

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 30 January 2026.

PRESENT

Leicestershire County Council

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

District Council Representatives

Cllr. M. Cartwright  
Cllr. R. Denney

In attendance

**LGPS Central**

Mr. Louis-Paul Hill

**Hymans Robertson**

Mr. Steven Tart (online)  
Mr. David Walker  
Mr. Richard Warden (online)

Apologies

Cllr. B. Dave – Leicester City Council  
Cllr. G. Whittle – Leicester City Council

115. Minutes of the previous meeting.

The minutes of the meeting held on 5 December 2025 were taken as read, confirmed and signed.

116. Question Time.

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

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

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

118. Urgent Items.

There were no urgent items for consideration.

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

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

No declarations were made.

120. Cessation Corridor Approach - Draft Funding Strategy Statement

The Committee considered a report of the Director of Corporate Resources, which provided information of a proposed change to the Fund's cessation approach when an employer left the scheme. The change would be incorporated into the Fund's final Funding Strategy Statement (FSS). A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed Mr. Steven Tart and Mr. Richard Warden from Hymans Robertson who had joined the meeting online for the report.

Arising from discussion, the following points were made:

- i. Clarification was sought on the process an employer would have followed if they were considering leaving the scheme, noting that an employer might have wished to understand their position within the 85–95% funding rule before making such a decision. Officers confirmed that where an employer had expressed interest in leaving, the Fund would have worked with them to provide the relevant information to support their decision making, adding that the Fund would not have prevented an employer from exiting, provided the process complied with regulations and the Fund was satisfied with the approach.
- ii. A Member noted that the forthcoming local government reorganisation (LGR) would result in many current authorities ceasing to exist, and questioned what mechanisms were in place to ensure continuity within the pension fund. Officers confirmed that some employers would indeed have ceased under LGR. It was reported that regulations required a cessation valuation to be undertaken in such circumstances. The Fund, with support from actuaries, would have determined member transfers and allocated assets and liabilities appropriately, whether to a single new authority or divided across several.
- iii. A Member queried whether the Fund should have avoided adjusting assumptions or risk profiles solely because market valuations fluctuated. Officers responded that other funds had adopted similar approaches, as confirmed by Hymans, and explained that while the Fund had previously been in deficit, it had taken a measured approach to avoid sharp increases in employer contribution rates. Now that the Fund was in a stronger position, the strategy had been to retain an element of surplus to protect both the Fund and employers against future volatility. Hymans supported this view, noting that the fund had historically experienced market rises and falls and was a long-term investor. Surpluses should not have been distributed entirely, nor should deficits have resulted in excessive contribution increases. They added that prudence had increased in the latest valuation due to economic uncertainty and long-term assumptions had not yet been realised.
- iv. Concern was raised whether the timing of the proposed changes was appropriate given the forthcoming LGR, and that decisions made beforehand might require

revisiting following LGR. Officers explained that the regulations required a cessation valuation, and regardless of whether applying the proposed or previous approach, the Fund would still need to assess and allocate assets and liabilities upon employer exit. The timing of LGR therefore did not materially affect the requirement. The Director of Corporate Resources added that the structure of LGR meant future unitary authorities would still have been required to offer LGPS membership. Assets and liabilities would have transferred accordingly, and although administratively complex, the change would not have altered the operation of the Fund.

- v. A Member expressed support for the proposal, noting the importance of protecting the Fund from employers exiting when the Fund was performing strongly. It was questioned whether employers could have attempted to leave under the old policy before the new policy came into effect, and how changes in funding positions between initial assessment and exit date would have been handled. Officers confirmed that the calculation was fixed by regulations and must be based on the employer's funding position on the actual date of exit. While an employer's position could have changed between assessments, the exit date valuation was definitive. It was reported that no challenges were anticipated from employers currently exploring options. The FSS would have taken effect from April 2026 if approved on 20 March 2026.
- vi. It was questioned how common employer exits were and whether LGR was expected to increase the number of cessations. Officers responded that employer departures occurred regularly, particularly among Transfer Admission Bodies whose participation was linked to contract duration. Exits by larger statutory bodies were, however, highly unusual.

**RESOLVED:**

- a) That the proposed change to introduce a corridor approach for the Fund's cessation methodology be noted.
- b) That it be noted that the Fund's final Funding Strategy Statement will be brought to the 20 March 2026 Pension Committee meeting for approval.

**121. Overview of the Current Asset Strategy and Proposed 2026 Asset Strategy.**

The Committee considered a report of the Director of Corporate Resources which provided information on the outcome of the annual review of the Leicestershire County Council Pension Fund's (the Fund) strategic investment allocation and structure. The report also provided guidance regarding the Fund's approach to local investment, as required by Government's draft regulations, as well as the approach to engagement and divestment. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed Mr. David Walker from Hymans Robertson, who delivered a presentation as part of this agenda item.

Arising from discussion, the following points were made:

- i. A Member questioned whether the mix of active equity managers, some operating defensively and others more aggressively, might be neutralising each other's performance, resulting in benchmark-like returns despite higher active management fees. Officers and advisers acknowledged that the risk had been identified through blending active managers but noted that LGPS Central's role was to ensure the mix of

styles was complementary and continued to justify active risk. Whilst the last five years had been challenging for most active managers due to narrow market leadership, longer term evidence still supported selective active management where conviction existed.

- ii. Questions were also raised regarding active bond mandates, specifically whether reported outperformance figures were net of fees, and whether the Fund was receiving sufficient value for money. Officers advised that typical fees were in the region of 20–30 basis points, and that while performance had been mixed, passive bond investing had drawbacks. Alternative index-based bond solutions existed but were less common and could incur higher turnover costs. The buy and maintain approach was highlighted as attractive due to low turnover and benchmark agnostic flexibility.
- iii. In relation to valuation matters, members queried the feasibility of employers requesting interim funding valuations in light of strong market performance since the last formal valuation. Officers advised that while regulations allowed for such requests, they were expected to be rare, and any such review would need to be considered case by case and in line with the Funding Strategy Statement. It was noted that interim reviews were often impractical due to their complexity.
- iv. Members also sought clarification on currency risk, particularly regarding the impact of US dollar movements on overseas investments. Officers explained that the Fund operated a currency hedge of approximately 30% on major foreign currency exposures, including the US dollar, providing partial protection against currency volatility.
- v. A Member wished to avoid misleading messaging such as “diversification produced little gain” which could be misinterpreted, particularly because as there was strong pressure on members to diversify at a scheme level and because, under fiduciary duties, diversification did not necessarily yield “little gain”. Officers responded that at the Fund’s current level of diversification, and given the sheer number of strategies, the marginal benefit of each additional strategy had reduced. Also noted was the Fund had been simplified over the last decade, moving from well over 25 managers to around 20 and slightly fewer asset classes.
- vi. A Member queried whether the small differences in the projections simply reflected that the four alternative portfolios were themselves only marginally different from the current strategy and suggested that it might have been useful to model a wider range of options, both more defensive and more adventurous strategies, to test outcomes more meaningfully. Hymans explained that, given a strategy review had been conducted around 12 months earlier, the team had aimed to avoid drastic changes to limit costs and to maintain a steady approach to funding and investment. It was acknowledged that larger changes could have been modelled but stated the chosen approach was a prudent, gradual evolution reflecting current market conditions.
- vii. A Member noted the models appeared to be closely grouped and asked whether the previously noted “very slight difference” associated with a derisked strategy would remain minimal under more extreme (for example, geopolitical) scenarios and queried whether the divergence between a derisked strategy and a risk averse or riskier strategy would widen under such stress conditions. Hymans replied that larger variations could be tested, but any investment strategy needed to align with the funding strategy and actuarial assumptions. If variations were too large, the actuary

might need to revisit assumptions around expected return and prudence. As an example, moving 20% into government bonds would likely reduce volatility further but could materially lower expected returns, potentially creating issues in maintaining the funding strategy.

- viii. A Member asked whether any mechanisms existed to encourage equity managers to increase exposure to commodities rather than the riskier elements of the market. An officer explained that most of the Fund's equity exposure was passively managed, meaning investments followed the index and managers could not actively reallocate to commodities.
- ix. A Member voiced support for increasing protection assets but questioned whether gilts could still be considered "minimal risk" given the large rise in UK government debt from pre-financial crisis levels. Hymans stated that gilts continued to be regarded as effectively risk free in terms of default risk, and although not without risk, gilts remained appropriate as liability matching assets due to their fixed or inflation linked payment profiles. The main reason LGPS funds had previously avoided gilts was simply poor returns over the last decade, but market conditions had now improved but cautioned that gilt values could still fall in any given year.
- x. A Member questioned the rationale for making changes when the current strategy was performing well, noting that gilts carried some risk and could provide lower returns. He questioned whether the cost of transitioning into gilts would be justified. Hymans explained that the strategic increase to fixed interest gilts would be funded from an existing underweight position in multi asset credit (MAC). The fund was already around 2% below its MAC target, and the cash holdings would be used to fund the gilt allocation, resulting in minimal transaction costs.
- xi. In response to a query as to whether the underweight position in MAC reflected a lack of suitable opportunities in that area, officers clarified that, although the long-term target for MAC had been 9%, the position had been reduced when Central undertook a review of the fund after one of its managers left. The allocation had been held at just under 7% during 2025. As the review now recommended reducing the target to 7%, the Fund would already be close to its intended level, and the gilt allocation could be funded from cash without meaningful frictional cost.
- xii. It was reported that feedback from partner funds indicated broad support for treating the investment pool as a single, large scale investment area rather than prioritising geographically localised investments. This approach reflected the difficulty of sourcing strong opportunities within narrow geographic boundaries and the benefits of the pool creating suitable investment products across its wide region, and members had voiced concern that government initiatives might encourage lower return investments for policy reasons, something that required monitoring. Central explained that it was designing a pool-wide solution, as well as a separate solution for funds within strategic authorities that wished to invest on a more geographically defined basis.
- xiii. It was noted that only the West Midlands currently had a strategic authority in operation, though the East Midlands authority was in development. It was noted that within the pool-wide definition, investments would span private markets, meeting high standards equivalent to globally diversified private market allocations. The scale of the pool meant even a 1% allocation represented close to £1 billion across clients. A Member voiced concern that while a small 1% allocation to "local" was manageable, future government guidance might impose significantly higher mandatory local

investment levels, such as 5% or even 20%, which could materially affect the fund's risk and return profile. It was acknowledged that the definition of "local" would be critical, particularly if it were set too narrowly, which might lead to investments on lesser terms or in assets that failed to meet prudential standards.

- xiv. A Member suggested exploring whether Leicestershire could collaborate with Derbyshire and Nottinghamshire pension funds, forming an "East Midlands plus" area that was larger than Leicestershire but smaller than the full national pool, to achieve scale without being excessively broad. Hymans noted that discussions were ongoing among partner funds regarding whether minimum requirements might be appropriate across different geographic areas, acknowledging that the Pool's footprint was very wide.
- xv. A Member asked whether all members of the pool, regardless of size, would be treated as equal partners in decision-making and investment prioritisation, and queried whether funds contributing more capital should receive proportionate consideration for local allocations if comparable opportunities existed across the region. Central explained that, under the pool-wide solution, decisions would be driven primarily by the quality of investment opportunities and their alignment with risk return criteria, rather than by the relative size of individual participating funds.
- xvi. A Member encouraged the Committee to take a holistic approach, suggesting that part of its fiduciary duty was to support the economic wellbeing of members who largely lived within Leicester, Leicestershire, and Rutland, and warned that other combined authorities (for example, East Midlands and West Midlands) might define "local" narrowly, favouring their own regions. If so, the Fund's failure to follow suit could result in its members' money disproportionately benefiting residents elsewhere. It was noted that Leicester and Leicestershire lacked a strategic authority, however, it was explained that combined authorities were tasked with identifying growth strategies but did not themselves decide on pension fund investments, and that opportunity identification would still lie with individual funds, supported by Central's processes. It was further explained that a process would be required to determine how the Committee could operate in this area. It was reiterated that there was a need to work with local authorities that did not have a strategic authority, and to develop some form of pipeline for investment ideas.

#### RESOLVED:

- a) That the changes to the 2026 target SAA allocation as described at paragraph 22 to 28 of the report, and summarised at the table at point 28, which includes a 1% initial allocation to Local Investments across the four asset classes, private equity, property, infrastructure and private credit, be approved.
  - b) That it be agreed that two asset class reviews be undertaken: depending for listed equity and investment grade credit, with outcomes of the reviews to be presented to the relevant Committee meeting during 2026.
122. Update on Fit for the Future and LGPS Central Pooling.

The Committee considered a report of the Director of Corporate Resources which provided information on ongoing regulatory developments with regard to pooling and LGPS Central. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mr. Louis-Paul Hill from LGPS Central, who delivered a presentation as part of this agenda item.

Arising from discussion, the following points were made:

- i. A Member asked about the timeline for incorporating the Committee's investment and responsible investment (RI) beliefs into LGPS Central's asset class solution process adding that once the Committee provided its preferences, and sought clarity on how the integration process would work. Central responded that it had taken the Committee's beliefs as they stood at the end of the previous year and would speak with officers to ensure that any updates were incorporated into the ongoing process.
- ii. It was stated that, LGPS Central intended to finalise the direction of travel by April 2026 while allowing time later in the year for further adjustments. It was further clarified that areas where there was already strong agreement could begin to be locked in and implemented, while areas where there was uncertainty or where Partner Funds' views were still developing would remain subject to continued consultation.

RESOLVED:

That the update on Fit for the Future and LGPS Central Pooling report and presentation be noted.

123. Draft Investment Strategy Statement.

The Committee considered a report of the Director of Corporate Resources, which provided information on the key changes expected for the Fund's Investment Strategy Statement (ISS). A copy of the report marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

- a) That the draft Investment Strategy Statement (ISS) be noted.
- b) That it be agreed that consultation on the ISS with scheme employers commence.

124. Pension Fund Training Needs Self Assessment.

The Committee considered a report of the Director of Corporate Resources which provided an update on Training Needs Self Assessments which had been undertaken and set out progress against the Fund's Training Policy and 2025 Training Plan. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members were reminded if they had not done so to complete the training needs assessment, and any Aspire modules online that had not been completed.
- ii. It was confirmed that the chart included in the report was anonymised, and that there was less focus on Local Pension Board members to undertake training on investments, which was the focus of the Local Pension Committee.

RESOLVED:

That all members of the Local Pension Committee be requested to complete the training needs assessment if not yet completed by 31 January 2026.

125. Draft Responsible Investment Plan 2026.

The Committee considered a report of the Director of Corporate Resources which sought Members comments on the Leicestershire Pension Fund's Responsible Investment (RI) Plan 2026, to enable the Fund to further improve the management of responsible investment risks. 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 asked whether, in light of recent geopolitical instability, the Fund should undertake reviews of conflict affected and high-risk areas to improve transparency around related investment risks. It was noted that other funds had begun considering such reviews and queried how this aligned with the Fund's RI strategy, as well as whether any local work could be done to understand the level of exposure to these risks. Officers confirmed that conflict affected and high-risk areas were an emerging area within RI. It was stated Central had been engaging on those issues, although it was difficult to quantify the financial risk because many underlying companies were large multinational organisations with broad exposure. Central also prioritised engagement in sensitive and topical areas. Feedback on the subject would be provided to the Committee at the July meeting.
- ii. It was reported that the related survey had closed on 5 January and received over 2,000 responses, exceeding previous engagement levels. Officers were reviewing the substantial number of comments and would present high-level findings at the workshop on 4 March. The RI Plan would accompany the formal report at the March meeting.

RESOLVED:

That the draft Responsible Investment Plan be noted.

126. Date of next meeting.

RESOLVED:

That it be noted that the date of the next meeting would be 20 March 2026, at 10.00am.

10.00am to 12.33pm  
30 January 2026

CHAIRMAN