year containing a summary of findings, recommendations and opinions. The PSIAS also require that at the beginning of the audit year, an annual plan of audits should be agreed with the Treasurer and noted by the Board.

8. New Global Internal Audit Standards (GIAS) were introduced from January 2025. The UK public sector Internal Audit Standards Advisory Board determined the new GIAS were applicable to the internal audit of UK public sector bodies (subject to a small number of additional requirements and interpretations) and would replace the current PSIAS, but from a later date.

9. From 1 April 2025, it is expected that internal audit teams in the public sector will be working to the new internal audit standards. These will be a combination of GIAS and the Application Note, Global Internal Audit Standards in the UK Public Sector, and combined are to be referred to as the *'Global Internal Audit Standards in the UK Public Sector' or GIAS (UK Public Sector).*

10. Although 1 April 2025 marks the effective date for the new standards, internal audit teams will not be required to show complete compliance on this date. They are expected to operate in alignment with the new standards from 1 April 2025, thereby gradually achieving their conformance.

11. There are several new standards to review and implement, and the HoIAS is completing a 'gap analysis' reviewing current processes against the 15 GIAS Principles, and creating a plan of actions.

12. Most planned audits are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Unplanned 'investigation' type audits may also be required.

13. For each audit, Terms of Engagement are agreed with the Treasurer or representative. After the audit, the Treasurer receives a report containing any findings and recommendations for control improvements and an 'opinion' on what level of assurance can be given that risks are being managed. There are four assurance levels: full; substantial; partial; and little. If any recommendations are graded high importance (HI) i.e. denoting either an absence of a key control or evidence that a key control is not being operated and as such the system is open to material risk exposure, this would normally mean that the opinion would be graded as only 'partial' assurance. HI recommendations would be reported to the Local

Pensions Committee and would remain in that Committee's domain until the HoIAS was satisfied that corrective action had been implemented. Additionally, because of the County Council's statutory duty to administer the Fund, HI recommendations would be reported at meetings of the Corporate Governance Committee.

14. The Board may choose to ask the HoIAS to explain HI recommendations and especially any slippage beyond agreed dates in implementing actions.

Internal Audit Work Conducted During 2024-25

15. Appendix 1 contains a summary of the work conducted by LCCIAS during 2024-25. The assurance grading was positive overall, with no HI recommendations to report. One planned audit (Good Governance Project) has been deferred into 2025-26 due to changes nationally. Final reports for all completed audits were shared with the Fund's External Auditor (Grant Thornton LLP) to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

16. LCCIAS also co-ordinated the County Council's requirements for the biennial National Fraud Initiative (NFI). The NFI is a mandatory data-matching exercise coordinated by the Cabinet Office which seeks to identify potential anomalies and fraud through matching the Council's data sets, for example, payroll, pensions, creditors, employee data (potential conflicts of interest), blue badges, concessionary travel, etc., with those of other mandatory participants, including the Department for Work and Pensions (DWP) deceased persons data and director data held at Companies House.

17. Reports for the latest exercise (2024/25) were released late January 2025. This exercise identified nine cases where pensions were continuing to be paid to deceased persons, totalling £5637.21. For one case, the overpayment of £747.45 has been recovered from the spouse's pension. An invoice has been raised for another case, for £321.68. Death certificates have been requested for a further two cases, equating to £2527.46 (Gross). The remaining five cases, totalling £2,040.62 (Gross), continue to be pursued by the Pensions Service. Where gross amounts are quoted, these will be adjusted once confirmation from a family member, or receipt of a death certificate are received. The next biennial exercise is due to be undertaken during 2026/27 with reports available around January 2027.

18. In addition to the biennial NFI exercise, the Pensions Service has continued to subscribe to the six monthly NFI Mortality Screening Service (MSS), where pensions records are checked against the DWP's Deceased Persons database. An advantage of the MSS is that the Pension Section can become aware of deaths at an earlier stage in the process. This enables pensions to be suspended at an early point in time which can limit financial risk, for example, non-recovery of large debts.

    The last exercise, undertaken in June 2024, identified a further nine unrelated cases totalling over £18K, where pensions were continuing to be paid to deceased persons. Overpayments totalling £192.55 for two cases, were written off. Invoices were issued for a further two cases, of which one has been repaid, and in one case the overpayment has been recovered from the spouse's entitlement. The remaining four cases, totalling around £14,420 continue to be pursued by the Pension Service.

The next MSS exercise is due to be undertaken in June 2025.During 2025/26 the Pension Service will tender for a mortality screening solution. The solution should improve efficiency and reduce risk of overpayments to deceased pensioners.

19. As stipulated in the Pension Regulator's Code of Practice, the Board is informed of any changes relating to the risk management and internal controls of the Pension Fund. Whilst it is the responsibility of the Pensions Manager to maintain and update the risk register, LCCIAS continues to review and comment on any updates.

20. In 2013, there was a directive from Government requiring Local Authorities to join together to work collaboratively to create Investment Pools to make better use of investments and reduce investment costs (incurred through the use of individual Investment Managers who are employed by the Pension Funds in order to increase returns and, for this service, charge a fee).

21. The Pool which has been formed allows eight administering authorities (Partner Funds) to collectively invest assets on behalf of the LGPS Funds that they administer. In order to achieve this, the Pool has created an FCA (Financial Conduct Authority) regulated Company LGPS Central Ltd (The Company) which went live on 1 April 2018. The eight administering authorities are shareholders (each having one equal vote):

    - Cheshire
    - Derbyshire
    - Leicestershire
    - Nottinghamshire
    - Staffordshire
    - Shropshire
    - West Midlands (including West Midlands ITA); and
    - Worcestershire

22. In addition to being shareholders, Partner Funds are also the sole clients of the Company whose role it is to provide a range of internally and externally managed investment products for the use by the Partner Funds.

23. Regarding the internal audit arrangements for LGPS Central Limited, Partner Fund Internal Audit functions worked collaboratively to develop a Pensions Assurance Framework focussed on key risk areas. A four-year cyclical audit programme was developed, detailing the work to be undertaken by each Partner Fund Internal Audit to ensure fairness and to ensure the cost of auditing the Pensions Pool is spread equally across the Pension Funds over a four-year period. Continuous collaborative work with partner fund internal auditors is ongoing, with Leicestershire staff providing feedback, as part of the wider Internal Audit Working Group (IAWG).

24. The first four-year cycle of agreed internal audits has now been completed, namely 2018/19 to 2022/23 as part of this arrangement, and a revised four-year plan of audit work from 2023/24 to 2027/28 has been agreed, as outlined in Appendix 3. The 2024/25 audits were assigned to colleagues at Shropshire County Council (Investments), and Leicestershire County Council (Governance). The overall assurance level assigned for the Investments report was ‘Good.’ A draft Governance report has recently been issued to LGPS Central for comment.

25. One of the roles of the IAWG is to review the AAF/0106 Control Report (Type 2). This is an Assurance Report on Internal Controls of Service Organisations made available to third parties. However, LGPS Central External Auditors experienced some difficulties in producing the latest report on a timely basis. The year ending December 2022 was not available for review until January 2024 and was 'Qualified.' Due to the time taken in producing the AAF/0106 Control Report, LGPS Central asked all partner fund internal auditors to discuss with their External Auditors and S151 Officers, the possibility of agreeing an alternative approach on a short-term basis. The alternative approach was for a 'Type 1' report and an assurance stack.

    Note:
    - Type 1 report – Provides a report of procedures/controls an organisation has put in place at a point in time.
    - Type 2 report – Provides evidence of how an organisation operated its controls over a set period, e.g. A year.

    Views of the Council's External Auditor (Grant Thornton) were sought, and they expressed some concerns at the proposal for a Type 1 report. Without assurance on operating effectiveness of controls over valuations, Grant Thornton said that they would need to look directly at valuations of individual fund managers generating a significant increase in work. Based on this, Leicestershire requested a Type 2 report, as did other Partners.

26. However, LGPS Central then confirmed that after assessing all factors, including the late completion of the 2022 report, the desire to reset the scope of the report in certain areas increase coverage and include further relevant controls, and move the reporting period in line with the year-end partner funds, the company's Audit Risk and Compliance Committee and Board had concluded that the right approach to adopt was to reset the process and asked the Executive to:

    - Commence work on a Type 1 AAF report as of 31 March 2024, which would aim to be delivered in August 2024;
    - Carry out pre-control and other work in support of an aim to commence work on a Type 2 AAF (for the period April 2024 - March 2025) in September 2024; and
    - Continue to support Partner Funds with access to any other forms of assurance that are being performed in respect of the period to 31 March 2024 such as the results of relevant internal audit or compliance testing.

27. At the end of August 2024, LGPS Central's Chief Legal, Compliance and Risk Officer issued an 'Assurance Pack' to support each Council's annual financial audit for the year to 31 March 2024. This contained: -

    - LGPS Central Limited AAF 01/20 (Type 1) at 31 March 2024.
    - A Supplemental Assurance Pack for the period to 31 March 2024; and
    - Bridging Letters from the date of the last AAF 01/20 audit period to 31 March

28. The above Type 1 report was reviewed by the IAWG with further information requested from LGPS Central Limited to provide assurance on controls. As mentioned above, a Type 2 report is due to be produced for the period April 2024 to March 2025. This should be available early July 2025.

29. The table below shows planned against actual performance both in terms of number of audits and days allocated.

Overall performance against 2024-25 internal audit plan

	Audits	Complete @ 31/3/25	Incomplete @ 31/3/25	Plan days	Actual days	Diff
Planned	8	6	2	64	60	-4
Advisory	2	2	0	9	4.6	-4.4
Deferred	1	n/a	n/a	6	0	-6
Replacements	0	0	0	0	0	0
Client management	1	1	0	8	12	+4
Total	**12**	**9**	**2**	**87**	**76.6**	**-10.4**

30. The total charge to the Fund for all internal audit work undertaken during 2024/25 was £31,198.

The Internal Audit Plan 2025-26

31. Appendix 2 contains a summary of audits planned during 2025-26 and includes two audits that have been carried forward from 2024/25. To compile the plan, the HoIAS held discussions with the Fund Treasurer and the Pensions Manager. Risk registers were also reviewed as part of the process. An assumption has been made that in their audit of the Fund's accounts, the External Auditors (Grant Thornton) will continue to utilise LCCIAS's work in their audit risk assessment.

32. The final part of the plan is client management and includes the HoIAS duties of planning, reporting and attending the Board.

33. The cost of the planned 90 days of internal audit work is charged to the administration costs of the Fund and is likely to be in the region of £34K.

Recommendation

34. The Board is asked to note the report.

Equality and Human Rights Implications

Nothing specific

Appendices

Appendix 1 - Internal Audit Work Conducted in 2024-25
Appendix 2 - Internal Audit Plan 2025-26
Appendix 3 - Cyclical Programme of Collective Internal Audit Work (2023-2027)

Officers to Contact

Neil Jones (Head of Internal Audit & Assurance Service) neil.jones@leics.gov.uk
(0116) 305 7629

Simone Hines (Fund Treasurer) Simone.Hines@leics.gov.uk (0116) 305 7066)

Appendix 1

Work Conducted during 2024 - 25

Audit Title	**Audit objective...to ensure…**	**Opinion**
Contribution Banding Changes[1]	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2024.	Substantial
Contribution Collections[1]	Contributions to the Pension Fund have been correctly applied from April 2024 from the following: o Leicestershire County Council (LCC). o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf.	Substantial
Pension Increase[1]	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	Substantial
Pension Transfers[1]	Transfers in and out of the Local Government Pension Scheme (LGPS) are valid and accurate.	Substantial
Good Governance Project	Phase 2 - Recommendations from the Good Governance Project have been adequately addressed and implemented.	Deferred
Pensions Dashboard Programme	Phase 1 - The programme is on track, in accordance with any prescribed timescales. A further phase will be planned towards the end of the programme.	Substantial
Code of Practice	Requirements of the new Code of Practice have been adequately addressed.	Substantial
Investments	There is a comprehensive assessment of all relevant risks when setting/refreshing the asset allocation policy and/or the appointment of investment managers.	Full

Governance Risks (LGPS Central)	A review of Governance arrangements will be undertaken by Leicestershire in accordance with the Collaborative IA Partner Authority approach. The scope of the audit is to be agreed with the IAWG prior to the audit commencement (Q3)	Satisfactory assurance
LGPS Central (Investments)	Company Risks – Review of AAF Control Report and feedback as part of the wider Internal Audit Group.	Ongoing
National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	Ongoing
Client management	To include: - • Research and any advice to the Fund's officers, including review of risk register updates. • Annual planning and reporting including attendance at the Local Pension Board. • External audit liaison.	Ongoing

[1] These audits will be used by the External Auditor (Grant Thornton UK LLP) to inform their audit risk assessment.

Appendix 2

Internal Audit Plan 2025 – 26

Audit Title	Audit objective...to ensure…	Days
C/F Audits	• Pensions Dashboard Programme (2.5 days) • LGPS Central – Governance Risks (6 days)	8.5
Contribution Banding Changes[1]	Pension contribution banding changes for a sample of LCC employees have been accurately applied with effect from April 2025.	8
Contribution Collections[1]	Contributions to the Pension Fund have been correctly applied from April 2024 from the following: o Leicestershire County Council (LCC). o Other Employing Bodies, where LCC does/does not administer the payroll on their behalf.	8
Pension Increase[1]	The validity and accuracy of the annual Pensions Increase is applied correctly and on time.	8
Pension Creation[1]	Payments for new pensioners, including lump sum payments and death grants are valid and accurate.	10
Good Governance Project	Phase 2 - Recommendations from the Good Governance Project have been adequately addressed and implemented.	6
Pensions Dashboard Programme	Phase 2 - The programme is on track, in accordance with any prescribed timescales. A further phase will be planned towards the end of the programme.	6
Code of Practice	Requirements of the new Code of Practice have been adequately addressed.	5
Investments	To ensure that those charged with making investment decisions have sufficient expertise to properly assess the risks and potential returns.	12

LGPS Central (Investments)	Company Risks – Review of AAF Control Report, including annual planning and attend meetings of the Internal Audit Working Group (IAWG) with regards to the Local Government Pension Scheme (LGPS) Asset Pooling.	3
National Fraud Initiative (NFI)	Pension matches (normally continuing payments after death) are investigated and monitored.	6
Client management	To include: - • Provide advice and information including review of risk register updates. • Research risk, devise plan and reporting including attendance at the Local Pension Board. • External audit general liaison.	8
	Contingency	1.5
Total days		**90**

[1] These audits will be used by the External Auditor (Grant Thornton UK LLP) to inform their audit risk assessment.

Appendix 3

Cyclical Programme of Collective Internal Audit Work (2023 – 2027)

Partner Pension Fund IA Function/Collective IA Review	Staffordshire County Council	West Midlands	Shropshire County Council	Leicestershire County Council	Worcestershire County Council	Nottingham County Council	Cheshire West & Chester	Derbyshire County Council
2023/2024								
Governance	✗	✓	✗	✗	✗	✗	✗	✗
Investment	✓	✗	✗	✗	✗	✗	✗	✗
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓
2024/2025								
Governance	✗	✗	✗	✓	✗	✗	✗	✗
Investment	✗	✗	✓	✗	✗	✗	✗	✗
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓
2025/2026								
Governance	✗	✗	✗	✗	✗	✓	✗	✗
Investment	✗	✗	✗	✗	✓	✗	✗	✗

Appendix 3

Cyclical Programme of Collective Internal Audit Work (2023 – 2027)

AAF/0106 Control Report and Feedback	✓	✓	✓	✓	✓	✓	✓	✓
2026/2027								
Governance	✗	✗	✗	✗	✗	✗	✓	✗
Investment	✗	✗	✗	✗	✗	✗	✗	✓
AAF/0106 Control Report	✓	✓	✓	✓	✓	✓	✓	✓

LOCAL PENSION BOARD – 25 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSIONS DASHBOARD PROGRAMME REPORT

Purpose of the Report

1. The purpose of the report is to provide an update to the Board in respect of the progress of work related to the Pensions Dashboards Programme (PDP).

2. The report gives the position on 31 May 2025.

Background

3. The PDP is intended to provide a single, secure port of call for individuals to access their pension history in one place, which will eventually include their State Pension. It is intended that the initial version of the PDP will be relatively simple, offering users the opportunity to find their active and deferred pensions and then view information about the value of those pensions. It is expected though, that the service provided will develop as the use of PDP becomes more commonplace, and user preferences gathered. Long term the aim is that the PDP will enable users to make more informed choices around their pensions.

Implementation of the Programme

4. Whilst the overall deadline for pension providers and schemes for connecting to the Dashboards 31 October 2026, there is a staged timetable for connection. All public sector pensions schemes must connect by 31 October 2025.

Integrated Service Provider

5. An Integrated Service Provider (ISP) provides the link from Funds administration systems to the dashboard. In essence, this functions like a giant switchboard. If data is found the ISP will send the data directly to the Dashboards for the user to access.

6. The Fund have contracted with Heywood for the provision of an ISP and have already connected the Altair 'test' service to the ecosystem.

7. Heywood were due to contact the Fund in May to connect the live service to the ecosystem, however, at Officers' request this has been re-arranged for September, as a later implementation will reduce costs for the Fund but still allow compliance to connect by the end of October.

Data Improvement

8. In February 2025, Heywood supplied a 'Data Readiness' summary of the quality of Fund data ahead of the launch of the Dashboard exercise. A copy of the report is in the appendix. The report focussed on the records in-scope for PDP, active and deferred members only.

9. The report used a 'traffic light' system to highlight any particular areas of concern. There were no areas highlighted as red.

10. The areas highlighted as amber were:

Addresses

11. 7,295 addresses were highlighted as being either out of date or incorrect.

12. These records could be an issue if a member enters their current address when searching for pensions on the Dashboard. However, users will have the opportunity to enter previous address details as well, which may mitigate this risk. It is expected that the issues will relate to deferred members who have lost touch with the Fund since their leaving date.

Deceased Members

13. 290 records were highlighted as members who had possibly died. As these members are either actives or deferred this would not include any pensions that are currently in payment.

14. As the members are deceased, they will be taken out of scope for this exercise.

'Undecided' Leavers

15. 4,777 records were highlighted as members who have left but a calculation of entitlement needs to be performed. These are included on the report but not all of these records will be in-scope for the Dashboards exercise.

16. These records will be addressed in 'Business as Usual' workloads. From a Dashboards perspective, guidance states that a pension value must be returned for these members. If these connect to the Dashboard, there will be a requirement to respond manually to the request within 10 working days.

17. Consideration will need to be given regarding how such cases are managed as part of Business as Usual processes ahead of when Dashboards go-live.

Missing Contact Details

18. 69,073 records do not have mobile phone numbers, whilst 39,567 records do not have email addresses.

19. Whilst Dashboard users will have the opportunity to provide this information as part of the search, this will not form part of the Fund's initial matching criteria, due to the high numbers of missing data.

20. The report did not reveal anything unexpected and has confirmed that whilst the data is of a high standard, there are areas that need to be addressed.

21. Officers consider that the immediate priority arising from the report is to conduct an address tracing exercise for deferred members. This began in May 2025. Initially, deferred members registered for Member Self Service (MSS) accounts were contacted and asked to check and update their address details held on their online accounts. For the remaining deferred members, a manual tracing exercise will be conducted based on information provided by the Fund's current Tracing Services providers where they have identified that members have changed address.

22. Officers have also decided to review the Fund tracing services and have signed up to a 'Member Data Services' procurement framework through National LGPS Frameworks. Initially, a procurement exercise will be conducted in respect of three (of seven) Lots: Address Tracing, Mortality Screening and Dashboard Readiness.

23. This exercise is in the early stages and an update will be provided at the next Board meeting. The aim is to conclude the exercise by 31 December 2025.

PDP Matching Criteria

24. Funds need to publish a matching criteria for Dashboards, that will be used to establish whether requests received from Dashboard users are deemed to be full or partial matches with Fund records.

25. Officers will use the following criteria, based on the following:

26. **National Insurance Number (NI)**: 99.95% of records in-scope for Dashboards include a correctly formatted NI number.

27. **Surname**: 100% of records in-scope for Dashboards include a correctly formatted Surname.

28. **Date of Birth (DoB)**: 100% of records in-scope for Dashboards include a correctly formatted Date of Birth.

29. **Post Code**: 99.9% of records in-scope for Dashboard include a correctly formatted post codes where the member lives in the UK (244 deferred members live overseas). However, these will include addresses that are likely to be out of date.

30. On this basis, it seems reasonable to base matching primarily on these fields. It is expected that most members will match on NI/Surname/DoB.

31. The other fields that could have been used to identify members were email addresses and mobile phone numbers. We currently do not have enough of this data for these to be realistic options at this stage.

32. The criteria will work as follows:

<u>Full Match</u>

33. A full match of data submitted by a dashboard user must include National Insurance number plus at least two of Surname, Date of Birth and Post Code.

34. Where a full match occurs, a unique identifier, also known as Pension Identifier (PeI) is returned to the Dashboard for each matching pension. The user's pension information can then be sent directly to the Dashboard.

<u>Partial Match</u>

35. A partial match will include two of either NI Number, Surname and Date of Birth.

36. Where a partial match occurs, the user will be provided with contact details for the Fund. The onus is on the member to contact the Fund within 30 days if they believe the Fund holds a pension for them.

37. The Fund is not notified about partial matches and does not need to do anything if the users do not make contact. If no contact is received within 30 days, the partial match record is deleted automatically from the Dashboard ecosystem. If the user does make contact within 30 days officers will be able to see the partial record within the ISP. This will display the data submitted by the Dashboard alongside the data held in the ISP. Officers will then need to follow their process to confirm whether the member has an entitlement with the Fund, which may involve contacting the member directly.

<u>No Match</u>

38. If supplied data does not match on at least two of either NI Number, Surname and Date of Birth, then it will be considered a no match. In these circumstances no further action will be taken.

39. The criteria will be reviewed regularly, and if changes are required, the revised criteria will be presented to the Board.

Additional Voluntary Contribution **Data Matching**

40. Prudential produced a report of their data held in respect of Fund AVC payers in-scope for Dashboards in 2024. An initial reconciliation of this data, comparing this to data held on Altair was conducted, mainly focussing on NI numbers, Surnames and DoB.

41. A secondary exercise was carried out in April with additional focus on Employer information which is likely to be key when matching members with multiple AVC accounts and/or multiple Altair records.

42. Officers have decided to adopt a ‘single source’ approach for AVC data. This means that AVC values will be included within the data that is sent directly to the Dashboards by the Fund.

43. Some Funds have adopted a ‘multiple source’ approach, meaning their AVC data will be sent to the Dashboards directly by the AVC provider. Whilst there are pros and cons to both methods, Officers’ view is that single source gives more clarity for members regarding the true value of their LGPS benefits within the Leicestershire Fund.

National Testing

44. A national testing exercise will be conducted during 2025 led by MoneyHelper, the government backed financial guidance service. An initial, smaller phase will focus on workplace defined contributions schemes and also private sector defined benefit schemes.

45. A second phase later in the year will cover a larger sample of users, initially around 200 users in the first months of testing, but this will scale up to around 11,000 users a month. This phase is expected to last six to ten months.

46. Any requests received by the Fund during this phase will be dealt with by the Continuous Improvements and Systems team and will help establish a process ahead of the actual launch.

Dashboards Available Point

47. The go-live date for PDP, known as the Dashboards Available Point (DAP) has yet to be confirmed. This will be when the Secretary of State is satisfied that the dashboards ecosystem is ready to support widespread use by the public and will be following consultation with the Money and Pensions Service, The Pensions Regulator and the Financial Conduct Authority. The Secretary of State will provide at least six months’ notice ahead of DAP. If pension providers connect in line with the staging profile set out in guidance, then DAP could come before the connection deadline on 31 October 2026.

Next Steps

48. The remaining actions and timeline are as follows:

Action	Deadline Date
Confirmation of Matching Criteria	Included in this report
AVC Data Matching exercise completed	30 June 2025
Complete Initial Address Tracing Exercise	30 September 2025
Connect to Dashboards eco-system: *Phase 2 'kick-off' call* *ISP set-up configured* *UAT acceptance signed* *Connection information provided* *PDP connection process completed* *Onboarding completed*	3 October 2025 *1 September 2025* *w/c 15 September 2025* *w/c 15 September 2025* *w/c 22 September 2025* *w/c 29September 2025* *3 October 2025*
Procure Member Data Services	31 December 2025
National Testing Exercise	31 October 2026
Connection Date (all schemes)	31 October 2026
Dashboards Available Point (DAP)	TBC

49. Regular updates on Dashboards will continue to be included in the Quarterly Administration report.

Recommendation

50. It is recommended that the Board notes all areas of the report.

Equality Implications

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

Appendix

Heywood 'Data Readiness' report

Officers to Contact

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

Stuart Wells
Pensions Project Manager
Telephone: (0116) 305 6944 Email: Stuart.Wells@leics.gov.uk

Simone Hines
Assistant Director of Strategic Finance and Property
Telephone: (0116) 305 7066 Email: Simone.Hines@leics.gov.uk

HEYWOOD PENSION TECHNOLOGIES
data driven | technology enabled

Pensions Dashboards Data Readiness Assessment

Leicestershire County Council Pension Fund

Your data assessment

Ensuring your data is Dashboards Ready, and stays healthy on an ongoing basis, is key to delivering a smooth experience for both your members and your administration team. Returning poor quality data to the dashboard can result in a poor member experience; a significant increase in enquiries to your admin team; possible data breaches; and even fines. There are two types of data relevant to Pensions Dashboards:

‘Find’ data – personal data used to match a member who has logged into the Pensions Dashboards to records held on your admin system. If you do not hold this data accurately:

- The match might fail, so a member won’t be shown that they are in your scheme. This is a missed opportunity to reunite a member with a lost pension pot (if the member doesn’t remember they have a pension with you) or may generate an enquiry into your team (if the member knows they have benefits with you but cannot see them).
- Members may be recorded as a ‘possible match’, where some, but not all of the data items match. Members will be signposted to contact you, resulting in increased enquiries into your team.

Your data assessment

'View data' - information about a member's pension benefits which is returned to the user via the Pensions Dashboards.

- If you do not hold this data accurately, incorrect benefits will be displayed to the member via the Pensions Dashboard.
- If you do not hold this data at all, or if it is out of date, the member will be informed that the data cannot currently be returned via the Pensions Dashboards and you will have just 10 days to provide the member with a calculation of their accrued benefits and estimated retirement income.

Your data assessment

We have assessed your 'Find' data to determine whether it is ready for a smooth onboarding to Pensions Dashboards. Each item has been given a rating, based on both the **impact** of the issue (on your members and admin team) and the **number of issues** which exist (compared to your peer group):

Red = action required

Amber = needs improvement

Green = generally healthy

‘Find’ data results

‘Find’ data is personal data which is used to match a member who has logged into the Pensions Dashboard to member records held on your administration system.

Missing address details

You are missing **153** postcodes for members. There are **612** members with an international address.

Missing postcodes could prevent UK based members becoming positive matches.
We are unable to trace international addresses.

Out of date addresses

We believe that you are holding incorrect addresses for **4,319** members which we can provide a traced address.

When these members login to the dashboard, they may become ‘possible matches’, generating enquiries into your customer contact team.

Gone Aways

We believe that you are holding incorrect addresses for **2,976** members which we can not correct without enhanced tracing.

When these members login to the dashboard, they may become ‘possible matches’, generating enquiries into your customer contact team.

‘Find’ data results

‘Find’ data is personal data which is used to match a member who has logged into the Pensions Dashboard to member records held on your administration system.

Deceased Count

There are up to **290** of your members who could be deceased

You may still hold liabilities for these people

Issues With Names

We can enhance or correct **5** forenames, **49,983** middle names and **8,712** surnames.

Missing names could prevent members becoming positive matches.

Errors in Data

When checking for format errors and obvious mistakes in the data

There were **355** in the name fields and **97** in date of birth.

‘Find’ data results

‘Find’ data is personal data which is used to match a member who has logged into the Pensions Dashboard to member records held on your administration system.

Undecided leavers

You have **4,777** undecided leavers (status 2 members).

PDP guidance is that value data must be returned for these members. If these members connect to the dashboard and request view data, you will have only 10 days to respond to the request manually.

Missing contact details

You are missing **39,567** e-mails. We can enhance **39,656** emails via tracing, these will be missing, updated or alternative e-mails.

Missing contact details will not impact initial matching, but future matching rules will include these details.

Missing contact details

You are missing **69,073** mobile numbers. We can enhance **66,916** mobile numbers via tracing, these will be missing, updated or alternative mobile numbers.

Missing contact details will not impact initial matching, but future matching rules will include these details.

‘Find’ data results

‘Find’ data is personal data which is used to match a member who has logged into the Pensions Dashboard to member records held on your administration system.

Temporary NI numbers

203 members have temporary NI numbers.

When these members login to the dashboard, they may become ‘possible matches’, generating enquiries into your customer contact team

Unlinked Members

We have identified **115** employments that should be linked but aren’t.

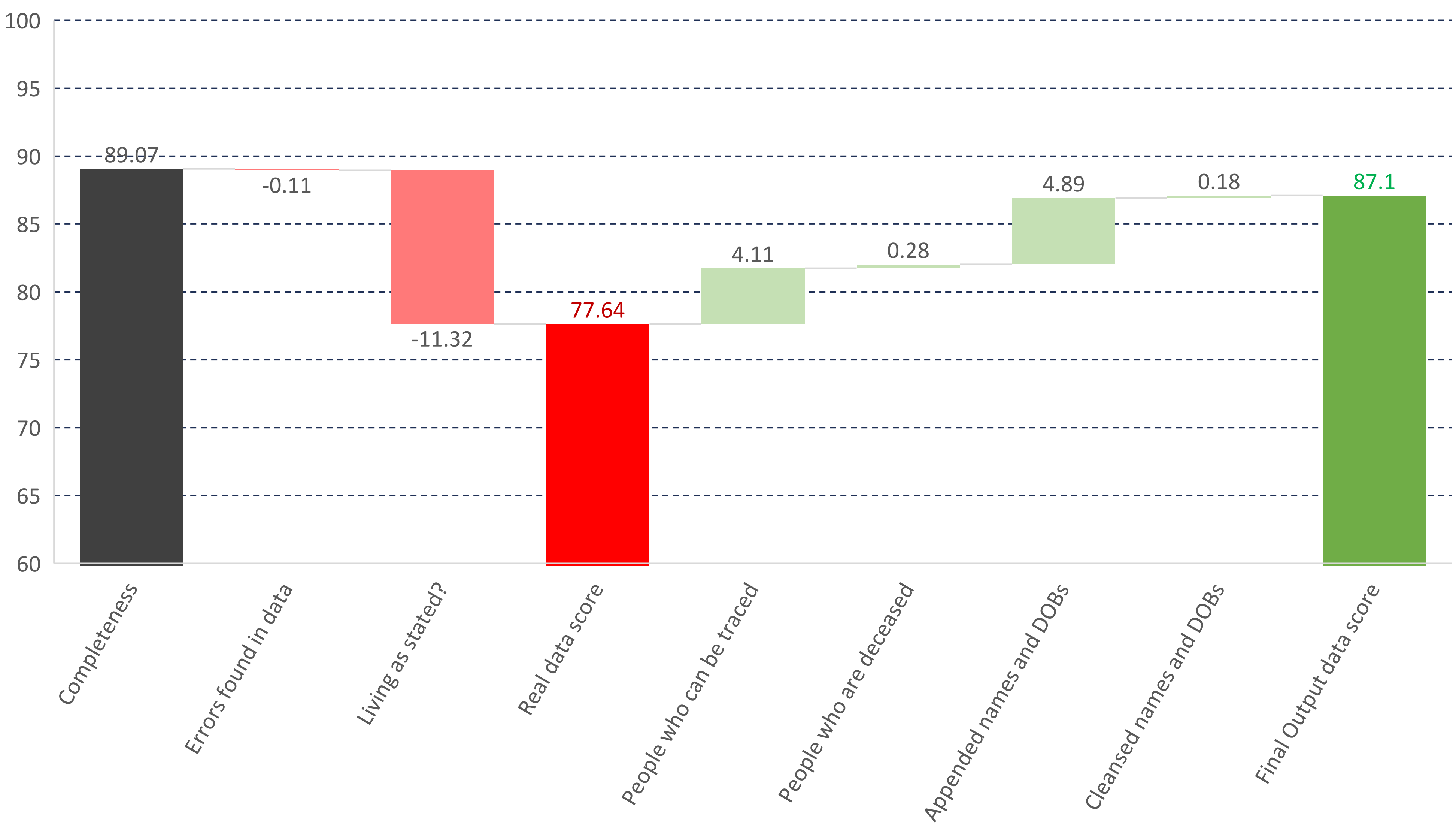
When these members login to the dashboard, they may become ‘possible matches’, generating enquiries into your customer contact team.

Suspect date of birth

Your data has **8** members whose date of birth suggests that they were under 16 or over 75 when they joined the scheme.

When these members login to the dashboard, they may become ‘possible matches’, generating enquiries into your customer contact team.

Data Accuracy Score



‘View’ data results

No benefit calculations

72 members have been flagged on Altair not to have benefit calculations run.

If these members connect to the dashboard and request view data, you will have 10 days to respond to the request manually.

Missing employer details

Employer names and dates are missing for **19** employments.

If not rectified, incomplete information would be provided back to the users via the dashboard, increasing the volume of member queries.

Missing accrued pension

12.53% of your members do not have an accrued pension value, and a further **2.13%** of accrued pension values are out of date (more than 13 months old).

If these members connect to the dashboard and request view data, you will have 10 days to respond to the request manually.

Missing estimated retirement income

7.79% of your members do not have an estimated retirement income (ERI) value, and a further **1.23%** of ERI values are out of date (more than 13 months old).

If these members connect to the dashboard and request view data, you will have 10 days to respond to the request manually.

Data Services

Data Cleansing

- **Date of Birth**
- **Forenames/Surname**
- **Address**
- **Mortality Screening**

Data Enrichment

- **Email Address**
- **Mobile Number**
- **Landline Number**

Secure Managed File Transfer

- ISO27001 certified and GDPR compliant
- Keeping your data safe at all times

Flexible Repeat Frequency

- Not just a one-off exercise
- Recurring Monthly runs

Full Process Automation

- Integration with Altair
- File transfer, workflow creation, flexible data update rules

Data Cleansing and Address Tracing

Providing you with **accurate** and **up-to-date** addresses for your members.

Our **data cleansing and address tracing** services are updated weekly and include over 70 data sources that cover 56.3 million of the UK adult population.

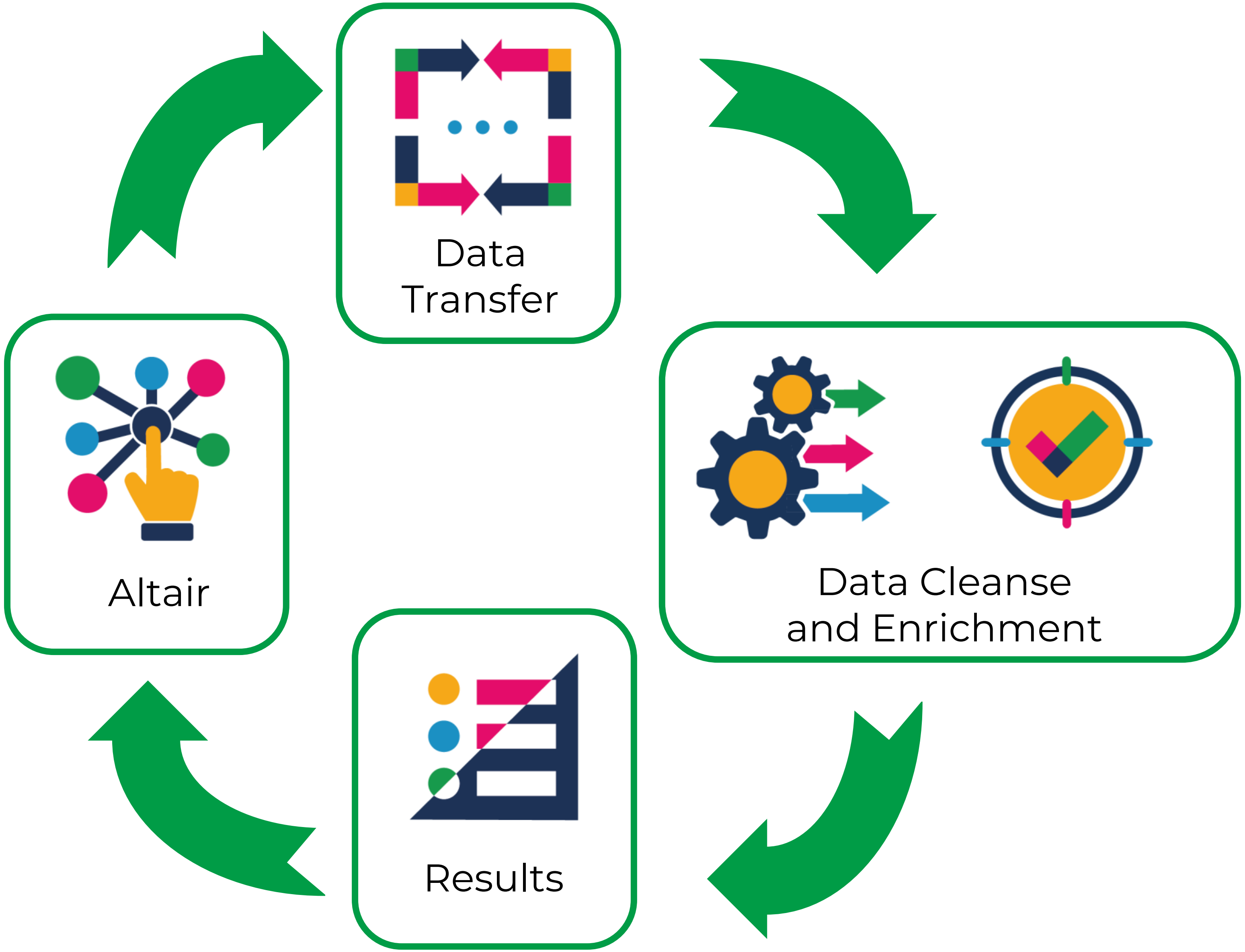
Our source data sets for data cleansing and address tracing include:

- **Electoral Roll, England, Scotland, Wales and NI**
- **Credit Reference Agency Data**
- **Government data**
- **Lifestyle data**
- **Financial Decisions data**

In total our services are underpinned by:

- **2.7 billion records**
- **87 million emails**
- **209 million mobile phone numbers**

Automated Interface



To enable you to benefit fully from our screening services, we have developed an interface which will automatically consume the results to Altair. The interface will trigger various workflows depending on configurable thresholds agreed with you.

New Data View (Data Cleanse)

Traced Address

Traced Address Indictator	
Traced Address Source	LN
Traced Address Confidence Score	H:High
Traced Address ID	12345
Traced Address Line 1	15 Tracing Address
Traced Address Line 2	Tracing Street
Traced Address Line 3	Manchester
Traced Address Line 4	
Traced Address Line 5	
Cleansed Postcode	M65 1LG

Existing Screening

Existence Score	4:Goneaway ...	Mortality Status	P:Possible
Residency Status	2:Medium	Unverified Category	2:Family curr...

Mortality Record Information

		Mortality Indicator	
Deceased Score	H:High Confi...	Deceased Name	
Deceased Source	GRO	Forename	Roberto
Deceased Date of Death	25/12/2022	Middle Name 1	Jones
Deceased District	Midlothian	Middle Name 2	
Deceased Region	Scotland	Middle Name 3	
Deceased Date of Birth	18/03/1927	Surname	Detering
		Deceased Address	
Deceased Alias	Bob	Address Line 1	12 Address 1
Deceased Maiden Name		Address Line 2	Address Line 2
Deceased Place of Birth		Address Line 3	Address Line3
Deceased Reference	45dd551	Address Line 4	Address Line 4
		Address Line 5	
		Address Postcode	EH21 8GT

A new **Data View** to store the information following the Data Cleanse Service will hold the information for every member that has gone through the process

Workflow will be handled using Workflow Event Creation and the new Data View and its mnemonics will be available for this purpose.

We will work with you to help you optimise the automation through the configuration of the relevant triggers.

New Data View (Mortality/Tracing)

Mortality Screening

Date Updated	15/12/2022	GRO Match Level	High
GRO Reference	A000001	Prev. Match Level	
		Change in Match Level	Yes
GRO Surname	Ayucar-Luziriaga		
GRO Forename	Luis	GRO Date Of Death	13/02/2022
GRO Given Name 2	Robert	GRO Date Of Birth	24/01/1925
GRO Given Name 3		Place of Birth	Manchester
GRO Given Name 4		Historic/Current	England & Wales
Maiden Name	Smith	Approx. Date of Death	
Alias			
GRO Organisation	General Register Office	GRO Department	Deaths
GRO Sub Building		District of Death	Cheshire
GRO Building	Main Building	Date Last Modified	13/09/2022
GRO Building No.	12	NDR Match Level	
GRO Dep Thorofare	Trafalgar Road	NDR Date of Registration	
GRO Thorofare	Southport	Care Home Resident	Yes
GRO Postcode	PR8 2HH		

A new **Data View** to store the information following the Mortality Screening Service will hold the information for every member that has gone through the process not only deceased members

Workflow will be handled using Workflow Event Creation and the new Data View and its mnemonics will be available for this purpose.

Insights Dashboard for a more visual reporting approach

Where the Match Level is HIGH then the option is available to have the Status changed to 7 and the Status Date changed to GRO Date of Death.

Altair

LOCAL PENSION BOARD – 25 JUNE 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 Board 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 Local Pension Board'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 Local Pension Committee agenda.

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

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 14 March 2025.

9. Officers meet quarterly to discuss the risk register and there has been a handful of changes to three existing risks since the previously approved risk register. These changes are highlighted below, alongside broader discussions on reasoning behind some of the remaining risk scores.

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.

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

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

Risk 4: Risk to Fund assets and liabilities arising from climate change.

12. This risk reflects that the Fund will be affected by any impact on global markets and investment assets from the transition to a low carbon economy, or the failure to achieve an orderly transition in line with the Paris Agreement. This risk continues to be rated 'amber' due to the potential impact and likelihood of climate change. These risks are posed through both physical impacts such as extreme weather, but also transitional risks which include policy, legal, technological, market and reputational risks for underlying companies.

13. This risk has been updated to reflect work progressing in reviewing the Net Zero Climate Strategy which will start with a report to the Local Pension Committee in June 2025. Further actions have been updated to reflect that the Fund will also receive climate scenario analysis as part of the actuarial valuation. This should support the Fund's approach to risk identification, understanding of the Fund's exposure to climate-related risk and the funding

strategy's resilience, which will further feed into the Net Zero Climate Strategy Review. Climate considerations have also fed into triennial valuation considerations for longevity.

Risk 10: Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer

14. This risk reflects potential of insolvency or financial difficulties for an individual employer, and the impact that may have on the Fund. Part of managing this risk relates to engaging with employers as part of setting new employer contribution rates, as well as employer risk profiling. One key contributor to this risk relates to 'high-risk' employers where potentially a closure of an employer could result in liabilities reverting to the Fund.

15. Following updated guidance from the Department for Education the Fund now has assurance that if a further education body, including sixth form colleges and bodies established under the Further and Higher Education Act 1992 close. The assets of the further education body would be used to pay-off any liabilities, with any shortfall paid for through the DfE's guarantee. As a result, both the residual impact and residual likelihood risks have reduced taking the residual risk score down to 3 and rated 'green'.

16. This risk has been considered as part of the 2025 triennial valuation, with this group of employers having their risk rating reduced.

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

17. While a lot of work has been undertaken in training Committee and Board it is recognised that the levels of training will be cyclical due to council elections. As a result, this residual risk has increased to reflect changes in membership after the County Council's election in May 2025. This has changed the residual risk rating to 'amber'. To mitigate this risk new members have had induction training in line with the Training Policy and have been invited to training as per this year's training plan.

<u>**Other considerations**</u>

18. During the review officers discussed all risks, and while not at a point requiring further updates to the remaining risks officers felt it was relevant to provide this wider information and context to the Board for a selection of these risks.

Risk 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates.

19. This risk remains 'amber' and reflects the potential for poor market returns due to poor economic conditions and/or shocks, such as a global recession which would result in needing to increase employer contributions upwards.

20. While the Fund has had strong investment returns over the past few years, which has contributed to the mid-point funding level reported of 150% as at 30 June 2024 It is recognised that funding levels can easily shift, noting the Fund was 76% funded in 2016. This risk, alongside the medium-term outlook for different asset classes continues to be considered as part of the Strategic Asset Allocation agreed every January.

Risk 3: 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.

21. This risk remains ‘amber’ following the ‘Fit for the Future’ consultation outcome as set out in more detail in relation to <u>Risk 18: Proposed changes to LGPS regulations and guidance requires changes to the Fund’s investment, pooling and governance processes.</u>

22. Currently the Local Pension Committee considers and agrees the Strategic Asset Allocation annually which is reviewed by the officers and the Fund’s Investment Advisor. This risk will need to be carefully managed following the outcome of the Fit for the Future consultation that will require the Fund to use the pool as the source of principal investment advice, with investment manager appointment to be undertaken by the pool. It will be important that the appropriate risks are considered when working with the pool and this risk will continue to be reviewed as officers work through the implications of the consultation outcome.

23. To date the Fund has received reasonable assurance on the controls taken to manage this risk from Internal Audit, however given these risks can never fully be protected against the Fund is looking to undertake a review following the January 2025 SAA with the Fund’s Investment Advisor on whether a tail risk strategy could manage this further.

Risk 5: Assets held by the Fund are ultimately insufficient to pay benefits due to individual members.

24. This risk remains ‘amber’. As set out in paragraph 16 the Fund has had a positive direction of travel over the past few years with increasing assets under management by the Fund. However, it has been agreed to not change the risk scoring at this time, given this could reverse just as quickly as the current position of the assumed positive future investment returns.

25. As part of the 2025 valuation Hymans and Officers have considered calculating monetary contributions alongside employer percentages of salaries and decided not to use this for this valuation. The Actuary and Officers are comfortable employer percentages of salaries will be sufficient to ensure that any employer contribution rates set are effective, and do not negatively impact on employer financial situations by requiring large increases in future.

Risk 6: 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; and **Risk 7 If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected.**

26. Both risks are 'green' and have a residual risk of three due to the low likelihood of the risk at this time due to the ongoing work by the Pensions Section. These risks are tolerated; however, it was considered important to retain them on the risk register as fundamental risks to the pensions section. These risks are also exposed to potential issues outside of the Fund's direct control if there are changes to employers' staff who provide information to the Fund, or changes to payroll systems.

Risk 13: 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.
Risk 14: If transfer out checks are not completed fully there may be bad advice challenges against the Fund.
Risk 15: Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity.

27. These risks are also rated 'green' and represent business as usual processes for the Pensions Section. These are managed through clear processes, training, as well as additional verification processes. These risks are kept on the register given the importance of continuing to apply processes correctly and the impact not doing so may have.

Risk 16: The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service.

28. The McCloud case requires Fund Officers to review and calculate in scope member's benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme. Final system changes have been loaded onto the systems and work continues. Manual checking was completed by March 2025. Further details will continue to be provided to the Board.

Risk 18: Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.

29. On 29 May Government published the outcome of the Fit for the Future consultation which seeks to strengthen the management of LGPS investments in three areas:
    a. Reforming the LGPS asset pools
    b. Boosting LGPS investment in their localities and regions in the UK
    c. Strengthening the governance of both LGPS AAs and LGPS pools

30. It is still too early to truly assess the potential implications from these proposals. Officers will continue to work with its investment advisor, LGPS Central and

partner funds in relation to proposals and appropriate mechanisms. More detail is elsewhere on today's agenda.

Risk 19: 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.

31. This risk was added in the previous risk register update and therefore there are no significant updates. Training has now been put in place with the first tranche to be undertaken starting April and second for September.

Recommendation

32. The Local Pension Board is asked to note the report.

Equality Implications

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

Human Rights Implications

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

Background Papers

None

Appendix

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

Officers to Contact

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

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

Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since December 2024	Action owner
1	**Investments**	**Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates**	Poor market returns most probably caused by poor economic conditions and/ or shocks e.g. CV19, global recessions	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise but is still based on a reasonable medium-term assessment of future returns. Last reviewed January 2025.	4	2	8	–	Investments - SFA
2	**Investments**	**Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations**	Poor performance of individual managers including LGPS Central, poor asset allocation policy or costs of transition of assets to LGPS Central is higher than expected	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation. Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Ensuring that the causes of underperformance are understood and acted on where appropriate. Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each LGPS Central investment product before a commitment to transition is made.	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager divestment to consider multiple factors including performance versus mandate and reason for original inclusion and realignment of risk based on revised investment strategy. The set-up of LGPS Central is likely to be the most difficult phase. The Fund will continue to monitor how the company and products delivered evolve. Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds. Each transition's approach is independently assessed with views from 8 partners sought	3	2	6	–	Investments - SFA
3	**Investments**	**Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers**	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment. These risks may include, but are not limited to the risk of global economic slowdown and geopolitical uncertainty and failure to consider Environmental, Social and Governance factors effectively.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Ensuring that all factors that may impact onto investment returns are taken into account when setting the annual strategic asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes.Utilisation of dedicated RI team at LGPS Central and preparation of an annual RI plan. The Fund is also member of the Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement which is focused on promoting the highest standards of corporate governance and corporate responsibility. The Committee has approved a Net Zero Climate Strategy to take into account the risk and opportunities related to climate change. Climate Risk Report and Climate Stewardship Report. The Fund also produces an annual report as part of the Taskforce on Climate-related Financial Disclosures.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant short term changes to the allocation. This can take into account geopolitical uncertainty, the impact of climate change on the portfolio including risk from stranded assets. Asset allocation policy allows for variances from target asset allocation to take advantage of opportunities and negates the need to trade regularly where investments under and over perform in a short period of time. LGPS Central are in the process of developing an ESG report for the Fund which can be used to monitor the Fund's portfolio exposure, and support engagement with underlying companies	3	3	9	–	Investments - SFA
4	**Investments**	**Risk to Fund assets and liabilities arising from climate change**	The impact on global markets and investment assets from the transition to a low carbon economy, and/or the failure to achieve an orderly transition in line with the Paris agreement.	Failure of meeting return expectations due to risks, or missed investment opportunities, related to the transition to a low carbon economy, and/or the failure to achieve an orderly transition. Resulting in increased employer contributions costs. Some asset classes, and carbon intensive sectors may be overexposed to transition risks, and/or the risk of stranded assets	Net Zero Climate Strategy, targeting by 2050 with an ambition for sooner. Climate metrics, including decarbonisation targets monitored annually through the Climate Risk Report, and reporting under TCFD recommendations. Supporting real world emissions reduction with partners (LAPFF, and LGPS Central) as part of the Fund's Climate Stwarship Plan. Consideration of clmiate change in investment decisions including investment in climate solutions and funds titled towards clmiate factors. Climate scenario analysis is undertaken biennially on impact to Fund assets. The Funding Strategy Statement's resilience to climate risk was also tested through the 2022 triennial valuation	3	4	12	Treat	Annual refresh of the Fund's asset allocation allows for an up to date view of climate risks and opportunities to be incorporated and avoids significant short term changes to the allocation. This will take into account the Fund's latest Climate Risk report. Increased asset coverage for climate metric reporting. Increased engagement with investment managers and underlying companies through Net Zero Climate Strategy and further collaboration. Expected regulatory change on climate monitoring. As part of the actuarial valuation the Fund's Actuary will undertake climate scenario analysis. Climate considerations will also feed into longevity assumptions. The IIGCC has produced a Net Zero Infrastructure Framework 2.0 that will be incorporated into the Fund's Net Zero Climate Strategy review to include further asset classes over 2025/2026.	3	3	9	–	Investments - SFA

5	**Liability**	**Assets held by the Fund are ultimately insufficient to pay benefits due to individual members**	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not bring imprudent future financial risk Early engagement with the Fund's higher risk employers to assess their overall financial position. Ongoing review of Community Admission Bodies (CABs)	**5**	**2**	**10**	Treat	Actuarial assumptions need to include an element of prudence, and Officers need to understand the long-term impact and risks involved with taking short-term views to artificially manage employer contribution rates. Regular review of market conditions and dialogue with the schemes biggest employers with respect to the direction of future rates. GAD Section 13 comparisons. Funding Strategy Statement approach is to target funding level of 120%.	4	2	8		Pensions Manager
6	**Employer**	**If the pensions fund fails to receive accurate and timely data from employers, scheme members pension benefits could be incorrect or late. This includes data at year end.**	A continuing increase in Fund employers is causing administrative pressure in the Pension Section. This is in terms of receiving accurate and timely data from these new employers who have little or no pension knowledge and employers that change payroll systems so require new reporting processes	Late or inaccurate pension benefits to scheme members Reputation Increased appeals Greater administrative time being spent on individual calculations failure to meet statutory year-end requirements.	Training provided for new employers alongside guidance notes for all employers. Communication and administration policy Year-end specifications provided Employers are monthly posting Inform the Local Pension Board quarterly regarding admin KPIs and customer feedback.	**3**	**2**	6	Tolerate	Continued development of wider bulk calculations. Implemented automation of certain member benefits using monthly data posted from employers. Pensions to develop a monthly tracker for employer postings. Monitor employers that change payroll systems.	3	1	3		Pension Manager
7	**Employer**	**If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected**	Errors by Fund employers payroll systems when setting the changes	Lower contributions than expected. Incorrect actuarial calculations made by the Fund. Possibly higher employer contributions set than necessary	Pension Section provides employers with the annual bandings each year. Pension Section provides employers with contributions rates (full and 50/50) Internal audit check both areas annually and report their findings to the Pensions Manager Finance reconcile monthly contributions to payroll schedule	**3**	**2**	6	Tolerate	Pension Officers check sample cases Pension Officers to report major failings to internal audit before the annual audit process Major failings to be reported to the Pensions Board	**3**	**1**	3		Pensions Manager
8	**Employer**	**Employer and employee contributions are not paid accurately and on time**	Error on the part of the scheme employer	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	Receipt of contributions is monitored, and late payments are chased quickly. Communication with large commercial employers with a view to early view of funding issues. Internal Audit review on an annual basis and report findings to the Pensions Manager	**2**	**3**	6	Tolerate	Late payers will be reminded of their legal responsibilities.	**2**	**3**	6		Pensions Manager
9	**Governance**	**If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members**	Prudential implemented a new administration system in November 2020	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	Reported it to the Chair of the Pension Boards and Senior Officers Reported to the LGA and other Funds Discussed with the Prudential Prudential attended a meeting with the Local Pension Board with improvement plan agreed	**3**	**3**	9	Treat	Prudential continue to engage with Fund Officers positively to quickly resolve issues National meetings with LGPS Funds and the Prudential continue to develop improvements. The national Framework is live and the Fund has signed up enabling the Fund to commence a future tender to select AVC providers.	**3**	**1**	3		Pensions Manager
10	**Governance**	**Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer**	Changing financial position of both sub-fund and the employer	Significant financial impact on employing bodies due to need for large increases in employer contribution rates. Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues.	**5**	**2**	**10**	Treat	Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates. Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks Investigate arrangements to de-risk funding arrangements for individual employers. 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.	**3**	**1**	3		Pensions Manager

11	**Governance**	**Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns**	The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high. Turnover of Committee Membership requiring time to retrain.	Poor decisions likely to lead to low returns, which will require higher employer contribution rates	Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions. Improved training at Committee. Additional experience at LGPS Central added who make investment decisions on behalf of the Fund. Revised Training Policy agreed March 2024. Committee are required to comlpete all modules of the Hymans Aspire Online Training within 6 months of appointment or revision of modules.	**3**	**3**	**9**	Treat	On-going process of updating and improving the knowledge of everybody involved in the decision-making process. Members undertake Training Needs Assesment and get issued individual training Plans.	**3**	**3**	**9**		Investments - SFA
12	**Operational**	**If the Pensions database system is subjected to a cyber attack, resulting in the theft of personal data or a period of unavailability, then there may be a breach of the statutory obligations.**	Pensions database now hosted outside of LCC. Employer data submitted through online portal. Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	Diminished public trust in ability of Council to provide services. Loss of confidential information compromising service user safety. Damage to LCC reputation. Financial penalties.	Regular LCC Penetration testing and enhanced IT health checks in place. LCC have achieved Public Sector Network (PSN) compliance. New firewall in place providing two layers of security protection in line with PSN best practice. Contractual arrangements in place with system provider regarding insurance. Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Developed a new Cyber risk policy	**5**	**2**	**10**	Treat	Liaise with Audit to establish if any further processes can be put in place in line with best practice. Good governance project and the TPR new code of practice to include internal audit reviews of both areas. Under review and findings will be reported to the Board.	5	1	5		Pensions Manager
13	**Operational**	**If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one off payments could be wrong**	Human error when setting up immediate payments or calculating a pension System failures Over or under payments Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly	Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk New immediate payments bank account checks system Use of insights report to identify discrepancies between administration and payroll sides of the system Funds over and under payment policy. Segregation of duties, benefits checked and authorised by different Officers Training provided to new staff. Figures are provided to the member so they can see the value and check these are correct A type of bank account verification applied to all pensions and transfer payments.	4	1	4	Tolerate	Officers worked with LCC Technical Security and Audit colleagues to update the Fund Cyber Policy document, ensuring that it complies fully with TPR Code of Practice. The latest version was approved by the Local Pension Committee in March 2025	4	1	4		Pensions Manager
14	**Operational**	**If transfer out checks are not completed fully there may be bad advice challenges against the Fund** **There are some challenges being lodged from Claims Management Companies on historic transfers out**	Increasing demand for transfers out from members Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits Increased complexity on how the receiving schemes are set up Increased challenges on historic transfers Manual calculation of transfer values due to McCloud.	Reputation Financial consequence from 'bad advice' claims brought against the Fund IDRP appeals (possible compensation payments) Increased administration time and cost	The Pensions Regulaltor (TPR) checks Follow LGA guidance Queries escalated to Team Manager then Pensions Manager Legislative checks enable the Fund to withold a transfer in certain circumstances. Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"	**2**	**4**	**8**	Treat	Escalation process to officers to check IFA, Company set up, alleged scam activity Further escalation process to external Legal Colleagues National change requires checks on the receiving scheme's arrangements. Some McCloud calculations using an LGA template.	**2**	**3**	**6**		Pension Manager
15	**Operational**	**Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity**	Late or no notification of a deceased pensioner. Fraudulent attempts to continue to claim a pension	Overpayments or financial loss Legal cases claiming money back Reputational damage	Tracing service provides monthly UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes Moved to 6 monthly checks, (from one check every 2 years) National Fraud mortality screening for overseas pensioners	**3**	**1**	**3**	Tolerate	Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors. Informal review of tracing service arrangements.	3	1	3		Pensions Manager

16	**Regulatory**	**The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service**	The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme. The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful	Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Guidance from LGA, Hymans, Treasury Employer bulletin to employers making them aware of the current situation on McCloud Team set up in the Pension Section to deal with McCloud casework. Quarterly updates to the Board. Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.	**3**	**3**	**9**	Treat	Final system changes have been loaded into the system. Fund Officers are adopting a phased approach starting with new in scope retirements and leavers. Phase two will require a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.	2	2	4		Pensions Manager
17	**Regulatory**	**The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service**	National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard	Increased administration Data cleaning exercise on member records Increased system costs Additional communications	Initial data cleaning started Contract made with the system provider on building the data link	**3**	**3**	**9**	Treat	Work with LCC's internal IT Team Security checked on the required link to allow the access to secure member pension data GDPR requirements Quarterly updates to the Board Work with the Prudential regarding the transfer of AVC information	3	2	6		Pensions Manager
18	**Regulatory**	**Proposed changes to LGPS regulations and guidance requires changes to the Fund's investment, pooling and governance processes.**	National pressure from Government and as part of the Pensions Review, to reform the LGPS, and/or direct investment decisions towards specific asset classes that may not completely correlate with the Fund's fiduciary duty. Pensions review underway with respect to further consolidation. Fit for the Future consultation proposals.	Conflicting pressure on the Fund to make specific investments or investment transitions contrary to the Fund's investment approach. Some proposed changes may present additional management fees. Changes to the Fund's pooling approach and subsequent reduction in pools in the medium-term which may lead to administrative, legal and transition burdens and pressure on the Fund if not managed appropriately. Significant changes in the oversight, governance of investment management is possible over the next 12-24 months.	Response provided to the DLUHC consultation on 'Next Steps in Investing' alongside LGPS Central partners on challenges that may arise from proposed changes. Productive participation with LGPS Central at officer and Joint Committee level. Investment in pool products where possible and in line with the Fund's strategy as approved by it's investment advisor. Careful consideration of government proposals, balancing pooling proposals and improved governance and continuation of the investment strategy including the net zero journey.	**3**	**4**	**12**	Tolerate	Officers to review all relevant guidance and/or regulation changes. Continue to work with the Fund's Investment Advisor and LGPS Central on progressing pooling. Review the outcome of the Fit for the Future consultation and Pensions Bill considerations in collaboration with LGPS Central, the chair of the Local Pension Committee and the section 151 officer.	3	4	12		Investments - SFA
19	**Operational**	**Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.**	Number of staff aged over 55 continues to rise (noting that minimum retirement age increases to age 57 from April 2028). It takes several years to be fully trained and knowledgeable in all LGPS calculations, hence staff turnover tends to be low and colleagues often remain in the section until retirement.	Loss of knowledge from all areas of the section (noting that the average service length in the Leicestershire Pension Section was 13.5 years at March 2024). Delays in the calculation and payment of all pension benefits. Complaints. Reputational damage.	All new staff undergoing extensive training. Utilise apprentice scheme as part of recruitment planning. Monitor the situation with Team 1-2-1s with colleagues to ensure awareness of any upcoming retirement plans. Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.	**3**	**3**	**9**	Treat	Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.	3	2	6		Pensions Manager

Appendix B: Risk Scoring Matrix

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

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

Residual Risk Score Change since last meeting indicator

- Risk Increase
- No Change
- Risk Decrease

Impact Risk Scoring Criteria

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

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

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

This page is intentionally left blank