



Meeting: **Local Pension Committee**

Date/Time: **Friday, 20 March 2026 at 10.00 am**

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

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

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

AGENDA

<u>Item</u>	<u>Report By</u>	<u>Marked</u>
1. Minutes of the meeting held on 30 January 2026.		(Pages 5 - 12)
2. Question Time.		
3. Questions asked by members under Standing Order 32(1).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. LGPS Central Presentation.	Director of Corporate Resources	(Pages 13 - 44)
7. Pension Fund Valuation - Funding Strategy Statement and Results.	Director of Corporate Resources	(Pages 45 - 196)
8. Risk Management and Internal Controls.	Director of Corporate Resources	(Pages 197 - 206)
9. Valuation of Pension Fund Investments.	Director of Corporate Resources	(Pages 207 - 220)



10.	Outcome of the Responsible Investment Survey and Responsible Investment Update.	Director of Corporate Resources	(Pages 221 - 252)
11.	Pension Fund - Budget Plan and Budget 2026/27.	Director of Corporate Resources	(Pages 253 - 284)
12.	Pension Fund Policy Report.	Director of Corporate Resources	(Pages 285 - 394)

13. Date of next meeting.

The date of the next meeting is scheduled for 3 July 2026, at 10.00am.

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

15. Exclusion of the Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

16.	LGPS Central Quarterly Investment Report	Fund Manager	(Pages 395 - 450)
17.	Leicestershire Total Fund Summary	Fund Manager	(Pages 451 - 454)
18.	Growth Adams Street Partners Quarterly Report	Fund Manager	(Pages 455 - 564)
19.	Legal and General Investment Manager Quarterly Report	Fund Manager	(Pages 565 - 590)
20.	LGPS Central PE Primary Partnership 2018 LP Quarterly Report	Fund Manager	(Pages 591 - 614)
21.	LGPS Central PE Primary Partnership 2021 LP Quarterly Report	Fund Manager	(Pages 615 - 636)
22.	LGPS Central PE Primary Partnership 2023 LP Quarterly Report.	Fund Manager	(Pages 637 - 654)
23.	Patria SOF Quarterly Report	Fund Manager	(Pages 655 - 702)
24.	Ruffer Quarterly Report	Fund Manager	(Pages 703 - 708)
25.	Income KKR Global Infrastructure Investors Fourth Quarterly Report	Fund Manager	(Pages 709 - 756)
26.	Saltgate UK AVPUT	Fund Manager	(Pages 757 - 760)
27.	Stafford Timberland	Fund Manager	(Pages 761 - 888)
28.	Christofferson Robb & Company CRC Capital Release Fund Quarterly Report	Fund Manager	(Pages 889 - 968)

29.	IFM Global Infrastructure Quarterly Investor Report	Fund Manager	(Pages 969 - 1042)
30.	Infracapital Greenfield Partners LP	Fund Manager	(Pages 1043 - 1162)
31.	LaSalle Leicestershire County Council Pension Fund Quarterly Report	Fund Manager	(Pages 1163 - 1192)
32.	LGPS Central	Fund Manager	(Pages 1193 - 1286)
33.	M&G Investments Debt Opportunities Quarterly Report	Fund Manager	(Pages 1287 - 1318)
34.	Partners Group	Fund Manager	(Pages 1319 - 1388)
35.	Savilles LCCPF Valuation Report	Fund Manager	(Pages 1389 - 1404)
	Protection		
36.	Aegon Asset Management Quarterly Report	Fund Manager	(Pages 1405 - 1428)
37.	LCCPF IL and FX Update	Fund Manager	(Pages 1429 - 1440)

TO:

Leicestershire County Council

Mr. P. King CC (Chairman)
 Mr. D. Grimley CC (Vice-Chairman)
 Dr. J Bloxham CC

Mr. B. Piper CC
 Mr. M. Durrani CC

Leicester City Council

Cllr. B. Dave
 Cllr. G. Whittle

District Council Representatives

Cllr. M. Cartwright
 Cllr. R. Denney

University Representative

Mr. J. Henry

Scheme Member Representatives

Mr. V. Bechar
 Mr. N. Booth
 Mr. R. Simms

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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

Scheme Member Representatives

Mr. B. Bechar
 Mr. N. Booth
 Mr. R. Simms

Universities Representative

Mr. J. Henry

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



LOCAL PENSION COMMITTEE – 20 MARCH 2026
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
LGPS CENTRAL PRESENTATION

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update the public markets investments the Fund holds with LGPS Central (Central). A PowerPoint presentation is appended to the report, which will be delivered at the meeting by representatives from Central.

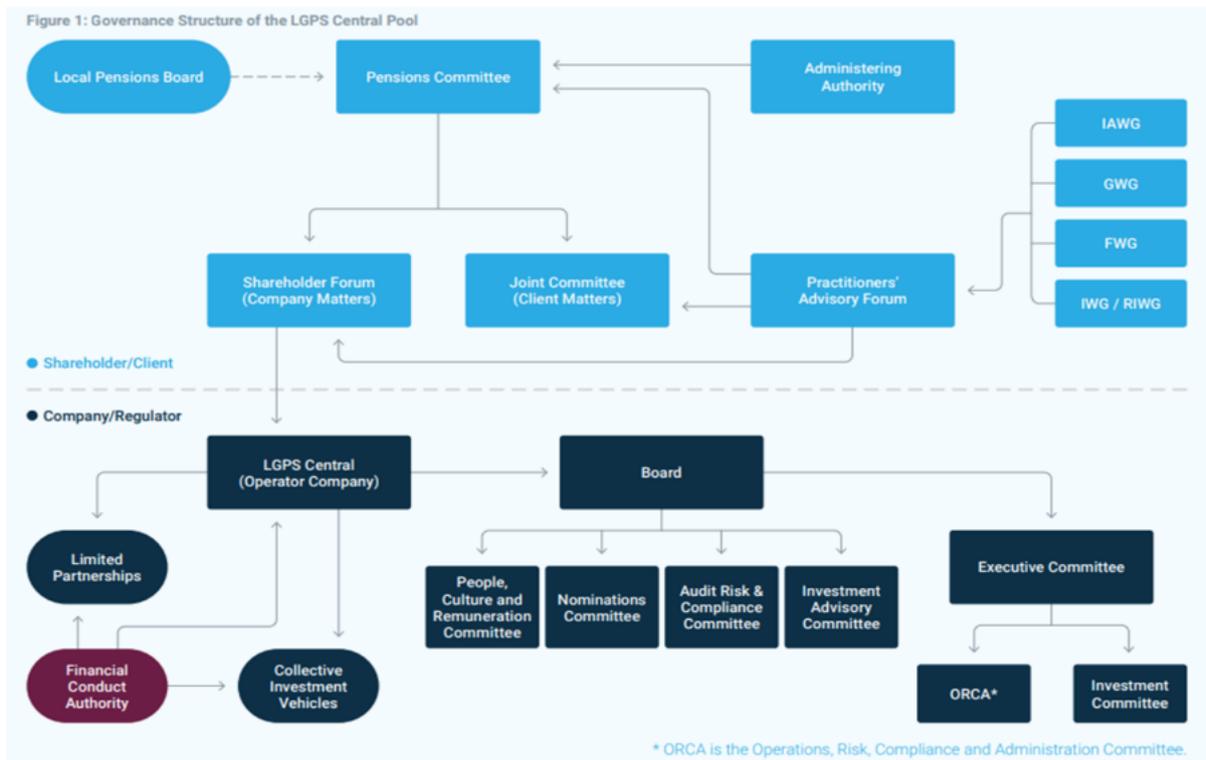
Policy Framework and Previous Decisions

2. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of Central, which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund owns Central alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. As set out in the Investment Strategy Statement (ISS) it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.
3. Central has been in operation since 1 April 2018. As of 30 September 2025, the Fund has circa £4.6bn invested in Central's investment products, around 63% of the Fund's total assets as well as over £900m in uncalled commitments which will increase its overall pooled exposure.

Background

4. Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation, as defined under the Public Service Pensions Act 2013, to administer a Pension Fund for eligible employees of all local authorities within the County boundary and also the employees of certain other scheduled and admitted bodies.

5. In accordance with Section 101 of the Local Government Act 1972 the County Council has delegated the responsibility for decisions relating to investment of the Fund's assets to the LPC.
6. In 2016 the Local Government Pension Scheme Regulations 2016 came into force. These regulations mandate that the separate LGPS funds in England and Wales combine their assets into a small number of investment pools. To meet the requirements of these regulations Leicestershire County Council, alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, Worcestershire helped develop LGPS Central Limited, which they each jointly own.
7. By leveraging the scale of the underlying partner funds Central aims to reduce costs, enhance investment returns, and expand the range of available asset classes, all for the benefit of local government pensioners, employees and employers.
8. The Fund is a stakeholder in Central from two different perspectives:
 - a. A co-owner of the company (shareholder) alongside the other owners; and,
 - b. As a recipient of investment services (client)
9. These interests are managed through the Shareholders' Forum and the Joint Committee as well as Leicestershire Pension Fund's Funding Strategy (FSS) Statement, Investment Statement Strategy (ISS) and Conflict of Interest Policy. The figure below illustrates the relationships between the various bodies.



10. In November 2024 Government initiated the 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. The focus of which was to look at how tackling 'fragmentation and inefficiency' can unlock the investment potential of the scheme, including through asset pooling and enhanced governance, while strengthening the focus on local investment. On 29 November 2024 the LPC considered key themes and initial views, and authorised the Director of Corporate Resources, following consultation with the Chairman of the LPC to prepare a detailed response.

Fit for the Future Developments

11. Since the last update in September 2025, officers, Central and partner funds have been working closely to progress the outcomes from the Fit for the Future consultation, including:
- a. All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.
 - b. A 31 March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to the Pool for management.
 - c. Local and Regional Investment - Fund's will be required to set target ranges for local investment in their ISS's and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct

due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.

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

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

13. As highlighted in September 2025, out of eight existing pools around England and Wales, support was expressed for six (including Central). The two other pools represent 21 LGPS funds who Government invited to engage with the remaining pools to determine which they wish to form a new partnership with.

14. At present the Pool is working with seven LGPS Funds wishing to join LGPS Central. Together Central will be one of the largest LGPS Pooling companies in the UK with around £100billion of assets to manage.

LGPS Central Presentation

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

- a. A Private Markets overview – summarising the investments the Fund has invested into.
- b. The four private market asset classes the Fund invests in; infrastructure, property, private credit and private equity.

Resource Implications

16. It is noted that while pooling has delivered substantial benefits so far these proposals will accelerate the transfer of assets and responsibilities to pools.

17. Officers will address potential resource implications as part of working through the outcome of the consultation and further awaited guidance to consider how this may impact Fund resources.

Recommendations

It is recommended that the Local Pension Committee note the report and presentation.

Background papers

31 January 2025 Local Pension Committee: Fit for the Future Consultation response
<https://democracy.leics.gov.uk/ieListDocuments.aspx?MIId=7986>

Equality Implications

18. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty.

Human Rights Implications

19. There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty.

Appendix

LGPS Central presentation

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

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LGPS Central Limited

Private Markets Update

Leicestershire Local Pension Committee

20 March 2026

For Professional Investors Only

Agenda



AGENDA ITEM 

Private Markets Overview

Infrastructure

Property

Private Credit

Private Equity

20

Private Markets Overview

Investment Summary



Private Markets (30 September 2025)	Total PF Commitments (£m)	Leicestershire Commitment (£m)	Closing Value 30/09/2025 (£m)	Drawn	IRR	B'mark	Target
LGPS Central UK Direct Property Fund	181	121	79	49.7%	8.9%	6.3%	6.8%
LGPS Central Core/Core Plus Infrastructure Partnership LP	1,608.5	335	151.7	49.5%	4.7%	5.4%	8.9%
LGPS Central Value Add/Opportunistic Infrastructure Partnership LP	446.5	60	6.4	24.2%	2.1%	5.5%	10.5%
LGPS Central PE Primary Partnership 2018 LP	150	10	9.1	95.3%	10.8%	12.5%	16.5%
LGPS Central PE Primary Partnership 2021 LP	365	30	14.9	47.0%	8.9%	13.9%	17.9%
LGPS Central PE Primary Partnership 2023 LP	315	80	13.7	15.8%	13.6%	12.0%	16.0%
LGPS Central PE Co-investments Partnership 2025 LP	162.5	15	n/a	n/a		Not meaningful	
LGPS Central PE Primary Partnership 2025 LP	355	65	n/a	n/a		Not meaningful	
Private Credit I Higher Return	305	60	32.7	87.8%	7.2%	12% - 14%	
Private Credit II Lower Return	1,165	240	161.9	85.6%	8.2%	6% - 8%	
Private Credit IV Real Assets	587	117	79.9	85.2%	2.4%	4.5% - 6%	
LGPS Central Private Credit Direct Lending Partnership 2024 LP	460	180	9.3	5.0%	NM	6% - 8%	
LGPS Central Private Credit Real Asset Partnership 2024 LP	197.5	100	-	-	n/a	4.5% - 6%	
Total Private Markets	6,298	1,413	558.6	-	-	-	-

22

Source: LGPS Central. Subsequent commitments have been made from Leicestershire Pension Fund which are not included in the above.

Note: 1. Denotes Direct Property Standing Investment (DPSI) total return from inception to 30 September 2025.

Past performance is not a reliable indicator of future returns.

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Infrastructure

LGPS Central Infrastructure Funds



FUNDS OVERVIEW								
Fund	Partner Fund Commitments	Sub-Commitments	% of Fund	Drawn ¹	Underlying Managers	Target	Benchmark	Performance
Core/Core Plus	£1608.5m	£1,190.2m	75%	49.5%	9 managers	8.9%	5.4%	4.7%
Value Add/Opportunistic	£446.5m	£257.1m	58%	24.2%	6 managers	10.5%	5.5%	2.1%
	£2,055.0m	£1,447.3m	70%		15 managers			

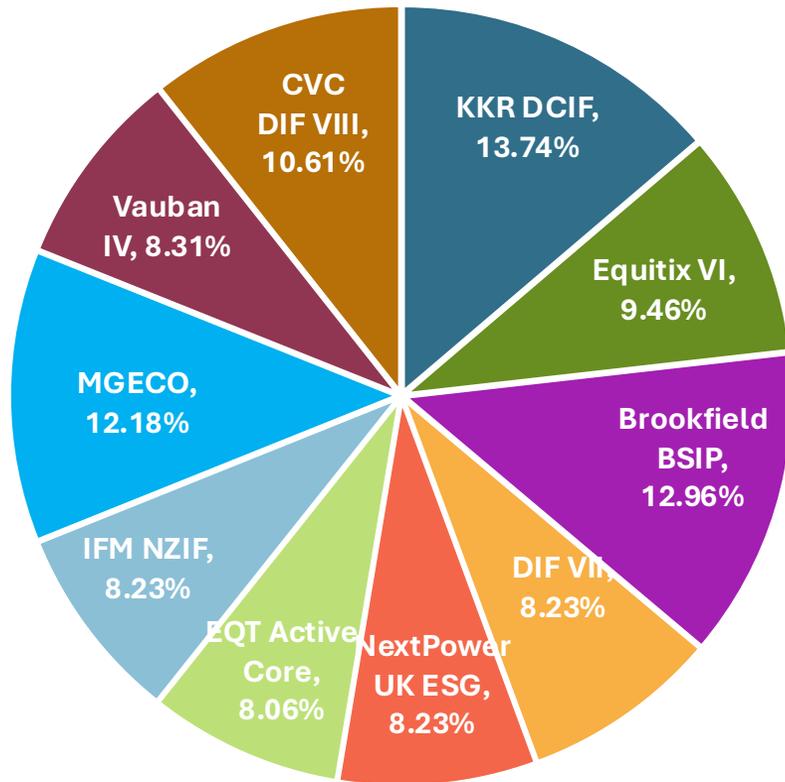
Source: LGPS Central, as of 30th September 2025. Notes: 1. Drawn refers to the percentage of sub-committed funds which have been called by the underlying managers. Past performance is not a reliable indicator of future returns.

- **Additional Commitments:** A further £385m in additional commitments were received in Q3 2025; £195m into Core/Core Plus, £95m into Value Add/Opportunistic, £25m into Single Asset and £70m into the Co-Investment Fund.
- **Core / Core Plus:** During Q3 additional commitments of £130m were made to CVC DIF VIII.

LGPS Central Infrastructure Core/Core Plus Portfolio



Infrastructure Core/Core Plus Portfolio



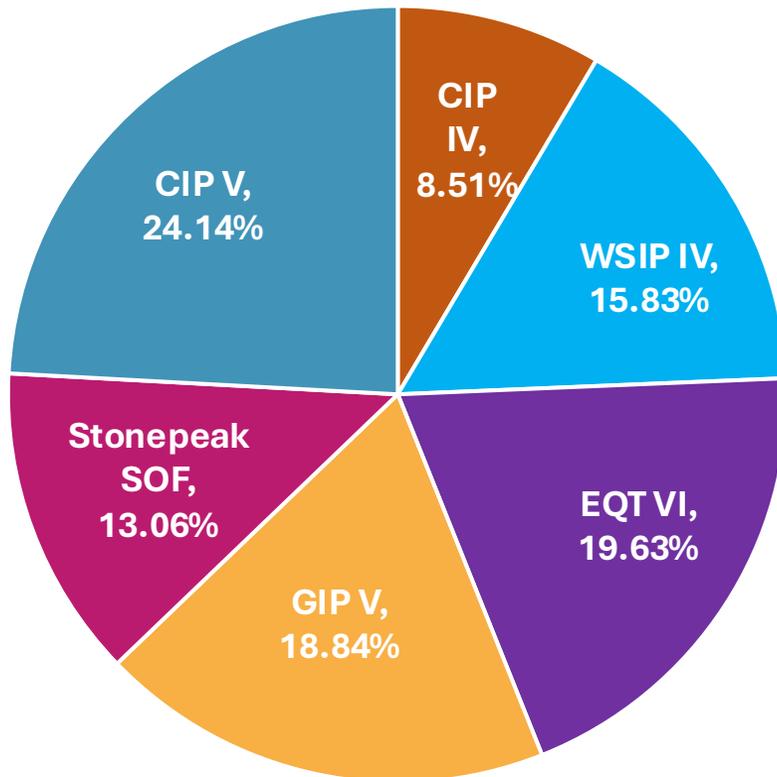
As of 30 September 2025

- Performance is broadly in line with expectations and at this stage is driven by differences in fund maturity and lifecycle stage.
- Open ended funds have been quicker at deploying capital
- Portfolio performance during Q3 2025 benefitted from net valuation changes of the underlying funds and favourable interest rate stabilisation.
- However additional deployment of capital has created a short term drag on the overall performance as investments are made.
- CVC DIF VIII, the latest investment in the Fund was completed in September 2025 and is the follow-on fund to DIF VII.

LGPS Central Value Add/Opportunistic Infrastructure Portfolio



Infrastructure Value Add/Opportunistic Portfolio



- In the US recent policy developments are expected to weaken near-term incentives for decarbonisation. Nevertheless, support remains strong for clean power sources and as these are quick to deploy and are required to support the increases in energy use driven by AI and onshoring.
- Underlying funds exhibiting stronger reported performance are generally further advanced in their investment lifecycle, with a higher proportion of assets having reached operational status and, in some cases, partial realisations having occurred.
- Reported performance continues to be impacted by J-curve effects for those funds still in the early stages of their lifecycle.
- An investment was completed into Copenhagen Infrastructure Partners V (“CIP V”) during its final close in April 2025.

As of 30 September 2025

Property

LGPS Central UK Direct Property Fund

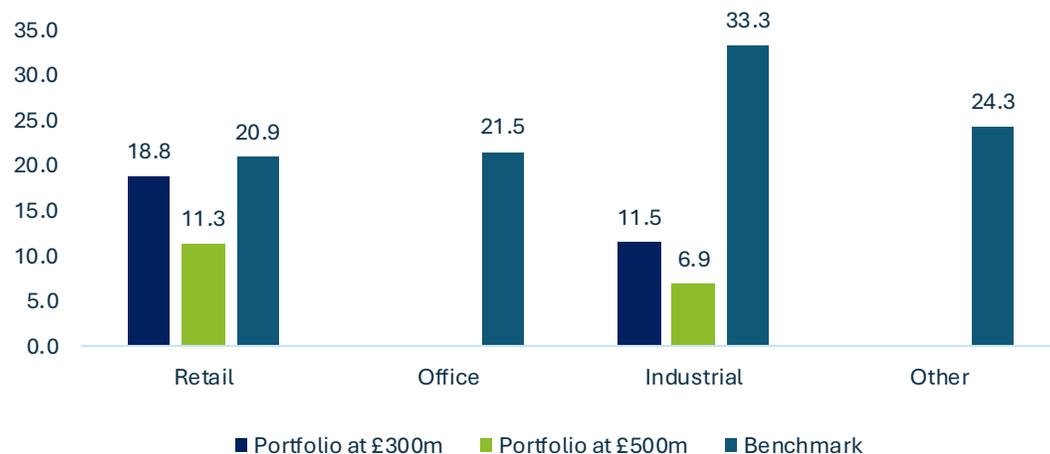
LGPS Central UK Direct Property Fund (UKDPF): Overview and Strategy



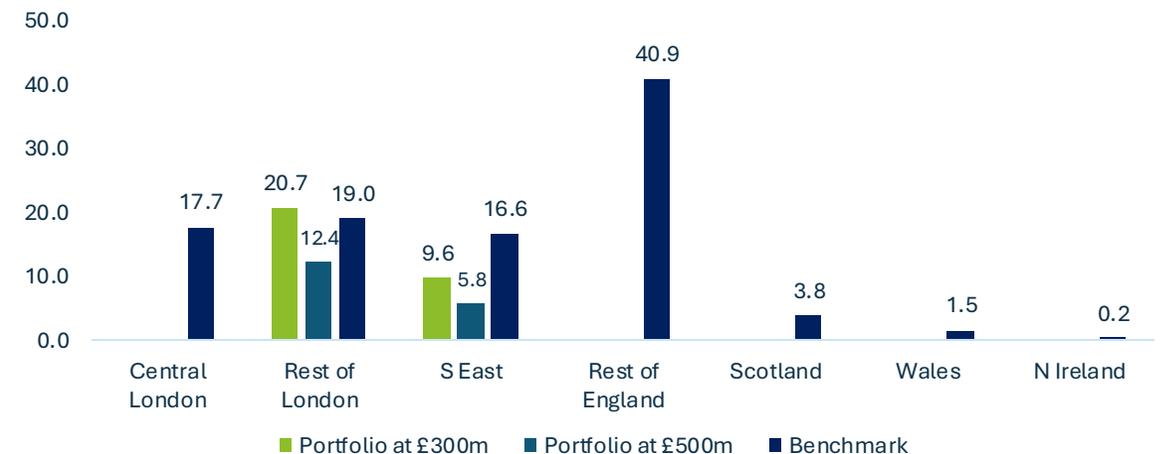
- Updated strategy approved in July 2025 Investment Committee. The strategy is to:
 - Deliver a target return of MSCI UK Quarterly Property Index + 50bps;
 - Concentrate capital in sustainable locations in dynamic urban centres with at least 50% of the Fund invested in London and the southeast and the balance in major regional centres;
 - Mitigate credit risk through a high level of tenant diversification and strong property fundamentals.

- The Fund will target investment in the lot size range of £20-£50m (with flexibility for exceptions) in the following investment styles:
 1. Defensive, such as long-let retail and leisure;
 2. Market growth, such as urban logistics;
 3. Active income, such as convenience led retail parks; and
 4. Strategic cyclical investment, such as growth and recovery in the office sector.
- Manager: LGPS Central in partnership with DTZ Investors
- LGPSC role: Approve annual strategy, approve all capital items

SECTOR (%)



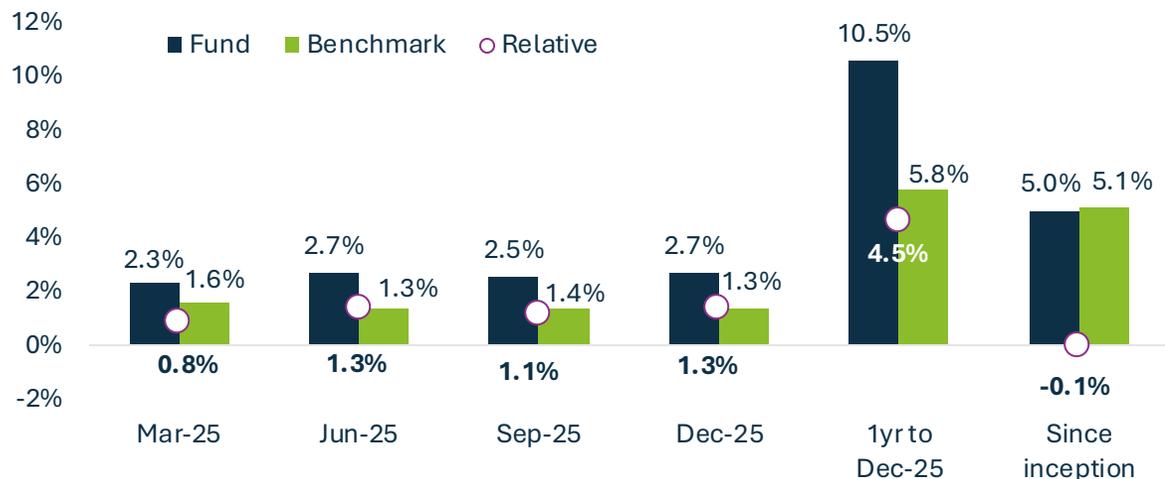
REGION (%)





LGPS Central UKDPF: Performance

ALL ASSETS PERFORMANCE



- The Fund delivered a DPSI total return of 3.6% for the quarter, outperforming the Benchmark by 210 bps.
- In the last 12 months the Fund delivered a DPSI total return of 11.5% outperforming the Benchmark by 520 bps.
- The 12 month performance places the Fund in the upper quartile of all funds in the MSCI Quarterly Universe and significantly exceeded the performance target.

PERFORMANCE

	Q1	Q2	Q3	Q4	1Y to Dec-25	Since Inception
Fund (All Assets)	2.3%	2.7%	2.5%	2.7%	10.5%	5.0%
Fund (DPSI)	2.3%	2.7%	2.5%	3.6%	11.5%	10.6%
Benchmark (DPSI)	1.6%	1.4%	1.4%	1.4%	6.0%	5.8%
Relative (DPSI)	0.7%	1.3%	1.1%	2.1%	5.2%	4.6%

Data as of 31 December 2025. Source: LGPS Central. Past performance is not a reliable indicator of future returns.



LGPS Central UKDPF: Valuation

Total Fund Characteristics	Q3 2025	Q4 2025
Fund Valuation	£79,450,000	£90,925,000
Passing Rent	£4,868,467	£5,404,942
Gross ERV	£5,251,323	£5,941,923
Net Initial Yield	5.7%	5.5%
Nominal Equivalent Yield	5.6%	5.6%
Void Rate	0.0%	0.0%
Weighted Average Unexpired Lease Term	5.1 years	5.1 years

Data as of 31 December 2025. Source: LGPS Central. Past performance is not a reliable indicator of future returns.

- Total capital invested stands at £88.9m, through the acquisition of two industrial estates and two retail parks and a high street retail asset.
- The remaining c£40m of undrawn capital in LCC's tranche is expected to be invested in H1 2026.



LGPS Central UKDPF: Acquisition of Cornmarket Street, Oxford

- Completed October 2025
- High street retail block
- Multi-let to two high quality national covenants, McDonalds and Natwest.

Asset Rationale:

- ✓ High yielding prime retail asset in Oxford, a core South East location with tight land supply.
- ✓ Medium to long WAULT of 12 yrs to expiries and 8 yrs to breaks.
- ✓ Both tenants have recently committed to the building with rents rebased to current market levels.

Purchase Price	£9.8m
Net Initial Yield	6.3%
Expected 10-year IRR	7.1%

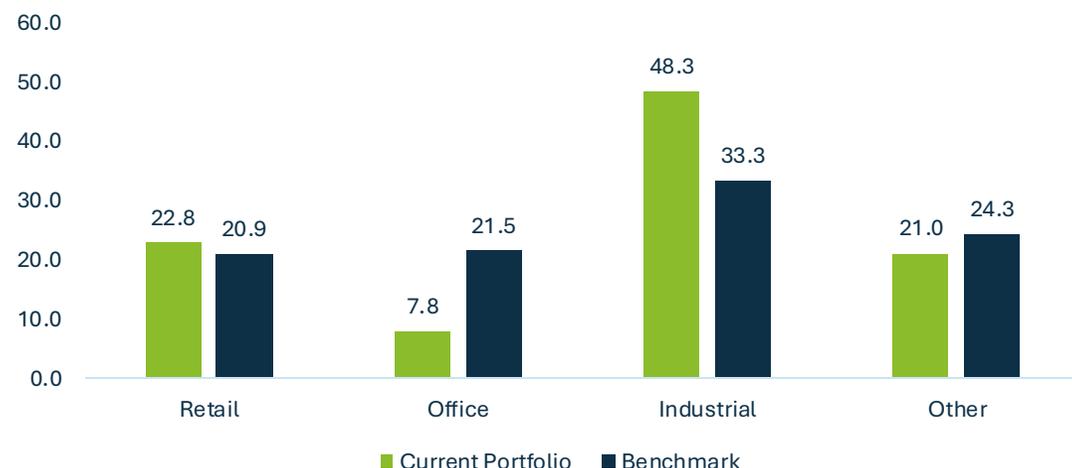




LCC Pension Fund: Overview and Strategy

- New strategy approved in July 2025. The strategy is to:
 - Care, maintain and (where appropriate) wind-down the Legacy Portfolio;
 - The Fund’s performance target is to perform in line with LGPS Central UK Direct Property Fund each year measured over rolling 3-year periods, net of all fees and expenses.
- In the next 12 months the strategic aims are to:
 - Reduce portfolio risk through mitigation of climate, obsolescence and tenure risks;
 - Manage asset underperformance or risk through selective disposals; and
 - Unlock asset potential through active asset management to enhance portfolio income.
- Manager: LGPS Central in ‘Partnership’ with DTZ Investors.
- LGPSC role: Approve annual strategy, approve all capital items.

SECTOR (%)

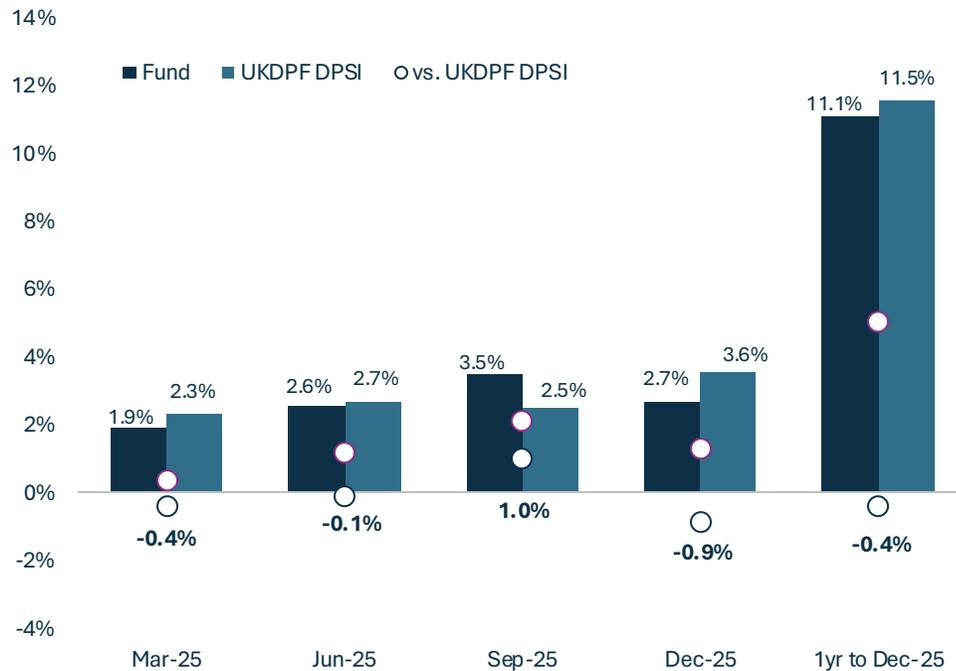


REGION (%)



LCC Pension Fund: Performance and Valuation

FUND ALL ASSETS PERFORMANCE VERSUS MSCI QUARTERLY UNIVERSE ALL ASSETS PERFORMANCE AND UKDPF DPSI



Data as of 31 December 2025. Source: LGPS Central. Past performance is not a reliable indicator of future returns.

- The Fund delivered a total return of 2.7% in Q4 2025.
- In the last 12 months the Fund delivered a total return of 11.1%.
- The 12 month performance places the Fund in the upper quartile of all funds in the MSCI Quarterly Universe.

Total Fund Characteristics	Q3 2025	Q4 2025
Fund Valuation	£88,130,000	£88,865,000
Passing Rent	£7,034,626	£6,901,616
Gross ERV	£9,221,307	£9,306,807
Net Initial Yield	7.4%	7.2%
Nominal Equivalent Yield	7.5%	7.6%
Void Rate	13.2%	14.9%
Weighted Average Unexpired Lease Term	6.9 years	6.8 years

Private Credit

Overview – Private Credit summary



Fund	Partner Funds	Sub-Commitments	% of Fund	Drawn*	Underlying Managers	Target	Performance
Credit Partnership I	£305m	£265.8m	87%	87.8%	3 managers	12-14%	7.2%
Credit Partnership II	£1,165m	£1,154m	99%	85.6%	7 managers	6-8%	8.2%
Credit Partnership IV	£587m	£580m	99%	85.2%	4 managers	4.5 - 6%	2.4%
Direct Lending 2024	£460	£90m	20%	5%	1 manager	6-8%	n.m
Real Asset 2024	£197.5m	-	-	-	-	4.5 - 6%	-

Source: LGPS Central, as of 30th September 2025. *Drawn refers to the percentage of sub-committed funds which have been called by the underlying managers

Overview – Private Credit Partnerships





Asset Class Update – Direct Lending

Middle market direct lending continues to demonstrate resilience and stability despite global and domestic uncertainties:

- **Pricing:** Spreads remain tight at the beginning of 2026 given increased dry powder, however the Direct Lending premium over the broadly syndicated loan market remains attractive.
- **Defaults & Leverage:** Despite a widely-held expectation of weakening credit ratings in recent months this has not materialised with little evidence of an uptick in default rates. Leverage levels have also remained at or around levels seen over the past 18-24 months.
- **Deal Flow:** Lending opportunities are plentiful and there is a belief that this will further be supported by a lower interest rate environment, leading to a bounce back in M&A activity as borrower confidence returns.





What Exactly Happened at Blue Owl?

- LGPS Central does not have exposure to Blue Owl or the retail part of the market.
- Blue Owl permanently restricted withdrawals at its **retail focused** private credit fund, reversing expectations that redemptions would resume. Market reaction was severe and impacted various retail funds.
- This highlighted a **structural liquidity mismatch** – semi liquid private credit vehicles sitting on inherently illiquid, long-dated loans.
- Retail capital has become increasingly important for certain funds and managers, making these types of funds more vulnerable to **sentiment-driven flows**.
- Our private credit funds are structured to match long-term assets to long-term liabilities.

Private Equity

LGPS Central Private Equity Partnerships Overview



Fund (LP)	Inception Date	Total Pooled Assets Under Management	LPF Commitment	Status	Performance Since Inception (%)	Benchmark* Since Inception (%)	Relative Vs. Benchmark (%)
LGPS Central PE Primary Partnership 2018 LP	Jan-19	£150m	£10m	Value-creation & early liquidation phase	10.8%	12.5%	(1.7%)
LGPS Central PE Primary Partnership 2021 LP	Sept-21	£365m	£30m	Investment & early value-creation phase	8.9%	13.9%	(5.0%)
LGPS Central PE Primary Partnership 2023 LP	Jan-24	£315m	£80m	Investment phase	13.6%	12.0%	1.6%
LGPS Central PE Co-investments Partnership 2025 LP	Jan-26	£162.5m	£15m	Investment phase	Not meaningful	N/A	Not meaningful
LGPS Central PE Primary Partnership 2025 LP	Jan-26	£355m	£65m	Investment phase	Not meaningful	N/A	Not meaningful

40

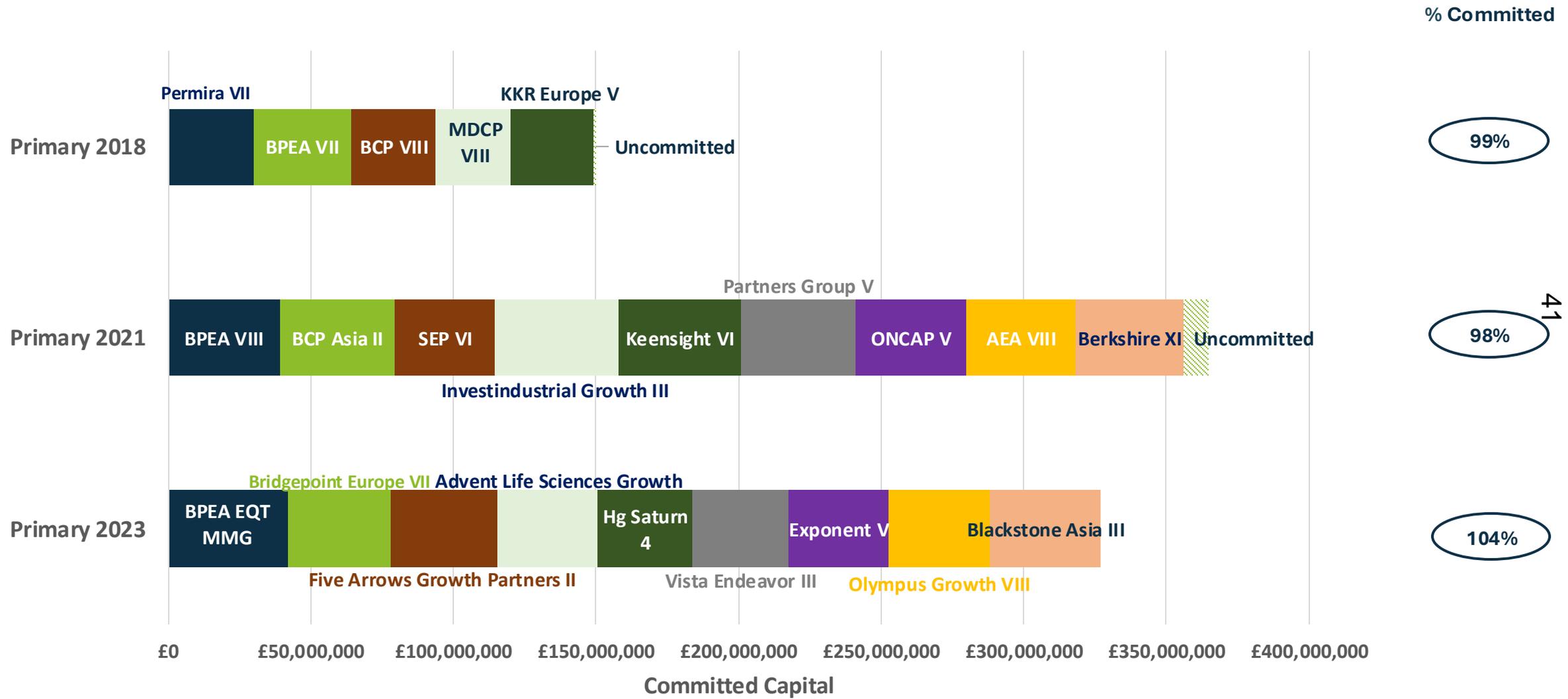
Source: LGPS Central as of 30 September 2025. Past performance is not a reliable indicator of future returns.

* FTSE All-World Index return since first drawdown date (annualised in sterling and assuming all investments were made at inception).

Note: Fund sizes for Co-Investments 2025 and Primary 2025 include subscriptions from Cheshire Pension Fund (signed but not yet closed)



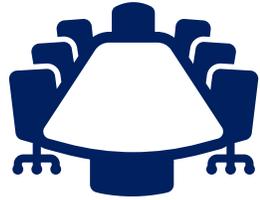
Private Equity Partnerships Committed Capital



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Private Equity 2025



First Close held for Primary and Co-investment sleeves

- Primary: £290m
- Co-investments: £147.5m



4 Investments closed

- NorthEdge IV (£35m via Primary 2025)
- Joblogic (\$18.1m via Co-investments 2025)
- Francisco Partners VIII (\$50m via Primary 2025)
- Francisco Partners Agility IV (\$20m via Primary 2025)



- 1 US buyout fund undergoing Full Due Diligence



Future Closings:

- Primary/Co-investment sleeves – next close March 2026
- Secondaries – First close TBC

Private Equity



Investment Landscape:

- Attractive vintage to deploy capital into a less competitive environment
- Risks (geopolitical, interest rates, etc.) exist but should be navigable for experienced and disciplined managers
- Deal pipeline for all primary and secondary strategies is strong and active, both globally and locally
- Tough fundraising market allows more opportunity to secure attractive terms
- Co-investment deal flow remains steady, with more observed in continuation vehicles

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Thank you **for listening**

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LOCAL PENSION COMMITTEE – 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND VALUATION – FUNDING STRATEGY STATEMENT AND RESULTS

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval of the Fund's Funding Strategy Statement (FSS).
2. The Committee is also asked to note the Fund's final valuation report that includes the Rates and Adjustments Certificate.

Background

3. Each LGPS administering authority has a statutory obligation to have an actuarial valuation carried out every three years and all Funds in England and Wales had a valuation carried out on the 31 March 2025.
4. The major purpose of the actuarial valuation is for the Fund Actuary to set employer contribution rates for a three-year period, which commence one year after the valuation date (i.e. for the period 1 April 2026 to 31 March 2029). To set these contribution rates the actuary must take account of many factors, most of which are assumptions of what may happen in the future.
5. The 31 March 2025 valuation assumptions were approved by Pensions Committee at the 27 June 2025 meeting, and these assumptions have been used in the calculation of the contribution rates for the employers.
6. In addition to the assumptions, Officers must review and update the Fund's Funding Strategy Statement (FSS). The FSS underpins the Fund policies and includes a table detailing the Fund's framework for setting contribution rates for each employer group.
7. Each fund employer received their indicative employer rates (for the period 1 April 2026 to 31 March 2029) in November 2025, alongside the draft FSS. Employers were made aware of the proposed changes to the FSS and consulted on the document. The consultation ran from mid November 2025 to the 11 January 2026. The Department for Education (DfE) was also

consulted as they provide the LGPS guarantee for Colleges and Academies.

8. Employers were reminded of the consultation at the Fund's Annual General Meeting in December 2025.

FSS Proposed Changes – Pre Consultation

9. The Fund Actuary and Officers worked collaboratively on the Fund's FSS. Officers used this opportunity to review the style, content and presentation of the FSS in response to updated guidance provided by the Scheme Advisory Board (SAB), Ministry of Housing, Communities and Local Government (MHCLG) and Chartered Institute of Public Finance and Accountancy (CIPFA).
10. The main points to note in the 2025 draft FSS are detailed below. One area is new, but most are designed to show the Fund's current approach more explicitly in the FSS. The FSS is included as Appendix A.
11. Table 2.2. The contribution rate calculation is a fundamental element of the FSS and the table at section 2.2 lists each employer group and the approach taken in the following areas; funding basis, target funding level, minimum likelihood of success, maximum time horizon, primary rate approach, secondary rate, stabilised approach, treatment of surplus, recognising covenant, phasing of contribution changes.
12. The table at 2.5 (Employer open or closed status) is a new section in the Fund's FSS introduced following requests from employers to consider closing the scheme to some new staff. These staff would be offered an alternative pension arrangement via a Subsidiary Company. The table proposes the approach the Fund will take when assessing if an employer is open or closed. Closed employers may be assessed on the low-risk methodology (table in section 2.2) and additional security requested.
13. Section 2.6 shows the approach to Alternative Investment Strategies including facilitating a buy-in or other insurance solution. The Fund does not allow these due to the increased cost of administration, and this is now explicit in the FSS.
14. Section 2.8 covers the approach to reviewing Contributions Between Valuations. The circumstances under which the Fund will consider an early review of employer contributions are detailed in Appendix H Section 3.1. This has always been the Fund approach but is now explicit in the FSS.
15. Section 2.11 details the Administering Authority Discretion. Officers recognise individual employers may be affected by circumstances not easily managed within the FSS and therefore will consider funding approaches on a case-by-case basis. Flexibility to employer contributions may be considered if appropriate security is added (for example the Universities). This has always been the Fund approach but is now explicit in the FSS.

16. The Fund charges employers for actuarial work carried out for the employer. The Fund has always adopted this approach, but this is now explicitly mentioned at various points within the FSS.
17. Section 7.1 covers cessation events. The Fund's approach to cessations has not changed, but with discretion, a cessation valuation may be deferred for up to three years in specific circumstances (known as a suspension notice). The Fund has only adopted this approach for Town and Parish Councils due to their small size with sometimes only one active member of staff. This is now explicit in the FSS.
18. Section 7.6 covers partial cessations which is where an employer seeks to cease responsibilities for a certain element of its liabilities. In general, the Fund does not allow employer partial cessations as the ongoing pension risk then falls on remaining Fund employers. However, the Fund reserves the right to review this policy in exceptional circumstances. This has always been the Fund approach, but this is now explicit in the FSS.
19. Appendix D – Risk and Controls. Section D6 Employer covenant assessment and monitoring. The table has been updated to reflect the level of risk for each employer group at the 2025 valuation.
20. Appendix D – Section D7 Climate risk and TCFD reporting. The section has been amended to reflect the Fund's approach at the 2025 valuation.
21. Appendix E – Actuarial assumptions. This has been updated to reflect the assumptions at the 2025 valuation and for the new 'corridor' approach to exit calculations as discussed at Committee on 30th January 2026 (see further details in the report). The final changes have been incorporated into the final FSS.
22. Appendix I – Cessation Policies Section 3. The Fund may consider withholding any surplus where an employer has chosen to exit the Fund prematurely. The cessation exit basis is detailed in Table 3.1. The low-risk basis is used for all cessations, other than transferee admission bodies, however the Fund may adopt the low-risk basis where deliberate design has been taken to bring about a cessation event. This has always been the Fund approach, but this is now explicit in the FSS
23. In February 2026 Government published proposed changes to tackle the historic gender pensions gap (GPG). This will become a new Government requirement so in preparation the FSS includes a new section on GPG reporting.

Corridor Approach

24. As detailed in the Cessation Corridor Approach Report presented to Committee on the 30 January 2026, the Fund proposed to introduce a

corridor approach for cessations, designed to protect the Fund and remaining employers when an employer exits the scheme.

25. This is a recommended change by the Fund Actuary and is already in place in other Local Government Pension Funds.
26. The Fund proposes to move away from calculating cessations with a fixed 90% likelihood (of the assets achieving at least this rate of return) and replace with an upper and lower prudence level to provide a 'corridor' of certainty for employers approaching exit.
27. Officers propose 85% likelihood as the lower level, and 95% likelihood as the upper level. This means that an exiting employer would only pay a debt to the Fund if there was a deficit on the 85% lower level, while an exit credit would only be payable if a surplus existed on the 95% upper level.
28. Officers feel 85% and 95% are reasonable and present fairness to the Fund and employers. This is designed to provide greater scope for an employer to not be in deficit at the 85% lower level (rather than 90%) but also to protect the Fund and other employers by increasing the upper level to 95% (rather than 90%), when an exit credit payment may be payable.
29. The lower and upper levels would be fixed at 85% and 95% likelihood, until the cessation policy is reviewed in the future, however the discount rate under each level would change as markets change.
30. The cessation corridor at 31 March 2025 would range from a discount rate of approximately 5.3% pa (85% lower level) to 3.4% pa (95% upper level).
31. This range (at 31 March 2025) is approximately a 2% per annum difference in the discount rate - which is equivalent to a change in liability values of around 30%. This helps reduce the volatility of cessation valuations and provides more certainty to employers when planning for future cessation events.
32. Officers propose to review the 85% to 95% levels at each triennial valuation period, or sooner if considered necessary (e.g. in response to a rapid change in the economic environment or a change in Regulations).

Consultation Replies

33. All the Fund employers and the Department for Education (DfE) were invited to comment on the Fund's draft Funding Strategy Statement (FSS).
34. Employers were reminded throughout the consultation period, and it was also discussed at the Fund AGM in December 2025.
35. At the time of writing, 84 out of 205 employers (41%) replied to the consultation - which is viewed as a very successful response rate and is a

significant increase in employer engagement from previous valuations. At the 2022 valuation there was a small number of replies and all related to a wider general understanding of the document. No employers made suggested changes to the 2022 FSS.

36. To help collect high-level view on the 2025 FSS content and accessibility, the Fund carried out a survey of employers who responded. These employer replies are shown in the table below (and summarised in Appendix 1 of the report Appendix B).

- Question 1 = The FSS is clear and concise, it uses plain English and avoids acronyms, where possible
- Question 2 = The FSS is informative, and I have sufficient time to prepare a response within the FSS consultation period
- Question 3 = I have been provided with sufficient detail about the policies adopted within or alongside the FSS, such as policies on employer exits
- Question 4 = I understand what the next steps in the process will be and how the outcome of the consultation will be communicated

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Question 1	10%	66%	24%	0%	0%
Question 2	13%	58%	28%	1%	0%
Question 3	12%	63%	23%	2%	0%
Question 4	10%	72%	16%	2%	0%

37. Several employers and the DfE also replied formally with further comments, and the main themes are incorporated below. The Fund only needs to consider the replies received and does not have to make changes to the FSS. However, some changes are proposed following the replies received.

38. There are no changes to any of the Fund assumptions approved by Committee in June 2025.

FSS Consultation Themes

39. The following is a summary of the themes within the consultation responses. Officers have provided a single Fund response to the consultation replies contained in Appendix B.

3% of pay cap on the secondary rate.

40. Employers in the Education Sectors raised concerns, formally and informally, that the negative 3% cap on the secondary rate is too prudent,

effectively distributing the surplus over a longer period than the time horizon outlines in the draft FSS.

41. However, the selection of the 3% cap was not based on explicit modelling output and was more a principles-led decision given the competing funding objectives the Fund is seeking to balance – with the 3% effectively being an extension of the stabilisation policy and parameters. After review, Officers and the Fund Actuary retain the view the 3% cap is fair and reasonable for the 2025 valuation. This approach to setting the cap on reductions to secondary rates in this valuation cycle is aimed at balancing efficiency (reflecting the improved funding position) with stability and prudence, recognising the long-term nature of the Fund and the need for intergenerational fairness between current and future employers and members. It is intended to reduce the risk of contribution volatility between valuations, to avoid the Fund moving from surplus to deficit if market conditions or experience diverge from assumptions, and to support longer-term cost efficiency by smoothing changes in contribution requirements.
42. Officers recognise that the Fund's improved funding position and associated surplus will naturally prompt questions about the speed at which contribution reductions should be implemented. The Fund's funding position is sensitive to future investment returns and economic conditions. In particular, the improved funding position is driven in part by the higher expected rate of return at the 2025 valuation (6.1% per year), compared to 4.4% in the 2022 valuation. If investment returns or other experience are materially worse than assumed, releasing surplus too quickly through large immediate contribution reductions increases the risk that deficits re-emerge at a future valuation, requiring sharper contribution increases.

Minimum likelihood of success

43. The draft FSS proposes a more prudent minimum likelihood of success from 75% at the 2022 valuation, to 80% at the 2025 valuation, for all employers. However, employers in the University Sector were considered higher risk, so their minimum likelihood of success level was set between 80% and 85%.
44. The minimum likelihood of success level between 80% to 85% was questioned by the Fund's two Universities as part of the consultation responses. Following constructive and positive engagement with these employers, Fund Officers and University colleagues worked with an independent third-party covenant specialist firm, to assess the risk to the Fund.
45. Following the outcome of the independent reviews, both Universities have been reassessed with a lower likelihood of success than originally considered (but not lower than 80%). An annual review of the Universities funding position, to support ongoing covenant assessment, will take place.

Mid-Valuation Employer Requests for Rate Reviews

46. The Funds FSS – Appendix H sets out the Fund’s approach to reviewing contribution rates between triennial valuations.
47. Officers will consider requests on a case-by-case basis referring to relevant Regulations or guidance, seek actuarial and legal advice, and the Fund’s FSS. Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

Pension Board Comments

48. The draft FSS was considered by the Leicestershire Pension Board on the 4 February 2026.
49. The Pension Board Chair supported the 3% cap on the secondary rate, noting it will be kept under review in future. The Vice Chair was happy for the 3% cap to be put forward to Committee but requested information to help provide confidence in whether it was “too prudent or not”, understanding stability and efficiency are a fine balance. If modelling of different rates was available Committee would benefit from having those to consider, noting some employers have put forward differing opinions or feedback.
50. Quantitative and qualitative factors are considered when setting employer rates and help guide and support the decision to use a 3% cap. The full response to the Board is included in Appendix C.

Investment Strategy

51. Officers have taken the decision to continue to utilise a single investment strategy to provide a consistent investment approach for all employers – as opposed to facilitating multiple investment strategies to accommodate bespoke employer risk management solutions. If multiple investment strategies are adopted, then administration and oversight costs of the investment strategy would increase significantly alongside reporting and overall complexity.
52. Protection assets may provide lower volatility; however, this is not guaranteed as recent experience has demonstrated. The Fund has over time reduced exposure to traditionally more risky assets (listed equities target is 41% of total assets) as funding levels have improved. Officers feel a single, well-considered investment strategy provides the right balance of cost, complexity, returns and risk

Governance Audit Trail

53. To evidence effective decision making and governance throughout the valuation, the Fund has maintained a governance audit trail. This documents the key decisions and decision-makers that have affected valuation outcomes.
54. Throughout the valuation, key decisions have been brought to Committee to discuss and approve – such as setting assumptions, funding strategy and contribution rates. The valuation governance audit trail acts as a summary of these formal decisions, provides transparency of the process to oversight bodies (and other scrutineers) and helps the Fund to demonstrate best practice. A summary of the 2025 valuation governance audit trail is contained in Appendix D.
55. The Sections highlighted in green in Appendix D relate to the final stages of the valuation process in March 2026.

Fund's Valuation Report – Includes the Rates and Adjustments Certificate

56. The conclusion of the Fund's 2025 valuation is the Fund's Valuation Report, including the Rates and Adjustments (R&A) Certificate. This details all the Fund's employers and their final employer contribution rates that are payable from April 2026 to March 2029. This is included as Appendix E.
57. The average primary and secondary contribution rates at 2022 and 2025 valuations are shown below.

	2022 (average)	2025 (average)	Difference (average)
Primary – new benefits	23.1%	16.7%	(6.4%)
Secondary – past service	4.1%	3%	(1.1%)

58. Employer groups 2025 average valuation rates (primary, secondary and total) are shown in the following table. The 2022 averages are also shown for comparison.

Employer Group	2025 Primary (average)	2025 Secondary (average)	2025 Total (average)	2022 Primary (average)	2022 Secondary (average)	2022 Total (average)
Stabilised	16.6%	7.3%	23.9%	22.9%	7%	29.9%
Colleges	16.9%	(3%)	13.9%	24.5%	0%	24.5%
Universities	16.7%	(3%)	13.7%	23.9%	1.2%	25.1%
Academies	17.1%	(1.4%)	15.7%	23.6%	1.5%	25.1%

Resolution Bodies (Town and Parish Councils)	18%	(1.7%)	16.3%	24.3%	(0.9%)	23.4%
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59. The stabilised employer rates are higher due to the Fund's stabilisation mechanism. The approach graduates increase in rates when funding levels have been lower, and graduates decreases when funding is higher. This approach has been used for several valuations.
60. At the 14 March 2025 meeting, Pension Committee approved the full 6% reduction was applied from April 2026 to give a greater immediate financial benefit, rather than being stepped over three years. This was included in the report to Committee in September 2025.
61. Admission bodies generally have a nil total rate due to their period in the scheme being linked to the commercial contract and their strong funding position.
62. In addition to the R&A, the report also includes appendices on climate and the new proposed requirement for gender pension gap reporting.
63. It is important to note, approval of the FSS is mandatory as it provides the methodology and detail, used in the Fund's valuation report and calculation of the employer rates.
64. The Fund Actuary has an independent statutory responsibility to sign the Fund's 2025 valuation report by the 31 March 2026, setting employer rates from 1 April 2026 to 31 March 2029. The Fund is also required by statute to update its FSS so that it reflects current CIPFA guidance (issued in January 2025).
65. In the event that the FSS is not approved, the Fund Actuary would still produce its independent valuation report. This would be a qualified report stating that the new contribution rates are based on an updated FSS that has yet to be approved by the Fund but has been subject to consultation with employers. This explicit qualification would be required as the Fund Actuary must carry out a valuation with regard to the Fund's FSS (under Regulation 62(6)(c)).
66. Failure to approve the updated FSS may constitute a breach of the LGPS Regulations. Officers, in line with the Fund's breaches policy and The Pensions Regulator guidance, would assess whether it is likely to be of material significance and, if so, must report it to the regulator. The Fund would also feel obliged to report the breach to MHCLG as the Responsible Authority for the LGPS. The lack of approval would attract scrutiny from other external oversight bodies (SAB, GAD and MHCLG). In particular, GAD undertakes a national "section 13" benchmarking exercise of valuation results across all funds and would be likely to flag the Fund (due to having a

qualified report) for further investigation and the governance failure. This could lead to MHCLG using its powers of intervention and direction reserved to them under Section 13 of the Public Services Pension Act 2013.

67. Officers appreciate the significant Fund surplus at the 2025 valuation has raised questions and challenges from employers. Officers understand approval of the FSS does not constitute all employers agreeing with all underlying methodology and assumptions. As part of Committee's fiduciary duty, Committee is being asked to approve the FSS as the Fund's statutory funding framework for the valuation cycle; employer concerns can continue to be managed through the mechanisms set out in the FSS (e.g., reviews between valuations) without undermining the statutory timetable.

Timeline

68. The final stages of the valuation timeline are set out below:

Date	Topic	Stakeholder
March 2026	Finalise FSS	Committee
April 2026 to March 2029	Employer rates to be implemented	Fund employers

Recommendation

69. It is recommended that the Committee approves the Fund's Funding Strategy Statement, coming into force from 1 April 2026.

70. It is recommended that the Committee notes the Fund's 2025 Valuation Report.

Equality and Human Rights Implications

71. 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

72. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance

both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendix

Appendix A – Fund's Funding Strategy Statement (FSS) – April 2026

Appendix B – Fund's FSS Consultation Summary

Appendix C – Fund's response to Pension Board – February 2026

Appendix D – Governance Audit Trail

Appendix E – Fund Valuation Report 2025

Background Papers

Local Pension Committee 30 January 2026 – Cessation Corridor Approach
<https://democracy.leics.gov.uk/documents/s194294/Report%20FSS%20Cessation%20Corridor%20Approach%20January%202026.pdf>

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Leicestershire County Council Pension Fund
Funding Strategy Statement
April 2026

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

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

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

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

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

1.1 What is the Leicestershire County Council Pension Fund?

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

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

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

1.3 Who is the FSS for?

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

Different types of employers participate in the Fund:

Scheduled bodies

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

Designating employers (otherwise known as Resolution bodies)

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

Admission bodies

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

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

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

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

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

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

1.5 How often is the Funding Strategy Statement reviewed?

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

Amendments to the FSS may be in the following circumstances:

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

In undertaking such reviews, the Administering Authority should consider:

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

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

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

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

1.6 Links to Administration Strategy

The Fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the Fund. A copy of this is available www.leicspensionfund.co.uk/about-fund/governance/fund-policies

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

1.7 Actuarial valuation report

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

PART A – Key Funding Principles

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

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

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

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

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

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

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

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

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

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

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

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

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

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs ¹
	Local authorities, police, fire	Universities	Academies and Colleges	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 3	Tier 2	Tier 3	Tier 3	Tier 1
Funding basis²	Ongoing	Ongoing	Ongoing	Ongoing	Low-risk	Ongoing
Target funding level³	120%	120%	120%	120%	120%	100%
Minimum likelihood of success	80%	80-85% ⁴	80%	80%	90%	80%
Maximum time horizon⁵	17 years	17 years	17 years	17 years	17 years	Same as the letting employer
Primary rate approach⁶	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay					
Secondary rate	The difference between the total contribution rate payable (determined as per 2,1) and the primary rate.					
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: Reductions may be permitted by the Administering Authority - see section 2.3 below				
Recognising covenant	Stabilisation parameters	Adjust likelihood of success – can be at employer level				
Phasing of contribution changes	Covered by stabilisation arrangement	Up to 3 years				None
Approach to cessation calculations	The Fund's approach to cessation calculations is set out in Section 3.1 of Appendix I					

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

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

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

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

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

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

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

2.3 Target funding level and contribution reductions

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

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

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

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

2.4 Making contribution rates stable

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

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

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

Current stabilisation approach

Type of employer	Local authorities, police & fire.
Maximum contribution increase per year	+2% of pay
Maximum contribution decrease per year	-2% of pay

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

2.5 Employer open or closed status

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

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

2.6 Links to investment strategy

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

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset

returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

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

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

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

Asset class	Allocation
Global Equities (hedged)	12.5%
Global Equities (unhedged)	28.5%
Private Equity	7.5%
Infrastructure Equity (unlisted)	12.5%
Property	7.5%
Diversified Growth Fund (low Beta)	5.0%
Multi Asset Credit (sub investment grade)	5.5%
A Credit (4-year maturity)	4.6%
Fixed Interest Gilts (14-year maturity)	0.9%
Index Linked Gilts (24-year maturity)	3.5%
Asset Backed Securities	0.8%
Private Lending	9.5%
Emerging Market Debt (local)	0.9%
Cash	0.8%
Total	100%

2.7 Does the funding strategy reflect the investment strategy?

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

2.8 Reviewing contributions between valuations

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

2.9 What is pooling?

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

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

2.10 What are the current contribution pools?

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

2.11 Administering Authority discretion

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

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

2.12 Prepayment of contributions

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

Employer contributions

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

Employee contributions

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

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

2.12 Non cash funding

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

2.13 Managing surpluses and deficits

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

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

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

3 What additional contributions may be payable?

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

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

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

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

3.2 Pension costs – early retirement on ill-health grounds

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

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

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

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

In the event of an ill health early retirement:

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

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

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

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

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

4.2 How are employer liabilities calculated?

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

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

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

4.3 What is a funding level?

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

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

PART B – Employer Events

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

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

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

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

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

5.2 New academies

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

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

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

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

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

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

The Fund's full policy on academy participation is detailed in [Appendix G](#)

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer

for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

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

Passthrough admissions

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

Non-passthrough admission

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

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

5.4 Other new employers

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

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

5.5 Risk assessment for new admission bodies

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

This must cover some or all of the:

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

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

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

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

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

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

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

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

7.2 What happens on cessation?

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

- (a) Where there is no guarantor, cessation liabilities will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk basis used for cessation calculations is defined in [Appendix E](#).
- (b) Where there is a guarantor, the nature of the guarantee will be considered before the cessation valuation and the cessation may be calculated using the same basis for ongoing funding, depending on the circumstances of the employer's exit. The ongoing basis is defined in [Appendix E](#).

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

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

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

The Fund's cessation policy is detailed in [Appendix I](#)

7.3 How do employers repay cessation debts?

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

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

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

7.4 What if an employer has no active members?

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

- a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis at the formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis at the formal valuation.

7.5 What happens if there is a surplus?

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

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

The exit credit policy is set out within [section 3.3 of the Fund's cessation policy in Appendix I](#)

7.6 Partial cessations

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

8 What are the statutory reporting requirements?

8.1 Reporting regulations

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

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

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

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

or

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

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

8.3 Long-term cost efficiency

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

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

Relative factors include:

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

Absolute factors include:

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

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

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

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a funding strategy statement?

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

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

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

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

A2 Consultation

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

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

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

A3 How is the FSS published?

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

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

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

You can see Fund documentation at <https://www.leicspensionfund.co.uk/about-fund/governance/fund-policies>

Appendix B – Roles and responsibilities

B1 The Administering Authority are required to:

- 1 operate a pension Fund
- 2 collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations
- 3 have an escalation process in situations where employers fail to meet their obligations
- 4 pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations
- 5 invest surplus monies in accordance with the relevant regulations
- 6 ensure that cash is available to meet liabilities as and when they fall due
- 7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- 8 take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
- 9 manage the valuation process in consultation with the Fund's Actuary
- 10 prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties
- 11 monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- 12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
- 13 effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
- 14 enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
- 15 support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

- 1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
- 2 provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- 3 pay all ongoing contributions, including employer contributions determined by the Actuary and set out in the rates and adjustments certificate, promptly by the due date
- 4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

- 5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
- 6 notify the Administering Authority promptly of all changes to active membership that affect future funding
- 7 Pay any exit payments on ceasing participation in the Fund timely provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 The Fund Actuary should:

- 1 prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions set by the Administering Authority and having regard to the FSS and the LGPS Regulations
- 2 provide advice so the Fund can set the necessary assumptions for the valuation
- 3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
- 4 provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the Fund
- 5 provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
- 6 assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
- 7 ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
- 8 Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

B4 Local Pension Boards (LPB):

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

1. Assist with the development and review the FSS
2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
3. Assist with the development of and review communications in relation to the FSS.

B5 Employer guarantors

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

B6 Other parties:

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
- 3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the Administering Authority on processes and working methods
- 5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Administering Authority's own procedures
- 6 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements.

Appendix C – Glossary

Actuarial certificates

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

Actuarial valuation

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

Administering Authority (referred to as ‘the Fund’)

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

Admission agreement

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

Assumptions

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

Code of Practice

The Pensions Regulator’s General Code of Practice.

Debt spreading arrangement

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

Deferred debt agreement

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

Employer covenant

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

Funding level

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

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

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

Local Pension Board

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

Non-statutory guidance

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

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension committee

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

Pensions Administration Strategy

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

Primary and secondary employer contributions

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

Rates and adjustments certificate

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

Scheme Manager

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

Appendix D – Risks and controls

D1 Managing risks

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

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

<https://www.leicspensionfund.co.uk/about-fund/governance/local-pension-committee>

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

D2 Financial risks

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

Risk**Control**

Orphaned employers create added Fund costs.

Seek a cessation debt (or security/guarantor).
Spread added costs among employers.

D3 Demographic risks**Risk****Control**

Pensioners live longer, increasing Fund costs.

Set mortality assumptions with allowances for future increases in life expectancy.

Use the Fund Actuary's experience and access to over 50 LGPS Funds to identify changes in life expectancy that might affect the longevity assumptions early.

As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.

Monitor at each valuation, consider seeking monetary amounts rather than % of pay.

Consider alternative investment strategies.

Deteriorating patterns of early retirements

Charge employers the extra cost of non ill-health retirements following each individual decision.

Monitor employer ill-health retirement experience, with optional insurance.

Reductions in payroll cause insufficient deficit recovery payments.

Buy-out employers in the stabilisation mechanism to permit contribution increases.

Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

D4 Regulatory risks**Risk****Control**

Changes to national pension requirements or HMRC rules.

Consider all Government consultation papers and comment where appropriate.

Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known.

Build preferred solutions into valuations as required.

Time, cost or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis

Take advice from the Actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS Funds leads to impacts on funding or investment strategies.

Consider all Government consultation papers and comment where appropriate.

Take advice from the Fund Actuary and amend strategy.

D5 Governance risks

Risk

Control

The Administering Authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.

The Administering Authority develops a close relationship with employing bodies and communicates required standards.

The Actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations

Deficit contributions may be expressed as monetary amounts.

Actuarial or investment advice is not sought/ heeded, or proves to be insufficient in some way

The Administering Authority maintains close contact with its advisers.

Advice is delivered through formal meetings and recorded appropriately.

Actuarial advice is subject to professional requirements like peer review.

The Administering Authority fails to commission the Actuary to carry out a termination valuation for an admission body leaving the Fund.

The Administering Authority requires employers with Best Value contractors to inform it of changes.

CABs' memberships are monitored and steps are taken if active membership decreases.

An employer ceases to exist with insufficient funding or bonds.

It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by:

Seeking a funding guarantee from another scheme employer, or external body.

Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

Vetting prospective employers before admission.

Requiring a bond to protect the Fund, where permitted.

Requiring a guarantor for new CABs.

Regularly reviewing bond or guarantor arrangements.

Reviewing contributions well ahead of cessation.

Risk**Control**

An employer ceases to exist, so an exit credit is payable.

The Administering Authority regularly monitors admission bodies coming up to cessation.

The Administering Authority invests in liquid assets so that exit credits can be paid.

D6 Employer covenant assessment and monitoring

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

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

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

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

D7 Climate risk

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

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

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

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

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

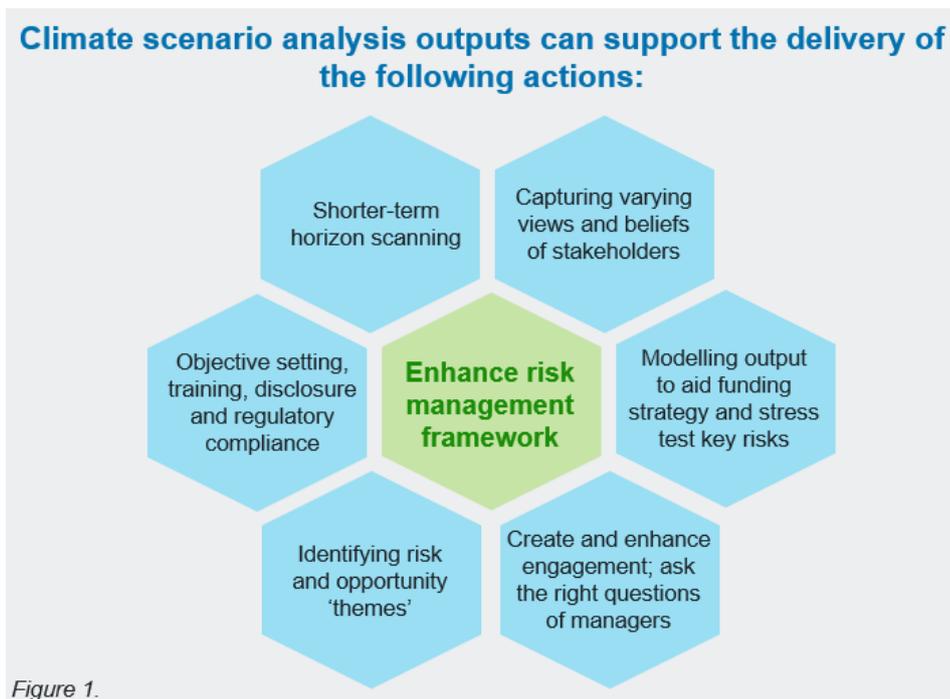
This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the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

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled

2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

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



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

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

Information is available on the Pension Fund's website.

<https://www.leicspensionfund.co.uk/investments>

D8 Gender Pension Gap reporting

The government published its consultation "Local Government Pension Scheme in England and Wales: Access and Fairness" in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 9).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme funds account return (SF3) categorisation.

Appendix E – Actuarial assumptions

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

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

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

E1 What are actuarial assumptions?

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

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

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

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

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

E2 What funding bases are operated by the Fund?

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

E3 What financial assumptions are used by the fund?

Discount rate

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

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

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

The average annual level of future investment return that can be achieved on the Fund's assets over a 17-year period with a 80% likelihood.

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

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

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

Cessation basis	Prudence level
Low-risk (lower limit)	85%
Low-risk (upper limit)	95%

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

CPI inflation

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

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

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 17-year period with a 50% likelihood

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

Salary growth

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

E4 Further detail on the calculation of financial assumptions

The discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's proprietary economic scenario generator; the *Economic Scenario Service* (or ESS).

The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

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

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

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

E5 What demographic assumptions were used?

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

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

Life expectancy

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

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

Other Demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at death. For example, at age 65 this is assumed to be 55% for males and 54% for females. Dependant of a male is assumed to be 3.5 years younger than him. Dependant of a female is assumed to be 0.6 years older than her.
Commutation	70% of maximum under HMRC limits.

50:50 option

0% of members will elect to change scheme.

Males

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

Females

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

Appendix F – Passthrough policy

Policy on passthrough

1 Introduction

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

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

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

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

1.1 Aims and objectives

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

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

1.2 Background

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

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

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

1.3 Guidance and regulatory framework

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

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

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

2 Statement of principles

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

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

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

3 Policy and process

3.1 Compliance

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

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

3.2 Contribution rates

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

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

3.3 Risk sharing and cessation valuation

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

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

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

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

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

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

3.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

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

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

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

3.5 Application

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

3.6 Process

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

- **Tender Notification** - The letting authority must publicise this passthrough policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains and the cost of benefit augmentations (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.
- **Template admission agreement** – a template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Post commercial contract** – Once the admission agreement has been signed, the winning bidder is then able to enter the Fund. NB, the letting authority must ensure that the commercial contract is also signed.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

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

3.7 Costs

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

4 Related Policies

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

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

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

Appendix G – Academies policy

1 Introduction

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

1.1 Aims and Objectives

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

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

1.2 Background

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

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

1.3 Guidance and regulatory framework

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

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

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

2 Statement of Principles

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

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

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

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

Contribution rate

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

3.2 Multi-academy trusts

Asset tracking

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

Contribution rate

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

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

Academies leaving a MAT

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

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

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

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

3.3 Merging of MATs (contribution rates)

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

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

3.4 Cessations of academies and multi-academy trusts

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

The cessation treatment will depend on the circumstances:

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

3.5 Academy consolidations

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

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

3.6 Outsourcing

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

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

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

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

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

3.7 Accounting

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

4 Related Policies

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

- Contribution policy
- Cessation policy

Appendix H – Contribution reviews

Policy on contribution reviews

1 Introduction

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

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

1.1 Aims and objectives

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

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

1.2 Background

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

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

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

1.3 Guidance and regulatory framework

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

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

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

2 Statement of principles

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

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

3 Policy

3.1 Circumstances for review

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

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

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

3.2 Employer requests

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

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

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

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

3.3 Other employers

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

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

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

3.4 Effect of market volatility

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

3.5 Documentation

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

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

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

4 Related Policies

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

Appendix I – Cessation policy

Policy on cessations

1 Introduction

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

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

1.1 Aims and Objectives

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

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

1.2 Background

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

1.3 Guidance and regulatory framework

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

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

- (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
 - b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
 - a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
 - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
 - c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
 - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

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

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

These regulations relate to all employers in the Fund.

2 Statement of Principles

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

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

3 Policies

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

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

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

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

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

3.1 Approach to cessation calculations

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

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

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

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

Cessation of academies and multi-academy trusts (MATs)

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

The cessation treatment will depend on the circumstances:

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

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

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

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

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

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

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

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

Deferred debt agreement (DDA)

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

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

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

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

The Administering Authority will normally require:

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

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

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

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

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

3.3 Exit credits

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

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

- a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

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

Admitted bodies

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

- iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/letting authority and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.
- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.
- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

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

- ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- iv. The final decision will be made by the pension manager, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

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

4 Practicalities and process

4.1 Responsibilities of ceasing employers

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

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

4.2 Responsibilities of Administering Authority

The administering authority will:

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

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.3 Responsibilities of the actuary

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

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

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

The approach taken to set the actuarial assumptions for cessation valuations is set out in [Appendix D](#) of the FSS.

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Draft Funding Strategy Statement Consultation Summary

This paper is addressed to Leicestershire County Council, in its capacity as Administering Authority of the Leicestershire County Council Pension Fund (“the Fund”). It has been prepared for the purpose of providing a summary of the consultation on the Fund’s draft Funding Strategy Statement (“the FSS”) which forms part of the stakeholder engagement at the 2025 triennial funding valuation (“the valuation”).

This paper has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Funding Strategy Statement (FSS)

Under LGPS Regulations, all funds have a statutory obligation to produce an FSS. It is a key document for the Fund, in two ways:

- 1 *The inputs it requires:* the Fund’s officers and Pensions Committee need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.
- 2 *The outputs it gives:* the finalised FSS itself should be a clear and transparent reference point for the Fund’s stakeholders, to set out how the Fund manages funding risks and provide proof that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the framework within which to carry out the triennial valuation to set employer contributions. The FSS also outlines how the funding strategy fits in with the investment strategy.

The current FSS was approved by the Pensions Committee at the 2022 valuation and is published on the Fund’s website [here](#).

2025 FSS review

In January 2025, updated [guidance](#) for preparing and maintain a FSS was published by the Ministry of Housing, Communities and Local Government (“MHCLG”), the Scheme Advisory Board’s (“SAB”s’) Compliance and Reporting Committee and the Chartered Institute of Public Finance and Accountancy (“CIPFA”). The updated guidance replaces 2016 guidance produced by CIPFA.

The FSS and policy documents at the 2022 valuation were broadly in line with the new FSS guidance requirements and therefore no fundamental changes have been made to the structure or content of the FSS as part of this review for the 2025 valuation. However, a full review of the Fund’s FSS has been carried out, with minor changes made to ensure the document is fully compliant with the updated FSS guidance and key principles document.

The Fund has also reviewed its policies and funding strategy at the 2025 valuation, and the most significant changes include:

1. Review of funding assumptions

The Fund Actuary has reviewed the funding assumptions as part of the 2025 valuation. These have been updated to reflect emerging experience and market conditions as at 31 March 2025. All assumptions are 'best estimate' except for the discount rate assumption which includes a margin of prudence required by the LGPS Regulations.

The Fund Actuary models 5,000 simulations of possible future economic outcomes to set robust funding plans at whole fund level and for each individual employer. At the 2025 valuation, the Fund has adopted a prudence level of 80% (previously 75% at the 2022 valuation) for 'ongoing' funding to reflect the increased uncertainty and volatility in markets, and this change was agreed by Pensions Committee in November 2024 (and formally approved in June 2025). This means that the Fund assumes a level of investment return (discount rate) that is achieved in 80% of the simulations of the future. The Fund believes this strikes an appropriate balance between managing longer-term risk and shorter-term affordability for employers in the current environment.

2. Review of contribution rate calculations

Section 2 of the draft FSS sets out the approach to setting employer contribution rates. The approach is largely unchanged from 2022, with the following notable exceptions:

- **Minimum likelihood of success** (in Table 1) - updated to 80% to align with the agreed prudence level at 2025.
- **Treatment of surplus** (also in Table 1) - the Fund's has removed its preference to keep contribution rates at a minimum of the Primary Rate. This recognises the strong funding position of employers at the 2025 valuation and that contribution rate reductions via negative Secondary Rate contributions may be permitted.
- **Contribution floor** (section 2.3) – the Fund now allow employers to pay up to a maximum of 3% of pay less than the Primary Rate. This policy aims to support the key funding objectives of long-term stability and inter-generational fairness, while also providing shorter term contribution relief for employers.
- **Cessation (low-risk) assumptions** (Appendix E3) – the Fund proposes to adopt a 'corridor' approach to cessations assumptions to provide more certainty for employers approaching exit. A further policy on this change was approved at Pension Committee in January 2026.

3. Review of additional policy documents

To help employers navigate the FSS, the Fund has set out specific policies in the following areas (and these are included as [appendices to the FSS](#)):

- Academies policy
- Cessation policy
- Contribution reviews policy
- Pass-through policy

Each policy document has been reviewed at 2025 to reflect the new guidance and any technical or regulatory changes; however, the content of each policy remains largely unchanged from 2022.

Employers were encouraged to read any of the additional policies that may impact their participation in the Fund (eg academies and MATs should read the academies policy).

2025 FSS consultation

The draft FSS and policies were agreed by Pension Committee in September 2025 and put out for consultation from November 2025. The consultation went out to all Fund employers and the Department for Education (“DfE”).

The recently updated FSS guidance sets out best practice principles that funds should follow and encourages funds to consider the effectiveness of the of the FSS consultation. To help meet these expectations, the Fund has actively sought out engagement from all stakeholders using an employer engagement portal hosted by the Fund Actuary. Employers have been encouraged to provide feedback on the consultation process, the FSS accessibility, and to provide any further questions or comments on the content within the draft FSS.

From the responses received via the engagement portal, most employers found the FSS to be helpful and with sufficient detail and time to prepare a response (see appendix for a summary of responses to this accessibility survey). The Fund has engaged with employers (and other stakeholders) where specific comments (and questions) on the content of the Fund’s FSS have been raised (see appendix for a summary of these questions and the Fund’s responses).

Next steps

The FSS consultation period closed in January 2026.

All comments received during the consultation are considered by Fund Officers before preparing the final 2025 valuation FSS for sign off (which will then take effect from 1 April 2026). The final FSS provides the framework (until the next review date), for all employers participating in the Fund including new employers joining and employers exiting the Fund over this period.

The Pension Committee will be asked to approve the final version of the FSS at its March 2026 meeting.

The next full review of the FSS is due to take place as part of the 2028 formal funding valuation, however ad-hoc revisions to the FSS and policies are possible, with any material changes needing formal approval by Pension Committee.

Tom Hoare FFA C.Act

For and on behalf of Hymans Robertson LLP

Appendix 1 – Survey on the FSS accessibility and consultation process

The Fund shared the draft FSS with all employers and requested that they all access an Employer Engagement Portal (hosted by the Fund Actuary) to share their views on the FSS, ensuring the fund has facilitated and can document an effective FSS consultation.

At the time of writing, 41% of the employers who were issued employer results (and invited to respond to the consultation) have responded via the Portal. The Fund views this as a very successful response rate and is a significant increase in employer engagement from previous valuations.

Employers were surveyed on the accessibility of the FSS document and the consultation process to ensure this has been effective (or otherwise). A summary of these responses is below:

1. Employer responses via the portal

<i>Employer responders</i>	41%
<i>Non responders</i>	59%

2. The FSS is clear and concise, it uses plain English and avoids acronyms, where possible

<i>Strongly agree</i>	10%
<i>Agree</i>	66%
<i>Neither agree or disagree</i>	24%
<i>Disagree</i>	0%
<i>Strongly disagree</i>	0%

3. The FSS is informative and I have sufficient time to prepare a response within the FSS consultation period

<i>Strongly agree</i>	13%
<i>Agree</i>	58%
<i>Neither agree or disagree</i>	28%
<i>Disagree</i>	1%
<i>Strongly disagree</i>	0%

4. I have been provided with sufficient detail about the policies adopted within or alongside the FSS, such as policies on employer exits

<i>Strongly agree</i>	12%
<i>Agree</i>	63%
<i>Neither agree or disagree</i>	23%
<i>Disagree</i>	2%
<i>Strongly disagree</i>	0%

5. I understand what the next steps in the process will be and how the outcome of the consultation will be communicated

<i>Strongly agree</i>	10%
<i>Agree</i>	72%
<i>Neither agree or disagree</i>	16%
<i>Disagree</i>	2%
<i>Strongly disagree</i>	0%

Appendix 2 – Employer questions and comments on the FSS

Within the Employer Engagement Portal, employers were asked to provide any specific questions or comments on the draft FSS. From the employers who responded, there was a significant number of positive comments – noting that the information has been helpful and that employers are satisfied with the process and the outcomes.

Where employers provided questions or challenges, these broadly fell into the following categories:

- **Contribution strategy, including modelling approach & parameters:** how the fund has calculated employer contribution rates.
- **Surplus management:** how the fund is managing employer surpluses via contribution rates (and policies).
- **Policies:** questions on specific funding policies, either contained within the core FSS document or the additional policy appendices.
- **Other funding factors:** other questions or comments on valuation outcomes, not specifically related to aspects of the FSS.

A summary of the main themes of these questions / comments (including some additional questions we have observed raised by stakeholders across the LGPS in general), and the Fund's general view in response to these are below.

Contribution strategy, including modelling approach & parameters

Primary rate calculation

Primary rates are too prudent.

Response: The Primary contribution rate has been calculated based on the approach and parameters set out in Section 2, and the assumptions set out in Appendix E of the Fund's FSS.

Primary Rates reflect the estimated cost of future accrual based on the Fund's funding strategy (ie the agreed approach, assumptions and the level of prudence) and aim to balance the need to protect the Fund from future risks with affordability and stability for employers.

For further context of the assumptions, the funding position is predicated on future investment returns of 6.1% pa compared to 4.4% pa in the previous valuation.

Modelling approach

The modelling approach is not transparent and is leading to overly cautious rates.

Response: As set out above, the assumptions used to calculate the contribution rates are set out in Appendix E of the FSS. The actuary uses a risk-based (stochastic) model which projects the employer's expected benefits payments over the next 17 years under 5,000 different simulations. Further detail on the modelling approach is available in Hymans Robertson's [LGPS Valuations Toolkit 2025](#).

The Fund strongly favours a stochastic approach to setting contribution rates as we feel this is a truer reflection of the risks over a future funding period, particularly given long-term open nature of the LGPS.

Contribution setting factors - Minimum likelihood of success ('prudence')

Rationale for increased prudence level

Response: Regulations set out a requirement for the Fund to set prudent assumptions for valuing pension benefits to support the aims of solvency, stability and to ultimately protect member benefits. 'Prudence' is not clearly defined anywhere in the Regulations or supporting guidance, however it is generally accepted that funds should aim to strike a balance of not being too prudent or imprudent. The level of prudence adopted at any point in time reflects several factors, including each fund's risk appetite and the prevailing funding and economic environment.

It is the Fund's view that there are increased uncertainties around inflation, future investment returns and wider risks at the 2025 valuation. Given the wider economic environment, coupled with the current funding position, the Fund has taken the view to increase prudence to a minimum of 80% (from 75% in 2022) to support longer-term stability and cost efficiency.

Also note, exit valuations are typically carried out using assumptions that have an equivalent 85%-95% prudence level attached, meaning the Fund's ongoing funding basis is lower.

The level of prudence has been approved by the pension committee as part of the over-arching governance of the valuation process and will remain under review at future valuations. In the future, given different economic or funding conditions, it may be appropriate to reduce prudence to continue to support the Fund's aims of affordable, stable contributions for employers.

Contribution setting factors – target funding level

Greater than 100% meaning employers are not benefiting fully from the surplus position.

Response: where an employer is in deficit, the Fund continues to target 100% funding – which has not changed from previous valuations. Where an employer is currently more than 100% funded, the Fund seeks to minimise the risk of future contribution increases by retaining some of the surplus as a buffer to protect the employers from future market volatility and provide more stable contributions over multiple valuations.

Surplus management

Contribution floor

Application of a contribution 'floor' means that the surplus is not being returned quick enough to employers

Response: The FSS sets out the Fund's approach to allow Employers to pay up to a contribution rate less than the Primary Rate (up to a maximum of 3% of pay less). This decision has been taken to support the aims of stability and inter-generational fairness and applies to open employers, ie those that will continue to admit employee into the scheme for many years to come.

The Fund has key funding objectives (set out in Section 1.2 of the FSS), which largely mirror the those set out in the Regulations. To enable the Fund to continue to meet these objectives over multiple valuation cycles, the Fund takes a long-term view and must also consider qualitative factors (in addition to the contribution rate modelling factors) to arrive at the final funding plans for employers. These factors include the Fund's stabilisation policy, consideration of the long-term cost of benefits (ie the Primary Rate) and employer long-term affordability, ie the difficulty of increasing employer rates in the future (which the Fund seeks to avoid to the benefit of all stakeholders).

To strike a balance of these funding objectives and qualitative factors, the Fund anchors employer rates to the Primary Rate, with some reduction below this Primary Rate being permitted in recognition of the current strong funding positions and to help with shorter term employer affordability.

This approach helps meet longer-term cost efficiency, intergenerational fairness and stability – as set out in the Regulations (noting this is a common approach adopted throughout the LGPS).

The Fund aims to return some surplus to employers but is cautious about reducing contributions too low (or too quickly) and the risk that employers then need to increase contributions again in the future if market expectations revert, or there is an unexpected crash in asset values.

The application of qualitative factors, such as those set out above, requires a degree of judgement (balancing the interests of all stakeholders). However, the Fund is comfortable that this decision is striking a fair balance of the competing funding objectives at this valuation given the current funding and economic environment and the need for a longer-term strategy to the benefit of employers.

The contribution floor will remain under review at future valuations (as part of the wider ongoing funding strategy review). However, the Fund's long-term strategy will remain unchanged, ie to meet the key long-term objectives set out in Section 1.2 of the FSS and in the Regulations by striking the appropriate balance of risk management versus employer affordability.

Recovery / surplus return periods

The implied surplus return periods are too long and application of a contribution floor and/or higher funding target means that surplus return period is longer than the stated time horizon.

Response: The time horizon is the period over which the Fund is aiming to ensure that each employer meets its funding target (ie is at least fully funded) and is an input to the contribution modelling. When setting funding plans for employers, the Fund must also consider wider qualitative factors (such as those set out under 'contribution floor'), meaning the resulting contributions may imply a longer (or shorter) time period.

Contributions - stabilisation

Contribution rates are not returning surplus quickly enough.

Response: The use of stabilisation parameters for employers (which limits increases/decreases in contribution rates to $\pm 2\%$ of pay pa) is based on our aim to reduce contribution volatility and support long-term planning for employers. This approach is consistent with the Fund's broader funding strategy and risk management objectives, and this policy has been supported by employers throughout multiple valuations.

Policies

Early retirement strains

Employers should be allowed to offset the current strong funding position against any future early retirement strain costs (which are currently required to paid in full when they occur, regales of the current funding position).

Response: The Fund will not consider offsetting early retirement strains against the funding position as this is an employer choice and such an action could create moral hazard.

However, where there is an early retirement strain on ill health grounds, the Fund may consider whether this can be offset against any funding surplus in certain circumstances.

Contribution rate reviews

The policy does not offer enough flexibility to appropriately deal with employer surpluses.

Response: The Fund's policy on inter-valuation reviews has been written to reflect the Regulations and associated SAB guidance on employer flexibilities. The content of this policy is standard, and no further restrictions have been added following review at the 2025 valuation.

Asset allocation for converting academies

Initial funding levels of academies upon conversion are capped at 100% (even when the local authority is in significant surplus).

Response: On conversion from LEA status, assets of no more than the fully funded (100%) value of the transferring liabilities are transferred to the Academy/MAT. When the local authority is in surplus, this ensures that any surplus in respect of the transferring liabilities is retained by the local authority. This is appropriate because the local authority is responsible for meeting the deferred and pensioners obligations of former staff of the transferring school. This provides protection to the local authority from adverse market conditions that may arise and worsen the funding position (specifically, in respect of the legacy deferred and pensioner obligations).

This is a common approach applied across the LGPS, and it is in line with principles that generally apply when determining asset shares in other situations (eg bulk transfers of membership in or out of the scheme or between LGPS funds).

Exit valuations (assumptions)

The assumptions used for employer exits are too prudent as these are more prudent than a low-risk measure (eg gilts) or an insurance buy-out basis.

Response: The Fund favours a risk-based approach to setting assumptions, as opposed to using a low-risk market measure such as gilt yields or insurance pricing. The Fund is not invested solely in gilts (and cannot buy-out liabilities) and therefore it is more appropriate to set assumptions based on the Fund's actual portfolio of investments and an agreed risk level.

To help employers have greater certainty of costs as they approach exit, the Fund adopts a 'corridor' approach to cessation valuations. A debt is only payable if a deficit exists on the 85% prudence level – noting these assumptions are generally more favourable to the employers than a gilts-based cessation valuation. Please note, the initial draft FSS stated a lower limit of 90%, however this has been relaxed to 85% and agreed with Pension Committee in January 2026.

Where an employer is in surplus on the 95% prudence level, an exit credit may be payable.

Having a corridor of certainty allows employers to plan more effectively for exiting the scheme and are less exposed to sudden market fluctuations prior to exit.

At the previous valuation, the Fund adopted a single prudence level of 90% for all exit valuations. The new corridor approach should provide greater protection for exiting employers and the 85% / 95% limits to the 'corridor' have been set to be equitable for employers (relative to the previous 90% single target).

Other funding factors

Post valuation experience

The funding position of employers has likely improved significantly since the valuation date due to market movements, and this should be reflected in the contribution rates.

Response: The Fund has experienced strong investment performance since 31 March 2025; however, we consider this to be simply a consequence of general market movements over that time. Market performance and fluctuations is not an appropriate factor to consider as 'post valuation experience'. This is also true had investment performance been poor over this period. The impact of this experience (if it holds in the future) will be reflected in the funding positions (and future contribution rate considerations) as part of the 2028 valuation.

Furthermore, as set out in the Fund's contribution review policy and associated SAB guidance, changes in market conditions is not an appropriate trigger for an inter-valuation contribution rate review under Regulation 64, and should not be taken into account where a contribution review has otherwise been triggered.

Contributions being paid in 2025/26

Employer contributions being paid in 2025/26 are higher than now required and employers should benefit from this overpayment with a reduction / offset to their new contribution rates.

Response: Contribution rates are set every 3 years at the formal valuation (on 31 March) and take effect from 1 April the following year. Given the time that the valuation takes to complete, there is a necessary 1-year lag in the contribution rates. Employer rates that are paid during the valuation year represent the final year of the rates certified at the previous valuation and therefore no adjustment takes place.

This approach would be the same had contribution rates been increasing or decreasing at the 2025 valuation and is therefore fair to all employers. The impact of these contributions (paid during 2025/26) will be reflected in the funding positions (and future contribution rate considerations) as part of the 2028 valuation.

Peer comparison of employer contribution rates

Contribution rates being paid by similar employers in this fund or in other funds are lower. Other similar employers have received greater reductions in contribution rates.

Response: Peer comparison with other employers in the Fund, or indeed across other LGPS funds, should be avoided. Comparing contribution outcomes can be misleading and does not mean that any employers are paying 'too much' or indeed 'too little' relative to another. The funding strategy (and contribution rate) for each employer in the Fund reflects its own unique circumstances - including the funding position, demographic profile and employer covenant. Similarly, contribution outcomes across different LGPS funds will vary, reflecting various funding and investment strategy decisions, local circumstances, and risk appetite.

Each employer is responsible for funding the benefits of their own employees (past and future), so employers paying more now are likely to pay less in the future, and vice versa (all else being equal).

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Fund Response to Pension Board – February 2026

Following the Local Pension Board meeting on 4 February, further information is now provided for the Board on why Officers and the Fund Actuary feel the 3% cap on the secondary rate should remain.

The Board's comments and the information below, will be included in the report to be taken to Committee in March 2026, where approval of the final FSS will be recommended, alongside the final valuation details.

The draft FSS was included with the Board report but is attached again for completeness.

FSS – surplus management

- The draft funding strategy statement sets out the Fund's approach to managing surpluses in sections 2.2 and 2.3.
- Table 2.3 sets out the Fund's approach to allow Employers to pay up to a contribution rate less than the Primary Rate (up to a maximum of 3% of pay less)
- This decision has been taken to support the aims of stability and inter-generational fairness and applies to open employers, i.e. those that will continue to admit employee into the scheme for many years to come.

Setting contribution rates – quantitative and qualitative factors

- When setting funding strategy, the Fund considers quantitative factors that can be explicitly modelled to set a contribution rates, such as the level of prudence / likelihood of success and the target funding level.
- These factors aim to provide the necessary prudence, as required by the regulations, and to protect members and employers from future volatility.
- However, the Fund must also consider qualitative factors in addition to the raw modelling results to help meet its longer-term funding objectives.
- The Fund has key funding objectives set out in Section 1.2 of the FSS, which largely mirror the those set out in the Regulations.
- These objectives focus on solvency, long-term cost efficiency, intergenerational fairness and stability (and affordability) of employer contributions – noting there is a difficult balance to be struck to achieve all at once.
- To enable the Fund to continue to meet these objectives over multiple valuation cycles, the Fund takes a long-term view and overlays qualitative factors to arrive at the final funding strategy for employers.
- These factors include the Fund's stabilisation policy - which has been in place for many valuations now and has protected Councils against shorter term market volatility to provide stable rates through good times and bad.
- Other qualitative factors that are relevant at each valuation include consideration of the long-term cost of benefits (i.e. the Primary Rate) and employer long-term affordability, i.e. the difficulty of increasing employer rates in the future (which the fund seeks to avoid).
- To strike a balance of the various funding objectives and qualitative factors, the Fund has decided to anchor rates to the Primary Rate to help meet longer-term cost efficiency, intergenerational fairness and stability – as set out in the Regulations (noting this is a common approach by many other LGPS funds for the same reasons).

3% of pay lower than Primary Rate

- In recognition of the need for shorter term contribution relief for employers, and the current strong funding positions, the Fund has allowed employers to pay up to 3% of pay less than the Primary Rate – effectively using up some of the current surplus.

- The Fund has decided on 3% as the cap, as this is related to the Fund stabilisation policy – which aims to limit increases / decreases to a maximum of 1% of pay pa, or a total of 3% of pay over a valuation cycle (noting this has been widened to 2% of pay in recent years in response to funding circumstances, but will likely to revert back to 1% of pay in the future).
- Furthermore, the Fund has set Council rates using the agreed stabilisation policy, which currently allows 2% of pay pa changes, up to a maximum of 6% of pay reduction over the 3-year period.
- There is an expectation (from DfE and other wider stakeholders) at this valuation to see equitable funding treatment between academies (and colleges) and Councils. In recognition of this point, the Fund has allowed all academies and colleges to reduce rates by at least 6% of pay.
- Furthermore, the Fund has accepted that these employers did not benefit from the protection afforded by stabilisation when in deficit, so the Fund has allowed these employers to benefit from even greater reductions at the 2025 valuation – up to a maximum of 3% of pay less than the Primary Rate.
- The resulting contributions have reduced by up to 16% of pay in some cases – which is a significant reduction and significantly greater than expected across other LGPS funds.
- In addition to these reductions, the Fund has allowed this reduction to take place immediately, as opposed to phasing the reduction in gradually over 3 years - in recognition of current pressures on employers and the strong funding position.
- Conversely, in the past, any increases in contributions have generally been phased to support employer affordability.

Summary

- The current strong funding position has materialised very quickly due to changes in markets expectations for higher future investment returns (in line with rising interest rates).
- However, any employer ‘surplus’ is strictly notional, and is predicated on achieving a level of future returns that is not guaranteed.
- The Fund is keen to return some surplus to employers but is cautious about reducing contributions too low and the risk that employers then need to increase contributions again in the future if market expectations revert, or there is an unexpected crash in asset values.
- The application of qualitative factors, such as those set out above, will always be a subjective decision and therefore open to challenge and scrutiny. However, the Fund is comfortable that this decision is striking a fair balance of the competing funding objectives at this valuation given the current funding and economic environment and the need for a longer-term strategy to the benefit of employers.
- The 3% cap will remain under review at future valuations (as part of the wider ongoing funding strategy review), and if circumstances permit this could be relaxed further. However, the Fund’s long-term strategy will remain unchanged, i.e. to meet the objectives set out in Section 1.2 of the FSS and in the Regulations by striking the appropriate balance of risk management versus employer affordability.

Regards, Ian

Ian Howe

Pensions Manager

Leicestershire County Council

2025 Valuation - Governance Audit Trail

This paper is addressed to Leicestershire County Council, in its capacity as Administering Authority of the Leicestershire County Council Pension Fund (“the Fund”). It has been prepared for the purpose of providing an audit trail of the Fund’s governance process and key decisions taken throughout the 2025 triennial funding valuation (“the valuation”).

This paper has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Overview

Under LGPS Regulations, all funds have a statutory obligation to carry out a formal valuation every 3 years. The Regulations set out the responsibilities of the Administering Authority to obtain the following:

- An actuarial valuation report setting out the assets and liabilities of the Fund, including
- A Rates and Adjustments Certificate setting out the contribution rates payable by all participating employers in the Fund for the next 3 years.

To complete the formal valuation, the Administering Authority undertakes actuarial advice to review assumptions and funding strategy with key decisions being taken to the Pension Fund Committee (PFC) for approval.

Throughout the valuation, the Fund engages with various stakeholders including the PFC, Local Pensions Board and Employers, which includes a formal consultation period on funding strategy and outcomes.

To ensure a robust governance process has been followed, and in line with best practice, the Fund has maintained a governance audit trail throughout the valuation to document key decisions (and decision-makers) that have affected funding strategy and outcomes. This paper summarises the audit trail – the Fund also holds a full decisions log for future reference and audit.

2025 governance process

The triennial actuarial valuation is a significant exercise carried out by the Fund. A high-level audit trail is set out below. This is split into two areas – section A covering the key funding strategy decisions and section B covering stakeholder engagement.

Section A: Funding strategy

1. Review of funding strategy (major employers)

The Fund currently operates a stabilisation policy for precepting employers (Local Authorities, Police and Fire) which restricts increase/decreases in contribution rates to +/-2% of pay p.a. The Fund carried out a review of the funding strategy for these employers (as set out in a paper entitled ‘2025 valuation funding review’, dated 19 February 2025). The ALM analysis carried out by the Fund Actuary reviewed the longer-term strategy (measured by likelihood of success), short-term risks (such as the risk of contributions having to increase at the next valuation, known as the ‘Risk of Regret’) and various stress tests (such as the impact of higher inflation, or lower returns on growth assets, on outcomes). The funding strategy also considered the importance of qualitative factors such as inter-generational fairness, the long-term cost of the scheme and the existing stabilisation policy.

Key decisions or outcomes:

- The outcomes were discussed at the PFC's meeting on 14 March 2025, and it was agreed that the employers would benefit from the maximum reduction permitted under the existing stabilisation approach. This is 2% of pay p.a. over the 3-year period.
- It was also agreed to permit the 6% of pay immediate reduction in year 1, ie front loading the contribution rate reductions scheduled to take place over the following 3-year period.

2. Review of assumptions

The Fund Actuary reviewed the funding assumptions as part of the valuation (as set out in a paper entitled 'Advice on assumptions', dated 28 April 2025). All assumptions are the Fund Actuary's 'best estimate' except for:

- a) the discount rate assumption which includes a margin of prudence required by the LGPS Regulations.
- b) the CPI inflation assumption which includes an inflation risk premium allowance of 0.2% pa.

Based on the analysis and wider factors, the Fund officers considered an appropriate prudence level to reflect the current funding and economic environment.

Key decisions or outcomes:

- The Fund adopted a prudence level of 80% (previously 75% at the 2022 valuation) for 'ongoing' funding to reflect the increased uncertainty and volatility in markets. This change was provisionally agreed by the PFC on 27 June 2025. The PFC formally agreed to the change in prudence level on 29 November 2024. The Fund believes this strikes an appropriate balance between managing longer-term risk and shorter-term affordability for employers in the current environment.
- The Fund elected to retain an inflation risk premium (IRP) of 0.2% above the best estimate CPI inflation assumption from Hymans' ESS model (consistent with the IRP adopted at the previous valuation).
- All other assumptions were adopted in line with the Fund Actuary's best estimate assumptions set out in the analysis.

3. Review of funding strategy (all other employers)

To set contributions for all other employers, the Fund Actuary carried out risk-based contribution rate modelling to project each employer's asset share over a range of future economic scenarios. The contribution rate depends on the following factors:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

The Fund (with advice from the Fund Actuary) carried out a review of the funding strategy for the other employers to assess appropriate factors for setting contributions to be paid over the next 3 years (as set out in a paper entitled '2025 Valuation – Review of funding framework', dated August 2025). This was discussed between the Actuary and Officers at a subsequent meeting. These factors include the modelling parameters (as set out above) and any broader qualitative factors such as surplus management considerations to meet intergenerational fairness, long-term cost efficiency and stability objectives set out in the Regulations.

Key decisions or outcomes:

- The *minimum likelihood of success* (used to set employer contribution rates) was updated to 80% to align with the agreed prudence level at 2025. The *minimum likelihood of success* was updated to 90% for closed CAB's alongside the funding basis to the Fund's low-risk exit basis.
- *Time horizons* for each employer group remain unchanged from 2022, aside from the TAB employers whose time horizons were brought in line with their awarding authorities (since they act as ultimate guarantors) and Universities whose time horizon was updated to 17 years to align with the Fund's other open employers.
- *Target funding level* of 120% was proposed to remain for all employer groups, aside from the TAB employers where this was set at 100%.
- A corridor approach for the likelihood of success was introduced for the Universities (80% to 85%) to reflect increased employer risk. Annual checks are scheduled to ensure this parameter remains suitable during the intervaluation period and the Fund carried out detailed employer covenant analysis of this employer group to aid the overall funding strategy decisions.
- A contribution floor was proposed for Academies, Colleges, Universities and the Parish and Town Council Pool (i.e. the minimum contribution rate that an employer is allowed to pay). This floor was set equal to the employer's Primary Rate less 3% of pay to manage stability. The floor aims to support shorter-term employer affordability (by recognising the surplus position and allowing employers to pay less than the ongoing cost of future service benefits i.e. the Primary Rate), while striking a balance with longer-term principles such as stability and inter-generational fairness. The floor is subject to contribution rates being no higher than current rates in payment.
- Rates for TABs and CABs, which typically have short term time horizons, were permitted to be as low as 0% of pay (if supported by contribution modelling outcomes). However these are subject to annual checks to ensure they remain appropriate for employers approaching exit should markets change.

4. Review of Funding Strategy Statement and policies

The Funding Strategy Statement ("the FSS") forms an integral part of the framework that sets employer contributions. The Fund officers reviewed an updated draft FSS and policies in collaboration with the Fund Actuary at an initial meeting on 16 July 2025 and subsequently refined as other key decisions were made throughout the valuation process.

Key decisions or outcomes:

- The FSS and policy documents at the 2022 valuation were broadly in line with the new FSS guidance requirements and therefore no fundamental changes have been made to the structure or content of the FSS as part of this review for the 2025 valuation. However, a full review of the Fund's FSS was carried out, with minor changes made to ensure the document is fully compliant with the updated FSS guidance and key principles document.
- Changes in assumptions and employer funding strategy (as set out above in sections 1, 2 and 3) were included in the draft FSS.
- Each policy was reviewed at 2025 to reflect the new guidance and any technical or regulatory changes (with a particular focus on the cessation policy); the content of each policy remains largely unchanged from 2022 with the exception of the cessation policy.

- The Fund have adopted a cessation corridor approach for determining final cessation valuation positions for exiting employers. The Fund Actuary carried out analysis on behalf of the Fund and set out considerations around implementing this approach, this is set out in the advice titled “Cessation corridor approach” dated 10 November 2025. This analysis was noted by PFC on 30 January 2026.
- The draft FSS and policies were agreed by the PFC on 26 November 2025 and put out for consultation in during November 2025 (with a closing date of 11 January 2026). The consultation was sent to all Fund employers and the Department for Education (“DfE”).

• The final FSS was approved at the March 2026 PFC and takes effect from 1 April 2026

5. Valuation of assets and liabilities (whole Fund)

The whole Fund result provides a solvency check to ensure that it continues to meet the objectives set out under Regulation 62. The Fund Actuary valued the Fund’s liabilities at 31 March 2025 using the assumption set agreed at the June 2025 PFC meeting. The liability value was compared to the market value of the Fund’s assets at the valuation date to give a funding level of 140%, as set out in a paper entitled ‘Initial results’, dated 12 September 2025). The paper also provides other funding metrics, experience analysis, risks and sensitivities to inform the Fund’s ongoing risk management framework.

Key decisions or outcomes:

- The whole Fund position was noted at the PFC meeting on 26 September 2025.

6. Final valuation report (including Rates & Adjustments Certificate and other appendices)

The final valuation report must be formally signed off by 31 March 2026, in line with the Regulations. This report must include a Rates & Adjustments Certificate setting out the contributions payable by all participating employers. The report should also include further appendices to meet additional reporting requirements for national benchmarking and disclosures, as set out in associated guidance from the Government Actuary’s Department (GAD).

Key decisions or outcomes:

• The draft version of the final valuation report was noted by PFC in March 2026

• The final valuation report includes the following appendices:

• Rates and Adjustments Certificate setting out all employer contributions for the next 3 years

• Section 13 dashboard in line with GAD requirements, noting the funding level using national standardised assumptions (known as the SAB basis) was 114%

• Gender Pension Gap reporting in line with requirements

• Climate change scenario analysis which tests the resilience of the Fund’s funding strategy to climate change scenarios (noting further detail was provided to the Fund and discussed with Fund officers in the paper entitled ‘2025 Climate Scenario Analysis Output Report’, dated 8 September 2025)

Section B: Stakeholder engagement

In addition to setting funding strategy, the Fund has engaged with employers, the PFC and the Local Pensions Board throughout the valuation exercise. A summary of this stakeholder engagement is detailed below.

1. Major employers - contribution results

The Fund facilitated a call with the Fund's precepting employers (at a 'Treasurers Meeting' on 21 March 2025) to discuss the results of the contribution rate modelling and the proposed outcomes. The proposals were viewed positively by all parties.

2. Employer pre-valuation communication

The Fund issued all employers with a document in August 2025 setting out key themes and provided an early indication of high-level valuation outcomes to provide a platform for future engagement throughout the valuation process.

3. Employer results

The Fund issued individual employer results schedules in November 2025, detailing their own funding position and the proposed contribution rates from the next 3 years. Alongside these results, the Fund issued each employer with a copy of the draft FSS for consultation and additional materials to assist their understanding of their results and the process (including a covering letter and FAQ document).

4. Employer forum

All employers were invited to attend an employer forum on 15 December 2025 hosted by the Fund (alongside the Fund Actuary) to discuss the valuation, employer results, funding strategy and next steps (including the consultation process).

5. AGM

All employers were invited to attend an Annual General Meeting on 15 December 2025 hosted by the Fund. The Fund Actuary presented the key results from the 2025 valuation, including the whole fund and employer level results, funding strategy and next steps (including the consultation process). The Actuary also held short 'valuation surgeries' with a few employers after the AGM had finished.

6. FSS consultation

All employers (and the DfE) were invited to comment on the draft FSS during the consultation period which ran from mid November 2025 to 11 January 2026. To help meet expectations set out in new [guidance](#) on running an effective FSS consultation, the Fund has actively sought out engagement from all stakeholders using an employer engagement portal hosted by the Fund Actuary.

7. Officer meetings

Throughout the valuation, Fund officers and the Fund Actuary participated in regular meetings (at least once a month) to ensure that the governance of the valuation and the key decisions were duly considered, with supporting analysis where necessary.

8. Pension Fund Investment Sub-Committee

Key decisions on funding strategy have been approved by the PFC throughout the valuation to ensure best practice and robust governance of decision making (as set out in Section A above). Committee training has been provided where necessary to improve committee skills and knowledge on technical subject matter. This helps members to be equipped to make informed decisions or challenge outcomes if required.

9. Local Pension Board

The Local Pension Board (LPB) provides additional governance oversight throughout the valuation. The key decisions have been taken to the LPB for additional scrutiny and challenge (although noting the LPB is a non-executive function of the overall governance process).

Summary & next steps

The Fund has carried out the formal valuation in line with Regulation 62 and has sought to meet best practice guidance throughout, with robust decision making and effective stakeholder engagement. A summary of this Governance Audit Trail timeline is contained in the Appendix below.

The formal valuation process concludes on 31 March 2026, and the employer contribution rates (and new FSS) will take effect from 1 April 2026.

The next formal valuation will take place as at 31 March 2028, although the Fund will begin to prepare for key decisions and outcomes in advance of this date.

The Fund will seek to maintain (and increase, where necessary) on the level of disclosure of governance at future valuations to ensure best practice and transparency of key decisions.

Tom Hoare FFA C.Act

Fund Actuary

For and on behalf of Hymans Robertson LLP

Appendix – Governance audit trail timeline

The timeline of key decisions and governance process throughout the valuation is below:

Item	Date	Decision makers	Key decision(s)
Precepting employer contribution rates (proposed)	19 February 2025	Fund officers & Fund Actuary	Allow maximum reductions permitted under stabilisation mechanism (effective from 1 April 2026 for 3 years)
Precepting employer contribution rates (proposed)	14 March 2025	Pension Fund Committee	Contributions approved (2%% of pay pa or 6% immediate reduction in year 1)
Assumptions (proposed)	28 April 2025	Fund officers & Fund Actuary	Increase prudence to 80% (from 75%)
Assumptions (approved)	27 June 2025	Pension Fund Committee	Assumptions approved (80% prudence provisionally agreed)
Funding strategy (other employers)	16 July 2025	Fund officers & Fund Actuary	Minimum likelihood of success updated (80-90%) depending on employer type Contribution floor of Primary less 3% of pay Likelihood of success corridor for universities (80-85%)
Whole Fund results (draft)	26 September 2025	Fund officers, Fund Actuary & Pension Fund Committee	Funding level of 140% was noted
Draft FSS and employer results (approved)	26 September 2025	Pension Fund Committee	Draft FSS noted
Draft employer results issued	November 2025	Fund officers, Fund Actuary & Employers	n/a
Consultation period	Mid November to 11 January 2026	Fund officers & Employers	n/a
Final valuation report (incl. R&A certificate) and final FSS	20 March 2026	Fund officers, Fund Actuary & Pension Fund Committee	Final report (incl. R&A) noted and final FSS approved. Governance audit trail and FSS Consultation Summary noted.

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HYMANS  ROBERTSON

Leicestershire County Council Pension Fund

Report on the actuarial valuation as at 31 March 2025 – V1.0

February 2026

Richard Warden FFA C.Act
Fellow of the Institute and Faculty of Actuaries
For and behalf of Hymans Robertson LLP

Tom Hoare FFA C.Act
Fellow of the Institute and Faculty of Actuaries

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Executive
summary



1. Executive summary

We have been commissioned by Leicestershire County Council (“the Administering Authority”) to carry out a valuation of the Leicestershire County Council Pension Fund (“the Fund”) as at 31 March 2025. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at the 31 March 2025 valuation can be found in the Rates and Adjustments Certificate. Table 1 shows the combined individual employer rates, compared to the last valuation in 2022.

	31 March 2025		31 March 2022	
Primary rate	16.7% of pay		23.1% of pay	
	2026/27	3.0%	2023/24	4.1%
Secondary rate	2027/28	3.0%	2024/25	4.1%
	2028/29	3.0%	2025/26	4.1%

Table 1: Combined employer contribution rates compared with previous valuation

On average, contribution rates have reduced due to higher assumed future returns at 2025, reducing the estimated cost of funding future benefit payments.

Funding position

At 31 March 2025, the funding position on the Fund’s assumptions has improved from the last valuation at 31 March 2022. Table 2 shows the reported funding position, compared to the last valuation in 2022.

Valuation Date	31 March 2025	31 March 2022
Assets (£m)	6,698	5,790
Liabilities (£m)	4,785	5,507
Surplus / (Deficit) (£m)	1,912	283
Funding Level	140%	105%

Table 2: Reported funding position compared with previous valuation

Similar to contribution rates, the improvement in funding level is primarily due to higher assumed future investment returns at 2025.

Comparison with other LGPS funds

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 114%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation
approach



2. Valuation approach

2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a funding strategy that is likely to achieve the objectives set out in the Funding Strategy Statement.

This report contains the valuation's two key outcomes:

- Employer contribution rates for the period 1 April 2026 to 31 March 2029.
- The funding position of the whole Fund at 31 March 2025.

Further information on the process, methodology and strategy has been communicated to relevant stakeholders throughout the valuation. There is also further information publicly available in the Funding Strategy Statement and [Hymans Robertson's LGPS 2025 valuation toolkit](#).

2.2 Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex, as benefits earned today may not be paid until 50+ years has passed. Over that period, there is significant uncertainty over factors which affect the cost of benefits e.g. inflation and investment returns. These uncertainties are considered within the risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions.

Key funding decisions

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?
- **Decision 2:** What is the funding time horizon (the time given to employers to meet the target funding level)?
- **Decision 3:** What is the likelihood of success (how likely it is that employers will meet the target funding level at the end of the funding time horizon)?

The funding decisions will vary between employers within the Fund and are documented in the Funding Strategy Statement.

Risk-based approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future under 5,000 different economic simulations. The resulting 5,000 projections of the employer's assets and benefits are used to quantify the likelihood of success.

The simulations are generated using Hymans Robertson's Economic Scenario Service (ESS). Further information on this can be found in [Appendix 2](#).

Contribution rates are then set for each employer which achieve each employer's minimum likelihood of meeting their target funding level on their funding basis at the end of their funding time horizon.

2.3 Measuring the past service funding position

The funding position is measured as at the valuation date. While it is limited in providing insight into the future health of the Fund, it is a useful high-level summary statistic. A market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

- The market value of the Fund’s assets at the valuation date has been used
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these are detailed in [Appendix 2](#)).

Calculating the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to, or in payment at, the valuation date, expressed in today’s money. Chart 1 shows the annual split of projected benefit payments for all members in the Fund at the valuation date.

The projections are based on the membership data provided for the valuation ([Appendix 1](#)), the assumptions ([Appendix 2](#)) and our understanding of the LGPS benefit structure as at 31 March 2025 (details at www.lgpsregs.org). There are currently sources of uncertainty and potential change related to the LGPS benefit structure and [Appendix 2](#) sets out how these have been considered.

The “spike” in year 2 reflects the anticipated retirement of a tranche of active and deferred members who are currently older than their assumed retirement age, whilst the “dip” around year 20 reflects the planned increase in State Pension Age to 68.

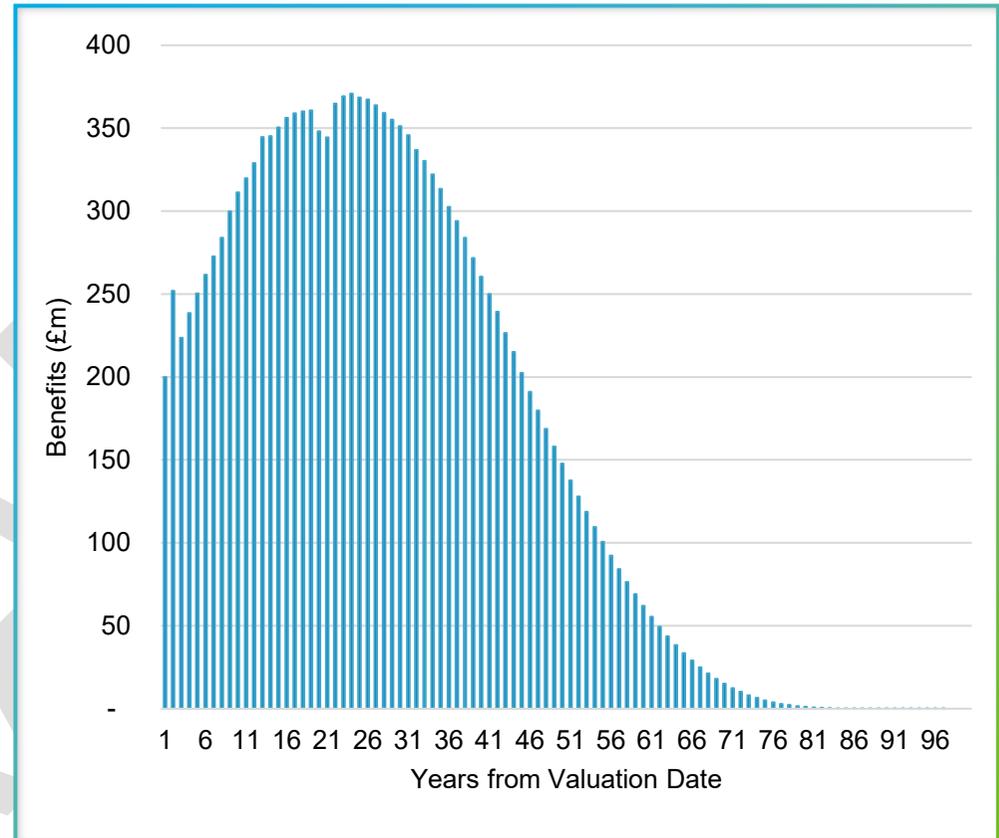


Chart 1: Projected benefit payments for all service earned up to 31 March 2025

To express the future payments in today’s money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the ‘discount rate’).

Valuation results



3. Valuation results

3.1 Employer contribution rates

The primary objective of the funding strategy is to set employer contribution rates that will enable it to have enough assets to pay members' benefits as they fall due. A secondary objective is to ensure the rates are as stable and affordable as possible. The risk-based approach detailed earlier is used to meet these objectives.

The employer contribution rate is made up of two components:

- **Primary rate:** the level of contributions sufficient to fund benefits that will be accrued in the future.
- **Secondary rate:** the difference between the primary rate and the total contribution rate. This may be in respect of costs associated with accrued benefits or adjustments to achieve the Fund's stability and affordability objectives.

Table 3 shows the combined individual employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029. There is also a comparison with the contributions set at the last valuation in 2022.

	31 March 2025		31 March 2022	
Primary rate	16.7% of pay		23.1% of pay	
Secondary rate	2026/27	3.0%	2023/24	4.1%
	2027/28	3.0%	2024/25	4.1%
	2028/29	3.0%	2025/26	4.1%

Table 3: Combined employer contribution rates compared with previous valuation

The primary rate includes an allowance of 0.4% of pensionable pay for the Fund's administration and governance expenses (0.4% of pay at the last valuation).

Employees pay contributions to the Fund in addition to these rates. The employee contribution rates are set by the LGPS Regulations.

On average, employer total contribution rates (ie Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared to 2022. This reduces the estimated cost of funding future benefit payments.

Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate ([Appendix 8](#)).

3.2 Funding position as at 31 March 2025

Table 4 sets out the assets and liabilities at the valuation date. The results at the 2022 valuation are shown for comparison.

The funding position provides a high-level snapshot as at 31 March 2025, but there are limitations:

- The liabilities are very sensitive to the choice of assumptions about the future
- The market value of assets held by the Fund will change daily.

Employer contribution rates are not set using the reported funding position above. The contribution rates take into consideration how assets and liabilities will evolve over time in different economic scenarios. They also reflect each employer’s funding profile and covenant.

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 114%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation date		31 March 2025	31 March 2022
Assets		6,698	5,790
Liabilities	Actives (£m)	1,584	2,131
	Deferreds (£m)	841	1,077
	Pensioners (£m)	2,360	2,299
Surplus / (Deficit) (£m)		1,912	283
Funding Level		140%	105%

Table 4: Single reported funding position compared with the previous valuation

The improvement in funding level is primarily due to higher assumed future investment returns at 2025. Chart 2 on the next page provides further information on what’s caused the funding position to change since 2022.

3.3 Other funding metrics

The future investment return required to be 100% funded at this valuation is 4.1% p.a. which is unchanged from the previous valuation (4.1% p.a.). This means, at 31 March 2025, the Fund needed to earn 4.1% p.a. to have enough money to meet accrued benefits at that date. The estimated likelihood of the Fund’s investment strategy achieving the required return is >90% at 31 March 2025 (78% at 2022).

Changes since the last valuation – funding position

The factors that have caused the funding position to change since the last valuation are split between:

- actual experience being different from expectations at the last valuation (**known events**)
- changes in assumptions about the future (**future expectations**).

Chart 2 details these factors and their magnitude.

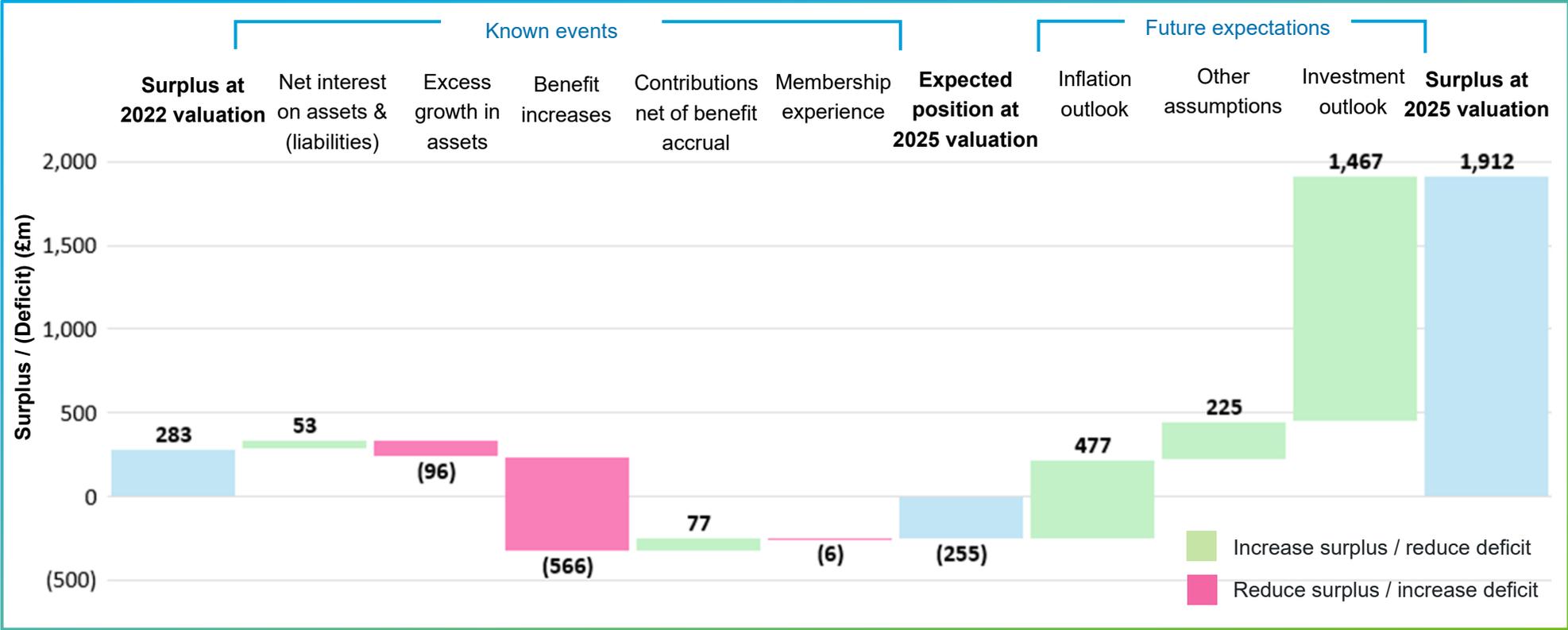


Chart 2: Change in funding position since last valuation

Risks and sensitivities

4. Risks and sensitivities

4.1 Background

If all future experience is in line with expectations and there are no changes in the financial or demographic environment, it's projected that the funding level at the next valuation (31 March 2028) will remain broadly unchanged.

However, the funding position, and the Fund's funding strategy, are sensitive to various sources of risks. These funding risks broadly fall into categories of economic, demographic, regulatory and other.

Identifying and specifying these risks, including analysis of their potential impact, is an important part of the risk management cycle.

4.2 Economic risks

Impact of known events

The main economic risks are in relation to investment returns, benefit increases (ie Consumer Price Index inflation) and salary increases.

For all three sources of risk, the table below details the actual experience since the last valuation compared to 2022 expectations, and the impact on funding.

Source	Expected	Actual	Funding impact
Investment returns	4.4% p.a.	3.9% p.a.	(£96m)
Benefit increases	2.9% p.a.	6.1% p.a.	(£566m)
Salary increases	3.4% p.a.	5.8% p.a.	(£68m)

Table 5: Impact of known economic events since 2022

Impact of changes in future outcomes

The results in this report are based on a set of assumptions about the future outcomes for these economic risks. If the future differs from the assumptions used at this valuation, the Fund's liabilities may be higher (or lower) than the current estimate.

- **Investment returns:** Chart 3 below shows how the funding level at 31 March 2025 changes depending on the level of assumed future investment returns. Each point on the line denotes the estimated likelihood of achieving the level of future return at the valuation date. This indicates that the best estimate (return with an estimated 50% likelihood) funding level at 31 March 2025 is 198%. The Fund’s assumption at this valuation is summarised in [Appendix 2](#) and is illustrated by the solid blue diamond.
- **Benefit increases:** if future inflation was 0.1% pa higher than assumed at this valuation, then the funding level would reduce by c2% (with a c£73m fall in the surplus).
- **Salary increases:** if salary increases were 0.5% pa higher than assumed at this valuation then the funding level would reduce by c1% (with a c£30m fall in the surplus).

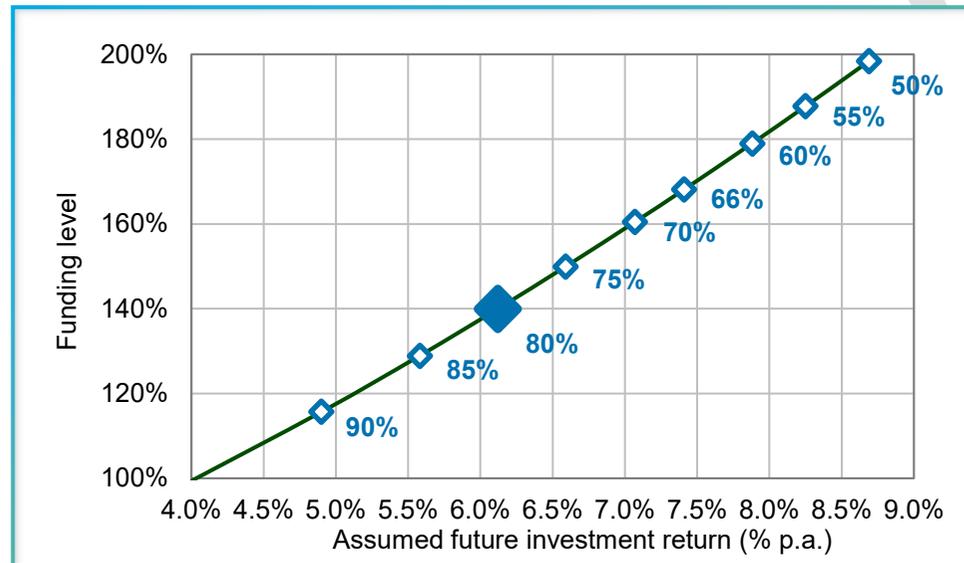


Chart 3: Impact of future return assumption on funding level

Prudence within assumptions

Reflecting the sharp change in the economic environment since the last valuation in 2022, the Fund has made allowance for higher assumed future investment returns (compared to the 2022 valuation). However, there is also increased uncertainty within the wider environment due to ongoing geo-political tensions and financial market volatility, alongside additional uncertainty about future long-term UK inflation levels and global financial markets. Therefore, the Fund has increased the level of prudence within funding strategies and contribution rates at the 2025 valuation*. The overall outcome of higher assumed future investment returns, even when combined with higher prudence is, on average, a reduction in employer total contribution rates (ie Primary plus Secondary) at the 2025 valuation.

The Fund believes this approach balances the key objectives of **affordability** and **stability** of employer contribution rates, whilst ensuring the Fund is **solvent** over the long-term.

- **Affordability:** the Fund has taken into account, and given credit for, higher expected future investment returns which reduces the cost to employers of providing LGPS benefits (all other things being equal).
- **Stability:** if the Fund doesn’t achieve the higher level of assumed returns, or future returns expectations reduce, then it doesn’t necessarily mean immediate increases in employer contribution rates in the future. Prudence levels will remain under review and part of the Fund’s wider governance and risk management framework and, given different economic or funding conditions, it may be appropriate to reduce prudence at future valuations to support the Fund’s longer-term aims of stable (and affordable) contributions for employers.

* Prudence levels are set out in the Fund’s Funding Strategy Statement and the governance audit trail of these key decisions is documented in [Appendix 3](#).

4.3 Demographic risks

Impact of known events

The main demographic risk is in relation to life expectancy. The Fund’s mortality experience between the 2022 and 2025 valuations has resulted in the following impact on the funding position, as shown in Table 6.

Mortality experience	
Actual amount of annual pension ceased	£12.4m
Expected amount of annual pension ceased	£12.6m
Difference	£0.2m
Impact on funding position	(£5.3m)

Table 6: Impact of member mortality experience since 2022

Impact of changes in future outcomes

The results in this report are based on an assumption that in the long-term, the rate of mortality reduces at a rate of 1.5% p.a. If this rate of reduction turned out to be stronger (1.75% p.a. instead of 1.5% p.a.), then members would live longer than expected. In this scenario, the funding level would fall by c1% (with a c£23m fall in the surplus).

4.4 Other risks

Regulatory

Changes in central government legislation may affect the future cost of the LGPS. For example, the cost to rectify the McCloud discrimination is estimated to be an increase in liabilities of £10m at this valuation. [Appendix 2](#) sets out potential regulatory changes which may impact future pension costs.

Climate change

Climate change has the potential to make extreme outcomes more likely which could in turn have a significant impact on the funding position. The Fund has carried out separate modelling to assess the potential impact of extreme outcomes on longer term funding. Further details on this are presented in [Appendix 4](#).

Post-valuation events

The results in this report are as at 31 March 2025. Since this date, asset performance has been positive and the funding position is likely to have improved as a result. However, short-term volatility in the funding position is to be expected due to the Fund’s growth-orientated investment strategy. Given that the Fund aims to set long-term, stable funding strategies and contribution rates, and experience since 31 March 2025 is not abnormal, no allowance has been made for post-valuation events in setting employer contribution rates or the funding position at this valuation.

The Fund will continue to monitor the environment in which it participates to understand and manage the impact of any changes.

Final
| comments

5. Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement which (in particular) highlights how different employers in different circumstances have their contributions calculated.
- The Investment Strategy Statement, which sets out the investment strategy for the Fund.
- The Fund's risk register.
- The general governance of the Fund, including meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.

Throughout the valuation, relevant stakeholders in the Fund have been engaged, consulted and communicated with as appropriate. Details of the governance process followed during the valuation are set out in [Appendix 3](#).

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2028 where contribution rates payable from 1 April 2029 will be set.

March 26

For and on behalf of Hymans Robertson

Richard Warden FFA C.Act

Tom Hoare FFA C.Act



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Appendices

[Leicestershire County Council Pension Fund](#)

[Appendices](#)

Appendix 1: Data

Appendix 2: Assumptions

Appendix 3: Governance audit trail

Appendix 4: Climate change scenario analysis

Appendix 5: Section 13 dashboard

Appendix 6: Reliances & limitations

Appendix 7: Glossary

Appendix 8: Rates and Adjustments Certificate

Appendix 9: Gender pension gap



Appendix 1: Data

Membership data

The membership data used for the purposes of this valuation was provided by the Administering Authority on 29 July 2025.

A summary of the membership data used for this valuation is set out in Table 7, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of this valuation are dependent on the quality of the underlying data used. We have relied on information supplied by the Administering Authority and their administrator as being accurate. We have carried out a series of reasonableness validation checks on the supplied membership data and compared against the Fund's (unaudited) accounts to confirm its suitability for the purposes of this valuation.

More information on how we verify the quality of the data used in the valuation has been shared with the Administering Authority in our report 'Data Report for the 2025 Valuation'.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
Employee members		
Number	40,175	37,228
Total actual pay (£000)	909,752	731,068
Total accrued pension (£000)	162,771	130,520
Average age (liability weighted)	54	52
Deferred pensioners (including undecideds)		
Number	43,555	39,712
Total accrued pension (£000)	82,234	59,877
Average age (liability weighted)	53	51
Pensioners and dependants		
Number	35,832	31,523
Total pensions in payment (£000)	187,088	143,602
Average age (liability weighted)	70	69

Table 7: Membership data summary

Investment strategy

A summary of the investment strategy allocation used to derive the future assumed investment return is set out in Table 8.

This strategy was confirmed by the Administering Authority as appropriate for the purposes of the valuation.

Asset data

To check the membership data and derive employer asset values, we have used asset and accounting data and employer-level cash flow data provided by the Fund.

Asset class	Allocation
Global Equities (hedged)	12.5%
Global Equities (unhedged)	28.5%
Private Equity	7.5%
Infrastructure Equity (unlisted)	12.5%
Property	7.5%
Diversified Growth Fund (Low Beta)	5.0%
Multi Asset Credit (sub investment grade)	5.5%
A Credit (4 year maturity)	4.6%
Fixed Interest Gilts (14 year maturity)	0.9%
Index linked gilts (24 year maturity)	3.5%
Asset Backed Securities	0.8%
Private Lending	9.5%
Emerging Market Debt (local)	0.9%
Cash	0.8%
Total	100.0%

Table 8: Investment strategy allocation used for the calculation of employer contribution rates

Appendix 2: Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth analysis and review in April 2025 with the final set noted by the Pensions Committee on 27 June 2025.

Summary of assumptions

	31 March 2025	31 March 2022
Financial assumptions		
Discount rate	6.1% p.a. (80% likelihood of success)	4.4% p.a. (75% likelihood of success)
Benefit increases (CPI inflation)	2.5% p.a.	2.9% p.a.
Salary increases	3.0% p.a.	3.4% p.a.
Demographic assumptions		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	70% of maximum under HMRC limits	55% of maximum under HMRC limits
50:50 scheme	0% of members elect to change scheme elect to change scheme	1% of members elect to change scheme elect to change scheme
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 year older than her	Varying proportion have dependant at retirement Dependant of a male is 3 years younger than him Dependant of a female is 3 year older than her

Table 9: Summary of assumptions

Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated estimated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation. Table 10 sets out the individual asset class return distribution of the ESS model at 31 March 2025.

Time period	Percentile	Annualised total returns													Inflation/Yields			
		Global Equities (hedged)	Global Equities (unhedged)	Private Equity	Private Lending	Infrastructure equity (unlisted)	Property	DGF Low Beta	EM Debt Local	Index linked gilt (14 yr maturity)	Multi Asset Credit (sub investment grade)	A Credit (4 yr maturity)	Index linked gilt (24 yr maturity)	Asset Backed Securities	Cash	Inflation (CPI)	17-year real yield (CPI)	17-year yield
5 years	16 th	-0.5%	-0.5%	-2.5%	4.5%	1.1%	0.2%	3.5%	-0.7%	1.7%	4.1%	4.0%	1.4%	3.8%	3.5%	1.2%	1.5%	4.8%
	50 th	8.2%	8.2%	10.0%	8.2%	8.1%	6.8%	5.8%	6.1%	4.5%	6.7%	5.2%	4.6%	5.1%	4.3%	2.8%	2.4%	5.8%
	84 th	16.9%	16.9%	22.8%	11.4%	15.5%	14.1%	8.1%	13.4%	7.5%	8.8%	6.1%	8.0%	6.3%	5.1%	4.3%	3.3%	7.1%
10 years	16 th	2.1%	2.1%	1.2%	6.4%	3.1%	2.3%	4.3%	1.6%	2.7%	5.8%	4.8%	2.8%	4.2%	3.6%	0.8%	0.8%	3.9%
	50 th	8.5%	8.5%	10.2%	8.8%	8.4%	7.3%	6.2%	6.7%	4.7%	7.4%	5.8%	5.0%	5.4%	4.6%	2.5%	2.1%	5.3%
	84 th	14.8%	14.8%	19.6%	10.9%	13.8%	12.7%	8.1%	12.1%	6.9%	8.9%	6.7%	7.5%	6.9%	5.8%	4.1%	3.3%	7.1%
20 years	16 th	3.7%	3.7%	3.4%	7.0%	4.2%	3.5%	4.4%	3.1%	2.9%	6.1%	4.6%	3.1%	3.8%	3.1%	0.7%	-0.5%	1.6%
	50 th	8.3%	8.3%	9.9%	8.8%	8.3%	7.3%	6.1%	7.0%	4.6%	7.6%	5.8%	4.9%	5.4%	4.5%	2.3%	1.3%	3.6%
	84 th	13.1%	13.1%	17.0%	10.7%	12.4%	11.3%	8.2%	10.9%	6.4%	9.1%	7.2%	6.8%	7.3%	6.3%	3.9%	3.0%	6.2%
Volatility (1 yr)		18.6%	18.6%	26.6%	9.3%	14.5%	15.2%	4.9%	14.4%	6.7%	6.3%	3.2%	7.8%	2.5%	0.3%	1.4%	-	-

Table 10: ESS individual asset class return distributions at 31 March 2025

Demographic assumptions

The tables below set out sample rates for demographic assumptions at 5-year age intervals. All figures are incidence rates per 1,000 members except salary scale. FT and PT denote full-time and part-time active membership respectively.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	304.88	0.00	0.00	0.00	0.00
25	117	0.17	213.65	201.38	0.00	0.00	0.00	0.00
30	131	0.20	151.59	142.86	0.00	0.00	0.00	0.00
35	144	0.24	118.44	111.61	0.10	0.07	0.02	0.01
40	151	0.41	95.36	89.83	0.16	0.12	0.03	0.02
45	159	0.68	89.57	84.36	0.35	0.27	0.07	0.05
50	167	1.09	73.83	69.46	0.90	0.68	0.23	0.17
55	173	1.70	58.14	54.73	3.54	2.65	0.51	0.38
60	174	3.06	51.82	48.76	6.23	4.67	0.44	0.33
65	174	5.10	31.81	29.93	11.83	8.87	0.00	0.00

Table 11: Sample rates for demographic assumptions – Males

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	224.34	0.00	0.00	0.00	0.00
25	117	0.10	189.71	150.93	0.10	0.07	0.02	0.01
30	131	0.14	159.02	126.50	0.13	0.10	0.03	0.02
35	144	0.24	137.25	109.14	0.26	0.19	0.05	0.04
40	151	0.38	114.23	90.80	0.39	0.29	0.08	0.06
45	159	0.62	106.60	84.72	0.52	0.39	0.10	0.08
50	167	0.90	89.87	71.35	0.97	0.73	0.24	0.18
55	173	1.19	67.06	53.30	3.59	2.69	0.52	0.39
60	174	1.52	54.04	42.90	5.71	4.28	0.54	0.40
65	174	1.95	25.76	20.44	10.26	7.69	0.00	0.00

Table 12: Sample rates for demographic assumptions - Females

Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 13 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	21.6 years	21.5 years
Male non-pensioner	22.3 years	22.3 years
Female pensioner	24.5 years	24.4 years
Female non-pensioner	25.7 years	25.9 years

Table 13: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 45.

Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2025 – see www.lgpsregs.org. However, there are areas of uncertainty and potential change.

- **McCloud:** in line with the 2022 valuation, we have made an allowance for the cost of these potential improvements, including McCloud data (where available). Further detail on the assumption is available on request.
- **Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.
- **Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.
- **Virgin Media case:** we have made no allowance for any impact that the Virgin Media case may have on the LGPS benefit structure.
- **Other benefit changes:** there may be benefit changes due to the current “Access and Fairness” consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.
- **Local Government re-organisation:** there may be a change in administering authority and participating employers due to Local Government re-organisation. The final proposals are still under consideration.

Appendix 3: Governance audit trail

The triennial actuarial valuation is a significant exercise carried out by the Fund. This report is a summary of the main outputs from the triennial actuarial valuation. The outputs are the result of funding strategy analysis, discussions and Fund decisions throughout the valuation process. A high-level audit trail of the key funding strategy decisions is set out below.

Funding strategy

The **actuarial assumptions** were reviewed by the Fund in April 2025, supported by analytics and other information from the Fund Actuary. The assumptions were agreed by the Fund at the Pensions Committee meeting in June 2025.

The funding strategy parameters, which feed into the setting of employer contribution rates, were considered in stages.

- **Local authorities:** review carried out in Q1 2025, including consideration of funding target, funding time horizon, likelihood of success, contribution stability mechanism and interaction with the Fund's investment strategy. The outcomes were discussed at the March 2025 Pensions Committee meeting.
- **Academies:** a full in-depth review of the funding strategy for academy schools was carried out in July 2025. The outcomes of this review were discussed at the September 2025 Pensions Committee meeting.
- **Other employers:** the funding strategy for the remaining employers in the Fund was reviewed by the Fund's Officers in July 2025. The outcomes of this review were discussed at the September 2025 Pensions Committee meeting. Other aspects of the funding strategy, including the approach to cessation valuations, exit credits, bulk transfers and new employers, were reviewed in Autumn 2025.

The outcomes of these decisions was collated and documented in an updated copy of the Funding Strategy Statement. The draft FSS was discussed at the September 2025 Pensions Committee meeting. **The final version was agreed at the March 2026 Pensions Committee meeting.**

Stakeholder engagement

In addition, the Fund has engaged with employers and the Local Pensions Board throughout the valuation exercise. A summary of the engagement is detailed below.

- **Employer forum:** the employer forum on 15 December 2025 discussed the key themes of the 2025 valuation.
- **Employer results:** a results schedule setting out their 2025 valuation funding position and contribution rate was issued to relevant employers across October and November 2025. Employers were then offered the opportunity to engage with the Fund to discuss their results.
- **Funding Strategy Statement consultation:** an updated version of the FSS was issued to employers in November 2025 with the opportunity to feed back comments or ask questions to the Fund by 11 January 2026. Employers were reminded of the consultation at the Fund's General Meeting in December 2025.

Appendix 4: Climate change scenario analysis

Climate change is now widely regarded as one of the main sources of risk for pension funds, with potential implications for future **inflation, investment returns** and **longevity**. LGPS funds, given their long-term horizons, may face greater exposure to climate risks – and many stakeholders are asking what more can be done to understand the possible impact of these risks.

We have used two sets of scenario analysis to test the resilience of the funding strategy under potential climate-related risks.

Scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities.

Identification of these vulnerabilities can inform risk management processes helping to ensure that appropriate controls and mitigations are in place. Scenario analysis can therefore also support informed decision making, as well as ensuring compliance with regulations, including TCFD.

Scenario approach 1 – Stress testing

We take our usual 5,000 simulations to see how an LGPS fund could evolve over 17 years. We then consider how quickly the world responds to climate risk in three scenarios (broadly speaking now, later or even later), with the simple assumption that in every case the response leads to intense disruption and a period of heightened market volatility. The scenarios are not explicitly designed to be “good” or “bad”, and we tend to see a modest impact on high level risk metrics.

Scenario approach 2 – Narrative driven

The new, narrative analysis complements the stress tests by imagining a specific climate-related trigger event and considering how that plays out under three different pathways.

We take a specific, extreme, downside risk event (in this instance a shock to the planet’s food supply) that could occur in the coming years. We then map out distinctive potential reactions to the event, considering things like market changes and policy responses and how these may evolve differently over time. This results in three distinct pathways.

Challenges and limitations

When interpreting the results, users should be aware of the following challenges and limitations in addition to the usual limitations of asset-liability modelling:

- All of the modelling results are ultimately based on the original 5,000 projections from our core model, so we are implicitly assuming that markets continue to function and that the assumed correlations, risk premia, volatilities etc are still valid.
- Neither set of climate scenarios is intended to be exhaustive, and other outcomes beyond what the scenarios cover are of course possible

Full details and results are included in the 2025 Climate Scenario Analysis Output Report dated 8 September 2025, and further detail on the scenario methodology is included in the [2025 valuation toolkit](#).

Climate scenario stress test analysis – output summary

Below we set out the quantitative outputs from the ‘stressed’ climate scenarios. These reflect how the Fund may be impacted over the coming years should the world’s response to climate change reflect one of our three qualitative scenario descriptions. The base case reflects the market having already priced in climate change, but not any one specific climate scenario.

Modelling results at 17-year time horizon				
Metric	Base case	Green revolution	Delayed transition	Head in the sand
Likelihood of success	86%	85%	83%	85%
Worst 5% of outcomes	75%	77%	70%	64%

Table 14: Summary modelling results in the base case and stress test scenarios

Overall, the impact on likelihood of success is modest over the 17-year horizon, suggesting that the level of prudence in the funding strategy has not been drastically underestimated due to climate risk. There is generally a greater impact on downside risk which is to be expected given that higher volatility will lead to a broader range of outcomes and this means that the worst outcomes get even worse.

The stress test scenarios are designed to test the entire range of funding outcomes. The above impact on downside risk suggests that the extremes merit further, dedicated investigation, particularly as climate change has the potential to make “extreme” outcomes more likely.

The narrative-driven scenario approach was introduced at the 2025 valuation to complement the stress tests by digging further into potential downside risks.

Narrative-driven scenario analysis – output summary

The chart below shows the likelihood of success in each of the three narrative scenarios. All of them begin with the same initial shock, and then the results diverge based on different imagined responses.

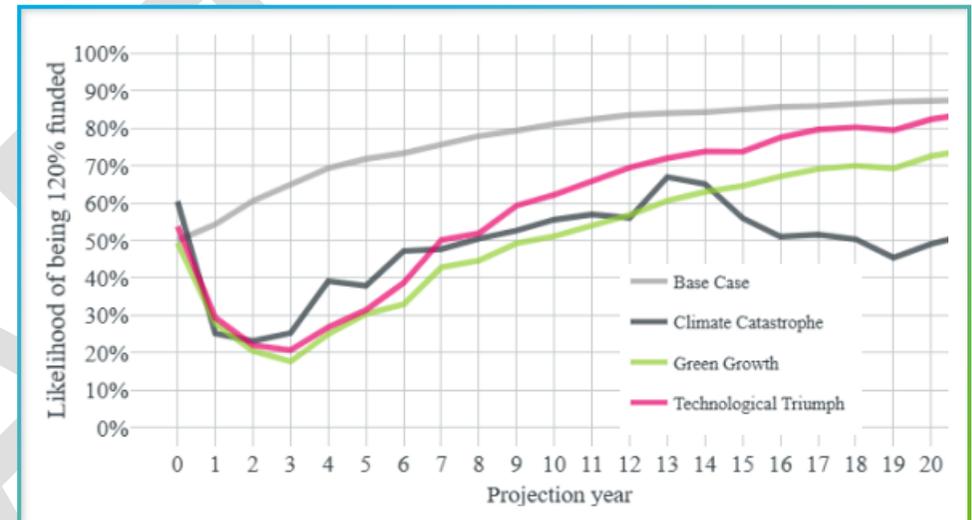


Chart 4: Likelihood of success in the base case and narrative-driven scenarios

Over medium time horizons of 5-10 years, we see improvement in the likelihood of success under each of the three scenarios, although all remain below both the base case and the level of success that is required by the Fund. Over longer time horizons of 10+ years we begin to see a divergence in the likelihood of success, with rapid response and technology investment supporting regrowth under the Green Growth and Technological Triumph pathways, but delayed action under Climate Catastrophe, instead leading to prolonged economic and social disruption and a likelihood of success below the Fund’s desired threshold.

There is therefore a plausible downside scenario prompted by a climate-related event that would put the Fund’s funding strategy at risk.

Appendix 5: Section 13 dashboard

Metric	Unit	2025 valuation
2025 funding position – local funding basis		
Funding level (assets/liabilities)	%	140%
Funding level (change since previous valuation)	%	35% increase
Asset value used at the valuation	£m	6,698
Value of liabilities (including McCloud liability)	£m	4,785
Surplus (deficit)	£m	1,912
Discount rate – past service	% p.a.	6.1%
Discount rate – future service	% p.a.	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% p.a.	2.5%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 80% likelihood that the Fund's assets will return at least 6.1% pa over the 17 years following the 2025 valuation date. This is the same methodology used for the 2022 valuation but with a lower likelihood (75% at 2022).

Metric	Unit	2025 valuation
Assumed life expectancy at age 65		
Life expectancy for current pensioners – men age 65	years	21.6
Life expectancy for current pensioners – women age 65	years	24.5
Life expectancy for future pensioners – men age 45	years	22.3
Life expectancy for future pensioners – women age 45	years	25.7
Past service funding position – SAB basis (for comparison purposes only)		
Market value of assets	£m	6,698
Value of liabilities	£m	5,855
Funding level on SAB basis (assets/liabilities)	%	114%
Funding level on SAB basis (change since last valuation)	%	2% decrease

Metric	Unit	2025 valuation	2022 valuation
Contribution rates payable			
Primary contribution rate	% of pay	16.7%	23.1%
Secondary contribution rate (cash amounts in each year)			
Secondary contribution rate - 1 st year of rates and adjustments certificate	£m	27.902	31.910
Secondary contribution rate - 2 nd year of rates and adjustments certificate	£m	28.739	33.000
Secondary contribution rate - 3 rd year of rates and adjustments certificate	£m	29.602	34.128
Giving total expected contributions			
Total expected contributions - 1 st year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	183.559	212.616
Total expected contributions - 2 nd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	189.111	219.894
Total expected contributions - 3 rd year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	194.789	227.423
Assumed payroll (cash amounts in each year)			
Total assumed payroll - 1 st year of rates and adjustments certificate	£m	931.550	781.729
Total assumed payroll - 2 nd year of rates and adjustments certificate	£m	959.519	808.500
Total assumed payroll - 3 rd year of rates and adjustments certificate	£m	988.328	836.187
3 year average total employer contribution rate	% of pay	19.7%	27.2%
Average employee contribution	% of pay	6.3%	6.3%
Employee contribution rate (2025 valuation £ figure based on assumed payroll of £932m)	£m p.a.	58.7	49.5

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used.	Methodology not used.
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used.	Methodology not used.
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2042	2039
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	Minimum 80%	Minimum 75%
Surplus Methodology		Explicit contribution stabilisation mechanism for major employers.	Explicit contribution stabilisation mechanism for major employers.
Surplus methodology & parameters explanation (including changes since previous valuation)		<p>Employer contributions for major employers reduced by the maximum permitted under the stability mechanism (6% of pay in total).</p> <p>Contribution floor of 'Primary Rate less 3% of pay' for employers in surplus applied for various employer groups to support long-term stability and affordability.</p>	<p>Employer contributions for most major employers frozen at current rates to support longterm stability.</p> <p>Preference to keep contribution rates at a minimum of the Primary rate where appropriate.</p>

Additional information			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	11%	13%
Included climate change analysis/comments in the 2025 valuation report		Yes	N/A
Gender pension gap statistic - Fund active mean CARE pension GPG	%	31%	N/A
Gender pension gap statistic - Fund active mean combined Final Salary and CARE pension GPG	%	33%	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	46%	N/A

DRAFT

Appendix 6: Reliances & limitations

We have been commissioned by Leicestershire County Council ('the Administering Authority') to carry out a full actuarial valuation of Leicestershire County Council Pension Fund ('the Fund') at 31 March 2025, as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2025 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular our:

- [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- paper dated 19 February 2025 which discusses the funding strategy for the Fund's local authorities
- paper dated 28 April 2025 which discusses the valuation assumptions
- paper dated September 2025 which reviewed the funding strategy framework

- paper dated September 2025 which discussed the funding strategy for all other employer groups.
- initial results report dated 12 September 2025 which outlines the whole Fund results and inter-valuation experience
- data report dated February 2026 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

We have also prepared the valuation with regard to the Funding Strategy Statement which details the approach taken by the Fund to fund the current and future benefits due to members.

The following Technical Actuarial Standards apply to this advice and have been complied with where material and to a proportionate degree. They are:

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

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Appendix 7: Glossary

➤ **50:50 option**

An option for LGPS members to pay half employee contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

➤ **Asset-liability modelling**

An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forwards into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.

➤ **Baseline longevity**

The rates of death (by age and sex) in a given group of people based on current observed data.

➤ **VitaCurves**

The assumptions used for baseline longevity. These assumptions are provided by Club Vita, a firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.

➤ **Commutation**

The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.

➤ **CPI inflation**

The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.

➤ **Deferred pensioner**

A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.

➤ **Demographic assumptions**

Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

➤ **Discount rate**

A number used to place a single value on a stream of future payments, allowing for expected future investment returns.

➤ **Employee (or active) members**

Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

➤ **ESS**

Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

➤ Funding position

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities.

The two measures of the funding position are:

- the funding level - the ratio of assets to liabilities; and
- the funding surplus/deficit - the difference between the asset and liabilities values.

➤ Inflation

Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.

➤ Liabilities

An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

➤ Longevity improvements

An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.

➤ Pensioner

A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

➤ Primary rate

The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund's expenses.

➤ Prudence

To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.

➤ Prudence level

A percentage indicating the likelihood that the assumed rate of investment return will be achieved in practice, based on the ESS model.

The higher the prudence level, the more prudent the assumed rate of investment return.

➤ Secondary rate

An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.

➤ Withdrawal

Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire but are no longer earning new benefits.

Appendix 8: Rates and Adjustments Certificate

In accordance with Regulation 62 of the Regulations, we have assessed the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments Certificate are detailed in the Funding Strategy Statement dated **April 2026** and in [Appendix 2](#) of the report on the 2025 actuarial valuation dated **TBC**. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

Table 15 sets out the combined individual employer primary and secondary contribution rates for the period 1 April 2026 to 31 March 2029. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a percentage of the projected pensionable pay and the equivalent monetary amount.

Primary rate		
	16.7% of pay	
Secondary rate	% of payroll	Equivalent monetary amount
2026/27	3.0%	27,902,000
2027/28	3.0%	28,739,000
2028/29	3.0%	29,602,000

Table 15: Combined individual employer rates from 1 April 2026 to 31 March 2029

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this Certificate.

Richard Warden FFA C. Act Tom Hoare FFA C. Act
01 March 2026
For and on behalf of Hymans Robertson LLP

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
Scheduled Bodies									
Pool	Blaby District Council	16.8%	6.5%	6.5%	6.5%	23.3%	23.3%	23.3%	
Pool	Charnwood Borough Council	17.0%	12.2%	12.2%	12.2%	29.2%	29.2%	29.2%	
Pool	Harborough District Council	16.7%	11.8%	11.8%	11.8%	28.5%	28.5%	28.5%	
Pool	Leicester City Council	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
Pool	Leicestershire County Council	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
Pool	Melton Borough Council	16.3%	8.0%	8.0%	8.0%	24.3%	24.3%	24.3%	
Pool	North West Leicestershire District Council	16.7%	6.4%	6.4%	6.4%	23.1%	23.1%	23.1%	
Pool	Oadby & Wigston Borough Council	16.1%	14.3%	14.3%	14.3%	30.4%	30.4%	30.4%	
Pool	Rutland County Council	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
Pool	The Chief Constable & OPCC	16.2%	2.7%	2.7%	2.7%	18.9%	18.9%	18.9%	
6	Hinckley & Bosworth Borough Council	16.5%	6.7%	6.7%	6.7%	23.2%	23.2%	23.2%	
100	Fire Service Civilians	16.9%	3.2%	3.2%	3.2%	20.1%	20.1%	20.1%	
231	Eastern Shires Purchasing Organisation	16.2%	6.1%	6.1%	6.1%	22.3%	22.3%	22.3%	
Colleges									
Pool	Leicester College	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
Pool	Loughborough College Group	16.6%	-3.0%	-3.0%	-3.0%	13.6%	13.6%	13.6%	
Pool	South Leicestershire College	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
Pool	Wyggeston QE	16.8%	-3.0%	-3.0%	-3.0%	13.8%	13.8%	13.8%	
Universities									
Pool	Loughborough University	16.4%	-3.0%	-3.0%	-3.0%	13.4%	13.4%	13.4%	
105	Leicestershire De-Montfort University	16.9%	-3.0%	-3.0%	-3.0%	13.9%	13.9%	13.9%	
Academies									
Pool	Aspire Learning Partnership	16.6%	-0.5%	-0.5%	-0.5%	16.1%	16.1%	16.1%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
Pool	Attenborough Learning Trust	17.0%				17.0%	17.0%	17.0%	
Pool	Bradgate Education Partnership	17.1%	-1.6%	-1.6%	-1.6%	15.5%	15.5%	15.5%	
Pool	Casterton College	17.1%	-0.8%	-0.8%	-0.8%	16.3%	16.3%	16.3%	
Pool	David Ross Education Trust	16.9%	0.0%	0.0%	0.0%	16.9%	16.9%	16.9%	
Pool	Discovery Schools MAT	16.6%	-2.4%	-2.4%	-2.4%	14.2%	14.2%	14.2%	
Pool	Embrace Academy Trust	17.5%	-0.3%	-0.3%	-0.3%	17.2%	17.2%	17.2%	
Pool	Futures Trust	17.0%	-1.0%	-1.0%	-1.0%	16.0%	16.0%	16.0%	
Pool	Learn Academies Trust	17.4%	-1.2%	-1.2%	-1.2%	16.2%	16.2%	16.2%	
Pool	Learning without Limits Academy Trust	16.7%	-0.1%	-0.1%	-0.1%	16.6%	16.6%	16.6%	
Pool	LIFE MAT	17.1%	-0.9%	-0.9%	-0.9%	16.2%	16.2%	16.2%	
Pool	Lift Schools	17.1%	-3.0%	-3.0%	-3.0%	14.1%	14.1%	14.1%	
Pool	Lionheart MAT	16.8%	-1.3%	-1.3%	-1.3%	15.5%	15.5%	15.5%	
Pool	Lutterworth Academies Trust	17.8%	0.0%	0.0%	0.0%	17.8%	17.8%	17.8%	
Pool	Nova Education Trust	17.7%	0.0%	0.0%	0.0%	17.7%	17.7%	17.7%	
Pool	Odyssey Education Trust	17.2%	-1.5%	-1.5%	-1.5%	15.7%	15.7%	15.7%	
Pool	Old Dalby Church of England Primary School	17.2%	-1.5%	-1.5%	-1.5%	15.7%	15.7%	15.7%	
Pool	Open Thinking Partnership	16.4%	-2.7%	-2.7%	-2.7%	13.7%	13.7%	13.7%	
Pool	RISE MAT	17.5%	-0.8%	-0.8%	-0.8%	16.7%	16.7%	16.7%	
Pool	Rutland Learning Trust	17.2%	0.0%	0.0%	0.0%	17.2%	17.2%	17.2%	
Pool	South Charnwood High School	17.3%	-1.9%	-1.9%	-1.9%	15.4%	15.4%	15.4%	
Pool	St Thomas Aquinas MAT	17.2%	0.0%	0.0%	0.0%	17.2%	17.2%	17.2%	
Pool	Success MAT	17.4%	-1.4%	-1.4%	-1.4%	16.0%	16.0%	16.0%	
Pool	Symphony Learning Trust	17.6%	0.0%	0.0%	0.0%	17.6%	17.6%	17.6%	
Pool	The Mead Educational Trust	16.4%	-1.0%	-1.0%	-1.0%	15.4%	15.4%	15.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
Pool	The Mowbray Education Trust	16.9%	-0.2%	-0.2%	-0.2%	16.7%	16.7%	16.7%	
Pool	Tudor Grange MAT	16.9%	-3.0%	-3.0%	-3.0%	13.9%	13.9%	13.9%	
Pool	United Learning Trust	16.1%	-1.8%	-1.8%	-1.8%	14.3%	14.3%	14.3%	
Pool	Wigston MAT	17.0%	-1.2%	-1.2%	-1.2%	15.8%	15.8%	15.8%	
63	Better Futures MAT	16.8%	-3.0%	-3.0%	-3.0%	13.8%	13.8%	13.8%	
69	Rutland & District Schools Federation	17.6%	-3.0%	-3.0%	-3.0%	14.6%	14.6%	14.6%	
112	Welland Park School	17.1%	-2.5%	-2.5%	-2.5%	14.6%	14.6%	14.6%	
113	Lutterworth High School	17.0%	-0.7%	-0.7%	-0.7%	16.3%	16.3%	16.3%	
114	Oak Multi Academy Trust	17.3%	0.0%	0.0%	0.0%	17.3%	17.3%	17.3%	
115	Brooke Hill School	17.1%	-3.0%	-3.0%	-3.0%	14.1%	14.1%	14.1%	
118	Avanti Schools Trust	16.9%	-0.5%	-0.5%	-0.5%	16.4%	16.4%	16.4%	
122	Woodbrook Vale School	17.0%	-1.6%	-1.6%	-1.6%	15.4%	15.4%	15.4%	
138	Market Bosworth High School	16.7%	-2.9%	-2.9%	-2.9%	13.8%	13.8%	13.8%	
142	Gartree High School	16.5%	-0.8%	-0.8%	-0.8%	15.7%	15.7%	15.7%	
146	Long Field Spencer Academy	16.6%	-0.6%	-0.6%	-0.6%	16.0%	16.0%	16.0%	
179	Raleigh Education Trust	17.4%	-3.0%	-3.0%	-3.0%	14.4%	14.4%	14.4%	
181	Castle Donington College (EMET)	16.6%	-3.0%	-3.0%	-3.0%	13.6%	13.6%	13.6%	
183	Birkett House School	16.6%	-2.0%	-2.0%	-2.0%	14.6%	14.6%	14.6%	
184	Church Hill Junior School	17.7%	-0.4%	-0.4%	-0.4%	17.3%	17.3%	17.3%	
189	Queensmead Primary Academy	17.5%	-3.0%	-3.0%	-3.0%	14.5%	14.5%	14.5%	
190	Rendell Primary School	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
191	Barwell Church of England Junior School	17.1%	-2.3%	-2.3%	-2.3%	14.8%	14.8%	14.8%	
195	Holywell Primary School	18.2%	-1.0%	-1.0%	-1.0%	17.2%	17.2%	17.2%	
200	Outwoods Edge Primary School	17.1%	-0.7%	-0.7%	-0.7%	16.4%	16.4%	16.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
201	L.E.A.D Academy	17.1%	-0.2%	-0.2%	-0.2%	16.9%	16.9%	16.9%	
204	Stonebow Primary School	17.3%	-2.6%	-2.6%	-2.6%	14.7%	14.7%	14.7%	
210	Asfordby Hill Primary School	17.9%	-2.0%	-2.0%	-2.0%	15.9%	15.9%	15.9%	
216	The Pastures Primary School	18.5%	-1.9%	-1.9%	-1.9%	16.6%	16.6%	16.6%	
217	Battling Brook Primary School	17.8%	-2.4%	-2.4%	-2.4%	15.4%	15.4%	15.4%	
219	Flying High Trust	16.9%	-2.0%	-2.0%	-2.0%	14.9%	14.9%	14.9%	
220	Thringstone Primary School	17.8%	-2.4%	-2.4%	-2.4%	15.4%	15.4%	15.4%	
224	The OWLS Academy Trust	17.0%	0.0%	0.0%	0.0%	17.0%	17.0%	17.0%	
226	Inspiring Primaries AT	17.5%	-0.1%	-0.1%	-0.1%	17.4%	17.4%	17.4%	
228	Rothley CofE Primary School	17.2%	-1.8%	-1.8%	-1.8%	15.4%	15.4%	15.4%	
229	Hastings High School	17.7%	-0.2%	-0.2%	-0.2%	17.5%	17.5%	17.5%	
232	Stanton Under Bardon Community Primary School	16.8%	-3.0%	-3.0%	-3.0%	13.8%	13.8%	13.8%	
234	Hall Orchard CofE Primary School	17.2%	-2.2%	-2.2%	-2.2%	15.0%	15.0%	15.0%	
235	Kirby Muxloe Primary	17.7%	-2.4%	-2.4%	-2.4%	15.3%	15.3%	15.3%	
237	Robert Bakewell Primary School	17.4%	-1.9%	-1.9%	-1.9%	15.5%	15.5%	15.5%	
246	Falcons Primary	16.3%	-1.4%	-1.4%	-1.4%	14.9%	14.9%	14.9%	
252	Ryhall CE Primary Academy	18.0%	-1.5%	-1.5%	-1.5%	16.5%	16.5%	16.5%	
254	Townlands CofE Primary Academy	17.4%	-2.1%	-2.1%	-2.1%	15.3%	15.3%	15.3%	
276	Priory Federation of Academies Trust	16.3%	-3.0%	-3.0%	-3.0%	13.3%	13.3%	13.3%	
406	St Mary and St John	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
Resolution Bodies									
16	Mountsorrell Parish Council	16.3%	-1.7%	-1.7%	-1.7%	14.6%	14.6%	14.6%	
34	Shepshed Parish Council	18.0%	-3.0%	-3.0%	-3.0%	15.0%	15.0%	15.0%	
35	Ashby Town Council	17.4%	0.0%	0.0%	0.0%	17.4%	17.4%	17.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
37	Lutterworth Town Council	17.3%	-3.6%	-3.6%	-3.6%	13.7%	13.7%	13.7%	
40	Glen Parva Parish Council	19.8%	-3.0%	-3.0%	-3.0%	16.8%	16.8%	16.8%	
41	Braunstone Town council	17.6%	-3.0%	-3.0%	-3.0%	14.6%	14.6%	14.6%	
44	Thurmaston Parish Council	17.6%	-1.8%	-1.8%	-1.8%	15.8%	15.8%	15.8%	
45	Countesthorpe Parish Council	16.4%	0.0%	0.0%	0.0%	16.4%	16.4%	16.4%	
46	Broughton Astley Parish Council	18.2%	-0.2%	-0.2%	-0.2%	18.0%	18.0%	18.0%	
71	Anstey Parish Council	18.5%	-3.0%	-3.0%	-3.0%	15.5%	15.5%	15.5%	
72	Sileby Parish Council	17.2%	0.0%	0.0%	0.0%	17.2%	17.2%	17.2%	
73	Syston Town Council	17.2%	-3.0%	-3.0%	-3.0%	14.2%	14.2%	14.2%	
75	Kirby Muxloe Parish Council	19.6%	-2.8%	-2.8%	-2.8%	16.8%	16.8%	16.8%	
76	Leicester Forest East Parish Council	17.1%	-3.0%	-3.0%	-3.0%	14.1%	14.1%	14.1%	
77	Whetstone Parish Council	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
79	Oakham Town Council	18.0%	-1.2%	-1.2%	-1.2%	16.8%	16.8%	16.8%	
90	Ashby Woulds Town Council	19.8%	-3.0%	-3.0%	-3.0%	16.8%	16.8%	16.8%	
91	Market Bosworth Parish Council	19.4%	0.0%	0.0%	0.0%	19.4%	19.4%	19.4%	
213	Barwell Parish Council	17.6%	-3.0%	-3.0%	-3.0%	14.6%	14.6%	14.6%	
238	Blaby Parish Council	17.4%	-3.0%	-3.0%	-3.0%	14.4%	14.4%	14.4%	
258	Bagworth and Thornton PC	19.4%	-1.7%	-1.7%	-1.7%	17.7%	17.7%	17.7%	
268	Thurcaston and Cropston Parish Council	17.5%	0.0%	0.0%	0.0%	17.5%	17.5%	17.5%	
269	Groby Parish Council	19.3%	-1.0%	-1.0%	-1.0%	18.3%	18.3%	18.3%	
271	Enderby Parish Council	17.6%	-1.1%	-1.1%	-1.1%	16.5%	16.5%	16.5%	
273	East Groscote Parish Council	20.5%	-0.9%	-0.9%	-0.9%	19.6%	19.6%	19.6%	
288	Bottesford Parish Council	19.0%	0.0%	0.0%	0.0%	19.0%	19.0%	19.0%	
289	Scraptoft Parish Council	19.7%	-0.4%	-0.4%	-0.4%	19.3%	19.3%	19.3%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
438	Croft Parish Council	15.5%	0.0%	0.0%	0.0%	15.5%	15.5%	15.5%	
Community Admission Bodies									
96	EMH Group	27.7%	-27.7%	-27.7%	-27.7%	0.0%	0.0%	0.0%	
Transferee Admission Bodies									
49	Rushcliffe Care Ltd	21.4%	-21.4%	-21.4%	-21.4%	0.0%	0.0%	0.0%	
89	SLM Community Leisure (Blaby)	21.4%	-21.4%	-21.4%	-21.4%	0.0%	0.0%	0.0%	
101	G4S (City Council)	21.5%	-21.5%	-21.5%	-21.5%	0.0%	0.0%	0.0%	
108	Melton Learning Hub	19.3%	-19.3%	-19.3%	-19.3%	0.0%	0.0%	0.0%	
170	East Midland Shared Services	16.4%	-5.2%	-5.2%	-5.2%	11.2%	11.2%	11.2%	
241	Capita I.T. City of Leicester	19.9%	-19.9%	-19.9%	-19.9%	0.0%	0.0%	0.0%	
244	Idverde Limited	21.1%	-21.1%	-21.1%	-21.1%	0.0%	0.0%	0.0%	
262	Chartwells School Foods Contracts (Ravenhurst)	16.4%	-16.4%	-16.4%	-16.4%	0.0%	0.0%	0.0%	
272	Solo Service Group (Leics CC)	23.7%	-23.7%	-23.7%	-23.7%	0.0%	0.0%	0.0%	
283	SLM (Oadby and Wigston Contract)	26.2%	-26.2%	-26.2%	-26.2%	0.0%	0.0%	0.0%	
407	Govindas	17.3%	-17.3%	-17.3%	-17.3%	0.0%	0.0%	0.0%	
New employers post 1 April 2025									
471	Dadlington & Sutton Cheney Parish Council	15.6%	0.0%	0.0%	0.0%	15.6%	15.6%	15.6%	
483	Thurlaston Parish Council	17.7%	-1.9%	-1.9%	-1.9%	15.8%	15.8%	15.8%	
Passthrough employers									
Blaby District Council passthrough employers									
296	SLM Everyone Active (Blaby DC 2019 contract)	16.8%	6.5%	6.5%	6.5%	23.3%	23.3%	23.3%	
Leicester City Council passthrough employers									
420	Compass Services (City, Shaf)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
429	Compass Services(City, Shaf)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
435	Turning Point (City 2022)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
440	Caterlink (City Granby)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
441	Caterlink (City St Barnabas)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
453	Caterlink (City, Mellor)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
478	ABM (City, Crown Hills)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
481	Hands (Cleaners) (City, LPS)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
491	Relish (City, Rolleston PS)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
495	ABM (City, Taylor Road PS)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
505	Aspens (City, 15 Schools)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
506	Stir Food (City, Folville JS)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
507	Aspens (City, Slater PS)	16.6%	5.2%	5.2%	5.2%	21.8%	21.8%	21.8%	
Leicestershire County Council passthrough employers									
434	Turning Point (County 2022)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
442	Coombs Catering (Hastings Sch)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
444	Ingeus (LCC)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
448	Caterlink (Bradgate EP-LCC)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
452	Dolce (LCC Belvoirdale Sch)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
455	Coombs (LCC, Hemington)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
456	Coombs (LCC, St Edward's)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
457	Dolce (LCC, Sir John Moore)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
462	Coombs (VofB - LCC Schools)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
466	Voluntary Action Leic (2023)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
470	Bradgate Park Trust (2023)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
473	Relish (LCC, Be Skilled Group)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
476	Coombs (LCC, St Bartholomew's)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
496	ABM (LCC, Burbage Inf&Jr Sch)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
497	MCS Cleaning (LCC,Hugglescote)	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
North West Leicestershire District Council passthrough employers									
294	SLM (North West DC)	16.7%	6.4%	6.4%	6.4%	23.1%	23.1%	23.1%	
The Chief Constable & OPCC passthrough employers									
418	Mitie Care (Chief Constable)	16.2%	2.7%	2.7%	2.7%	18.9%	18.9%	18.9%	
Aspire Learning Partnership passthrough employers									
475	Innovate Services (Aspire LP)	16.6%	-0.5%	-0.5%	-0.5%	16.1%	16.1%	16.1%	
Attenborough Learning Trust passthrough employers									
487	Aspens (ALT, Uplands Inf)	17.0%	0.0%	0.0%	0.0%	17.0%	17.0%	17.0%	
488	Aspens (Attenborough Trust)	17.0%	0.0%	0.0%	0.0%	17.0%	17.0%	17.0%	
502	Aspens (Attenborough Trust 2)	17.0%	0.0%	0.0%	0.0%	17.0%	17.0%	17.0%	
Bradgate Education Partnership passthrough employers									
447	Caterlink (Bradgate EP-IH)	17.1%	-1.6%	-1.6%	-1.6%	15.5%	15.5%	15.5%	
454	CleanTEC (Bradgate EP-Wreake)	17.1%	-1.6%	-1.6%	-1.6%	15.5%	15.5%	15.5%	
463	Caterlink (Cobden Primary)	17.1%	-1.6%	-1.6%	-1.6%	15.5%	15.5%	15.5%	
477	Caterlink (BEP, Mountfields)	17.1%	-1.6%	-1.6%	-1.6%	15.5%	15.5%	15.5%	
David Ross Education Trust passthrough employers									
421	Caterlink (DRET)	16.9%	0.0%	0.0%	0.0%	16.9%	16.9%	16.9%	
Discovery Schools passthrough employers									
479	Dolce (Discovery Trust)	16.6%	-2.4%	-2.4%	-2.4%	14.2%	14.2%	14.2%	
480	Dolce (Badgerbrook PS)	16.6%	-2.4%	-2.4%	-2.4%	14.2%	14.2%	14.2%	
490	Dolce (Discovery, Ashfield)	16.6%	-2.4%	-2.4%	-2.4%	14.2%	14.2%	14.2%	
503	Inspiring Leaders (Disc Trust)	16.6%	-2.4%	-2.4%	-2.4%	14.2%	14.2%	14.2%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
Futures Trust passthrough employers									
492	Kindred (The Futures Trust)	17.0%	-1.0%	-1.0%	-1.0%	16.0%	16.0%	16.0%	
Holywell Primary School passthrough employers									
498	Miquill Catering (Holywell PS)	18.2%	-1.0%	-1.0%	-1.0%	17.2%	17.2%	17.2%	
Inspiring Primaries AT passthrough employers									
494	Taylor Shaw (Inspiring PAT)	17.5%	-0.1%	-0.1%	-0.1%	17.4%	17.4%	17.4%	
L.E.A.D Academy passthrough employers									
489	Aspens (LEAD AT, Uplands Jr)	17.1%	-0.2%	-0.2%	-0.2%	16.9%	16.9%	16.9%	
Learn Academies Trust passthrough employers									
493	Miquill Catering (Learn AT 1)	17.4%	-1.2%	-1.2%	-1.2%	16.2%	16.2%	16.2%	
501	Miquill Catering (Learn AT 2)	17.4%	-1.2%	-1.2%	-1.2%	16.2%	16.2%	16.2%	
Learning without Limits Academy Trust passthrough employers									
482	CleanTEC (LWLAT)	16.7%	-0.1%	-0.1%	-0.1%	16.6%	16.6%	16.6%	
LIFE MAT passthrough employers									
437	Total Swim (LIFE MAT)	17.1%	-0.9%	-0.9%	-0.9%	16.2%	16.2%	16.2%	
Lift Schools passthrough employers									
427	Hutchinson Caterling (Lift Schools)	17.1%	-3.0%	-3.0%	-3.0%	14.1%	14.1%	14.1%	
446	Churchill Contract (Lift Schools)	17.1%	-3.0%	-3.0%	-3.0%	14.1%	14.1%	14.1%	
Lionheart MAT passthrough employers									
458	Coombs (Lionheart ET)	16.8%	-1.3%	-1.3%	-1.3%	15.5%	15.5%	15.5%	
468	CleanTEC (Lionheart ET)	16.8%	-1.3%	-1.3%	-1.3%	15.5%	15.5%	15.5%	
Lutterworth Academies Trust passthrough employers									
436	Cucina (Lutterworth AT)	17.8%	0.0%	0.0%	0.0%	17.8%	17.8%	17.8%	
Nova Education Trust passthrough employers									
409	Aspens (Nova ET)	17.7%	0.0%	0.0%	0.0%	17.7%	17.7%	17.7%	
Oak Multi Academy Trust passthrough employers									

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
504	Aspens (OAK Multi Acad Trust)	17.3%	0.0%	0.0%	0.0%	17.3%	17.3%	17.3%	
Odyssey Education Trust passthrough employers									
486	Coombs (Odyssey Trust)	17.2%	-1.5%	-1.5%	-1.5%	15.7%	15.7%	15.7%	
Old Dalby Church of England Primary School passthrough employers									
465	Coombs (VofB - Old Dalby)	17.2%	-1.5%	-1.5%	-1.5%	15.7%	15.7%	15.7%	
Rise MAT passthrough employers									
485	Relish (RISE)	17.5%	-0.8%	-0.8%	-0.8%	16.7%	16.7%	16.7%	
South Charnwood High School passthrough employers									
433	MCS Cleaning (2021)	17.3%	-1.9%	-1.9%	-1.9%	15.4%	15.4%	15.4%	
Symphony Learning Trust passthrough employers									
412	Coombs Catering Ltd	17.6%	0.0%	0.0%	0.0%	17.6%	17.6%	17.6%	
464	Relish (Symphony LT)	17.6%	0.0%	0.0%	0.0%	17.6%	17.6%	17.6%	
The Mead Educational Trust passthrough employers									
449	Compass (MEAD ET) Primary	16.4%	-1.0%	-1.0%	-1.0%	15.4%	15.4%	15.4%	
450	Compass (MEAD ET) Secondary	16.4%	-1.0%	-1.0%	-1.0%	15.4%	15.4%	15.4%	
Tudor Grange MAT passthrough employers									
415	Caterlink (Tudor Grange AT)	16.9%	-3.0%	-3.0%	-3.0%	13.9%	13.9%	13.9%	
461	CSE (TGAT, Samworth Acad) 2023	16.9%	-3.0%	-3.0%	-3.0%	13.9%	13.9%	13.9%	
469	BAM FM (Tudor Grange AT)	16.9%	-3.0%	-3.0%	-3.0%	13.9%	13.9%	13.9%	
United Learning Trust passthrough employers									
472	Taylor Shaw (United Learning)	16.1%	-1.8%	-1.8%	-1.8%	14.3%	14.3%	14.3%	
Leicestershire County Council maintained schools									
602	County - Anstey The Latimer Pr	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
603	County - Broughton Astley Orch	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
604	County - Buckminster Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
605	County - Burbage CofE Infant S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
606	County - Kilby Saint Marys	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
607	County - Newbold Verdon PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
608	County - Stathern Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
609	County - Swithland St Leonards	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
610	County - Witherley CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
611	County - Appleby Magna Sir	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
612	County - Ashby CofE Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
613	County - Ashby Woodcote PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
614	County - Barwell Infant School	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
615	County - Belton CofE Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
616	County - Billesdon Parochial	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
617	County - Blaby Thistly Meadow	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
618	County - Breedon St Hardulphs	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
619	County - Burbage Junior School	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
620	County - Bur Sketchley Hill PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
621	County - Burton-On-The-Wolds	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
622	County - CD St Edwards CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
623	County - Coal All Sts CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
624	County - Coal Belvoirdale PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
625	County - Coal Warren Hills PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
626	County - Congerstone Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
627	County - Cossington CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
628	County - Countes Greenfield PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
629	County - Diseworth CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
630	County - Fleckney CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
631	County - Foxton Primary School	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
632	County - Glenfield The Hall S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
633	County - Great Glen Saint	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
634	County - Griffydam Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
635	County - Groby Martinshaw PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
636	County - Groby Elizabeth Wood	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
637	County - Hallaton CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
638	County - Harby CofE Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
639	County - Hathern CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
640	County - Hemington Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
641	County - Hinck St Marys CofE	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
642	County - Hinck Westfield IS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
643	County - Hinck Westfield JS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
644	County - Hose CofE Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
645	County - Hugglescote Comm PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
646	County - Ibstock St Denys CofE	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
647	County - Ibstock Junior Sch	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
648	County - Kegworth Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
649	County - Little Bowden PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
650	County - Lboro Thorpe Acre IS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
651	County - Lboro Thorpe Acre JS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
652	County - Long Clawson CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
653	County - Long Whatton CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
654	County - Moira Primary School	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
655	County - New Swannington PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
656	County - Newbold CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
657	County - Packington CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
658	County - St Bartholomews CofE	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
659	County - Scalford CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
660	County - Sheepy Magna CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
661	County - Shepshed Oxley PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
662	County - St Botolphs CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
663	County - Ravens Woodstone C PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
664	County - Thurlaston CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
665	County - St John Baptist CofE	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
666	County - Wigston Water Leys PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
667	County - W Thythorn Field C PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
668	County - WH E St Pauls CofE PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
669	County - Worthington Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
670	County - Wymeswold Primary S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
671	County - Lboro Ashmount School	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
672	County - Whetst Badgerbrook PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
673	County - Lboro Booth Wood PS	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
674	County - Birch Wood Special S	16.7%	6.7%	6.7%	6.7%	23.4%	23.4%	23.4%	
675	County - WH E Maplewell Hall S	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	
676	County - Ellistown Comm PS	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	
677	County - Heather Primary S	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	
678	County - Newton Burgoland PS	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	
679	County - Wigston Menphys NS	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	
680	County - Bur Sketchley Hill NS	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			Notes
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
681	County - Barwell Newlands C PS	16.70%	6.70%	6.70%	6.70%	23.40%	23.40%	23.40%	

Notes to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer’s rate may also need to be reviewed.
- Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

Appendix 9: Gender pension gap

As required under the LGPS Regulations 2013, we have reported on the gender pension gap within the fund. The reporting approach, including derivation of statistics, is consistent with the guidance '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026 except for:

For the purpose of this analysis, we have

- relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation
- used the gender information provided in the submitted membership data

The Gender Pension Gap (GPG) is calculated as:

$$GPG = \frac{\text{Mean pension value for males} - \text{Mean pension value for females}}{\text{Mean pension value for males}}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90. A negative GPG implies the mean pension value for females is greater than the mean pension value for males.

Active members

The results in this section set out the analysis for members who were active at 31 March 2025.

Fund level analysis

At overall fund level, the GPG for active members of the Fund is 33%. Further detail is set out in the table and charts below.

	Males	Females	
Number of members*	9,473	26,976	-
% of overall membership	26%	74%	-
Mean age	45.9	46.2	-
Mean age the member joined the Fund	37.0	37.6	-
Mean number of jobs held	1.04	1.14	-
Mean employee contribution rate	6.24	5.89	-
Number of members with a FS pension	2,759	8,069	-
			Gender pay gap
Mean FTE pay	33,611	29,714	12%
Mean actual pay	31,215	22,763	27%
			Gender pension gap
Mean CARE pension	4,117	2,857	31%
Mean Final Salary pension**	5,819	3,393	42%
Mean total pension	5,827	3,887	33%

Table 16: Gender pension gap for active members – Fund level analysis

* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the fund calculation.

** In line with the guidance, this represents the mean for active members with a non-zero final salary pension

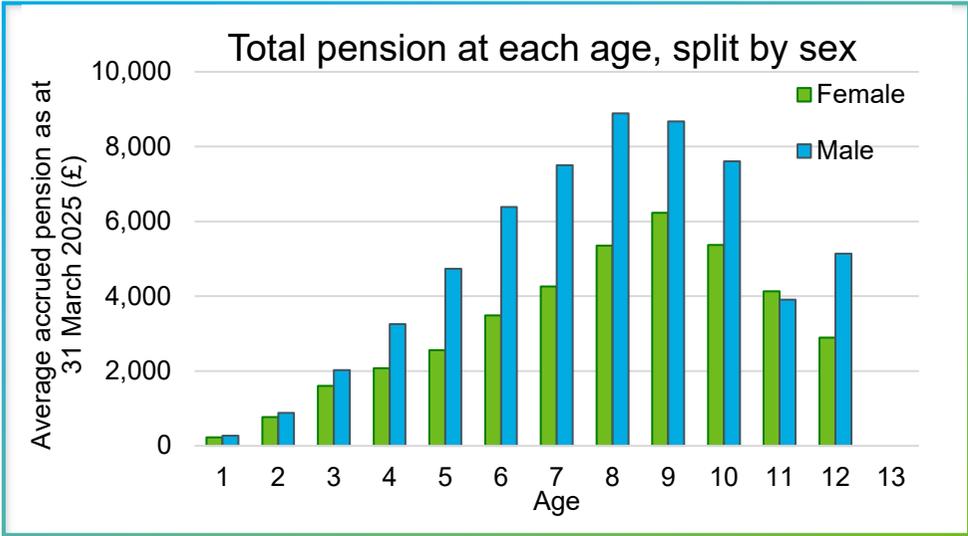


Chart 5: Total pension at each age, split by sex

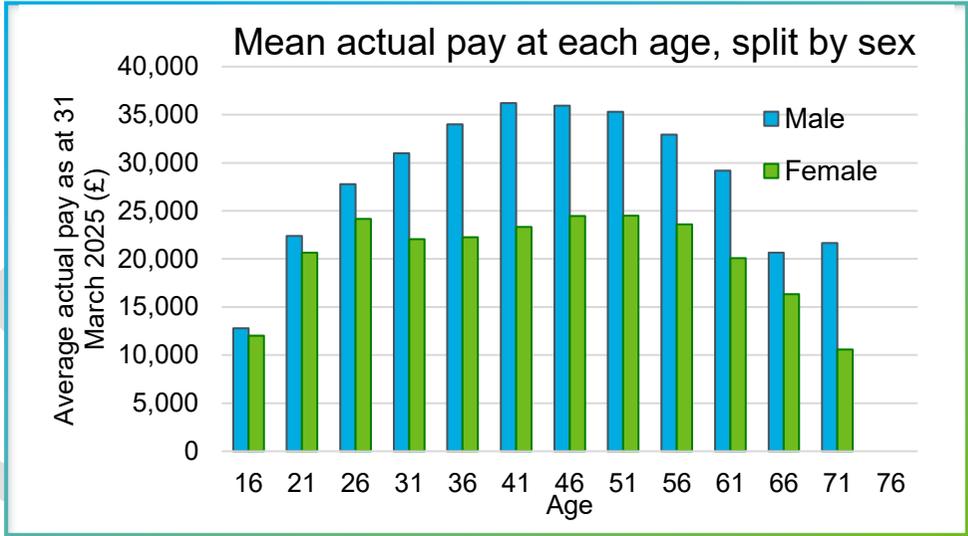


Chart 6: Mean actual pay at each age, split by sex

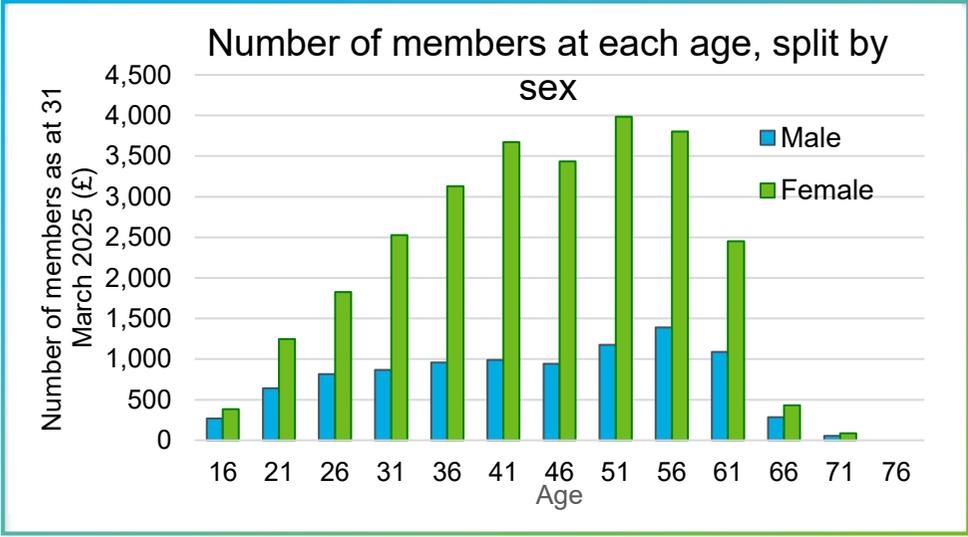


Chart 7: Number of members at each age, split by sex

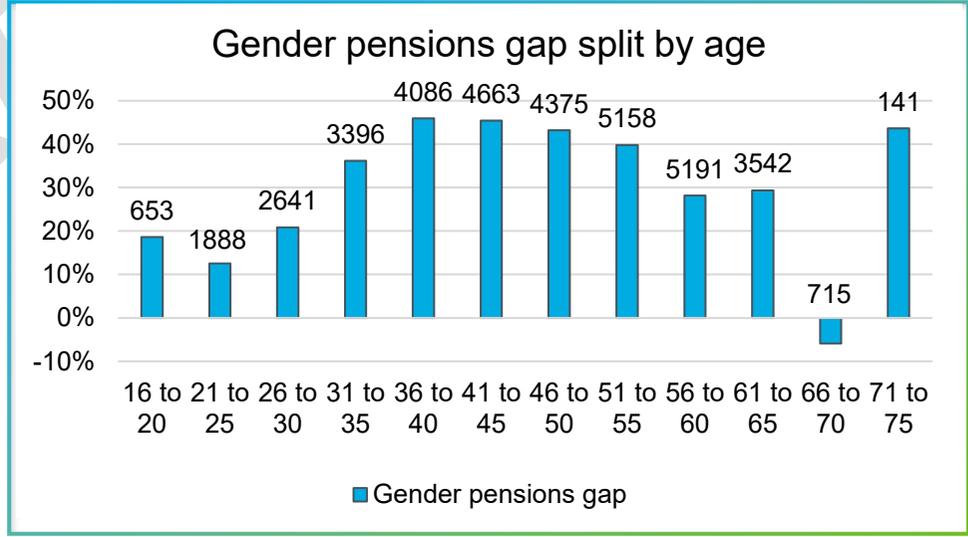


Chart 8: GPG at each age

Employer category analysis

In line with the Guidance, analysis at employer category level is set out below (N/A entries apply where the number of members in a group is less than 100):

Category	CARE pension GPG	Final Salary pension GPG	Total pension GPG
Local authorities and connected bodies	25%	33%	27%
Centrally funded public sector bodies excluding academies	17%	36%	19%
Academies	33%	52%	35%
Other public service bodies	N/A	N/A	N/A
Private/voluntary/other bodies	57%	57%	60%

Table 17: Gender pension gap for active members – Employer category analysis

Employer category	Local authorities		Central PS bodies		Academies		Other PS bodies		Private/voluntary	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
Number of members*	6,127	13,981	1,051	2,168	2,273	10,711	-	-	59	321
% of overall membership	30%	70%	33%	67%	18%	82%	N/A	N/A	16%	84%
Mean age	47.2	46.4	43.5	45.7	43.4	46.0	N/A	N/A	49.4	52.5
Mean FTE pay	34,895	32,151	30,680	28,098	31,509	26,930	N/A	N/A	29,463	24,985
Mean actual pay	33,449	26,014	28,097	22,167	26,281	18,406	N/A	N/A	24,923	13,364
Mean CARE pension	6,063	4,535	4,495	3,721	4,072	2,711	N/A	N/A	7,146	3,095
Mean Final Salary pension	6,249	4,173	5,047	3,246	4,754	2,270	N/A	N/A	4,912	2,107
Mean total pension	8,111	5,921	5,798	4,681	5,001	3,273	N/A	N/A	10,060	4,014

Table 18: Gender pension gap for active members – Employer category analysis (additional statistics)

* In line with the guidance, this represents the number of unique members per employer within the Fund i.e. multiple membership records across an employer category have been summed.

Pensioner members

The GPG for active members of the Fund is 46%. Frurther detail is set out in the table and charts below.

	Males	Females	GPG
Number of members*	9,710	19,357	-
% of overall membership	33%	67%	-
Mean age	72.1	71.2	-
Mean pension	8,510	4,571	46%
Mean CARE pension amount	2,484	1,779	-
Mean FS pension amount	8,004	4,005	-
Mean partner pension amount	4,456	2,337	-
Mean number of retirement pension accounts	1.11	1.13	-
Mean age at retirement	59.4	59.6	-

Table 19: Gender pension gap for pensioner members – Fund level analysis

* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the fund calculation

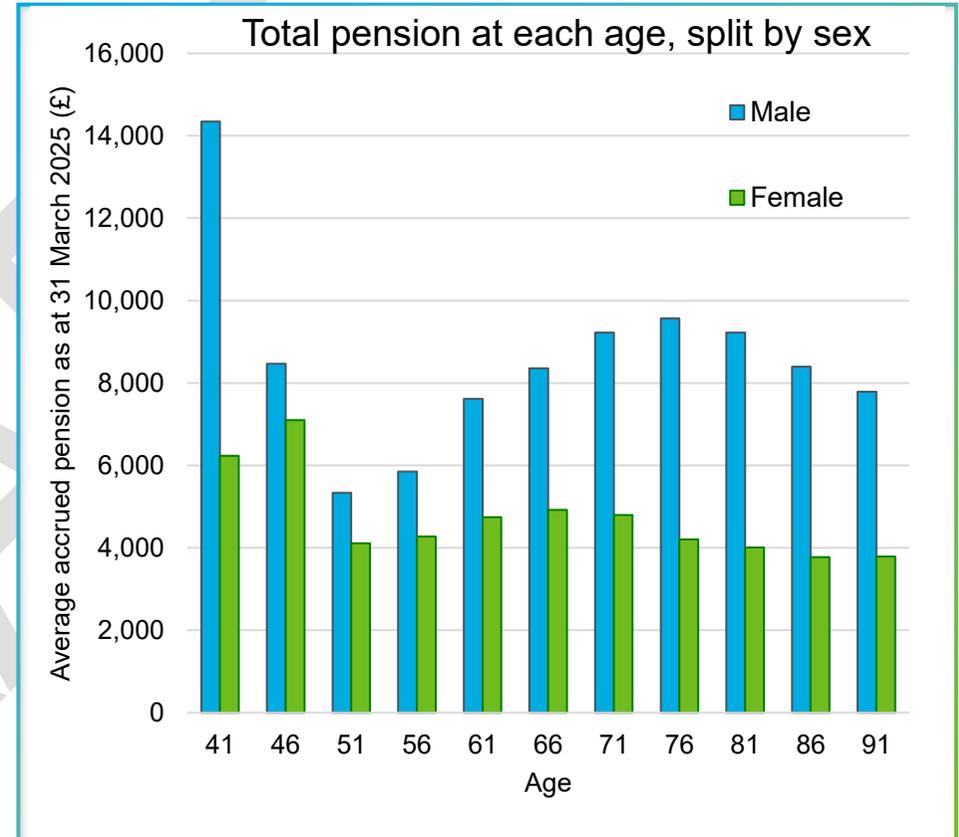


Chart 9: Total pension at each age, split by sex

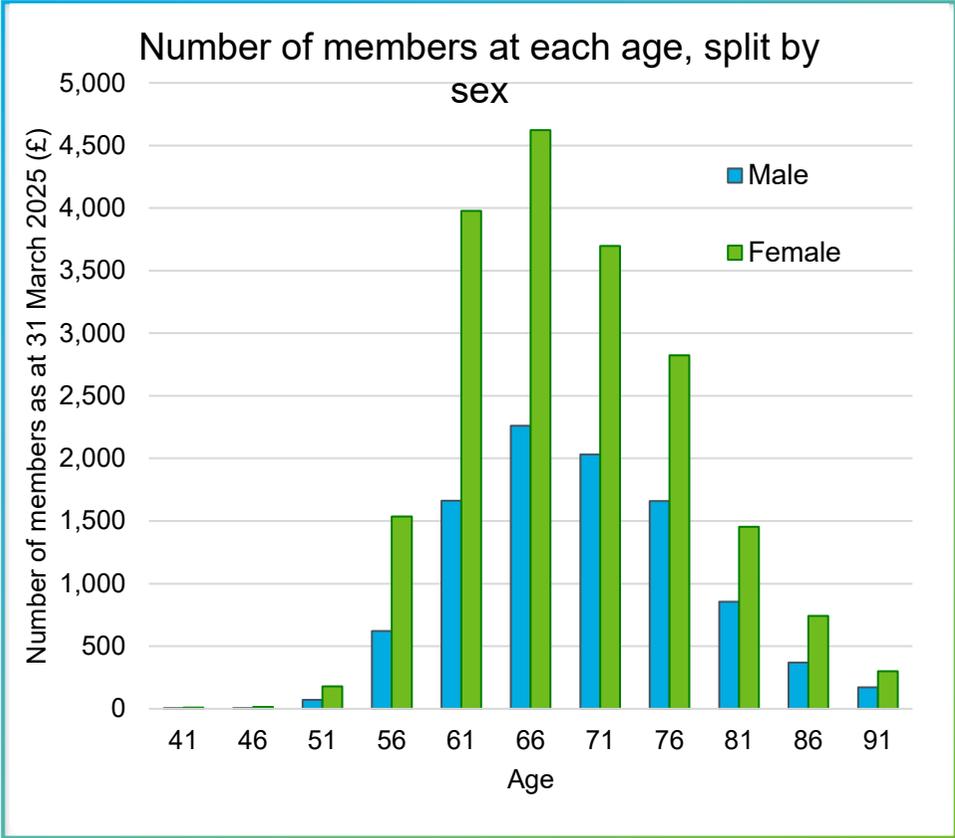


Chart 10: Number of members at each age, split by sex

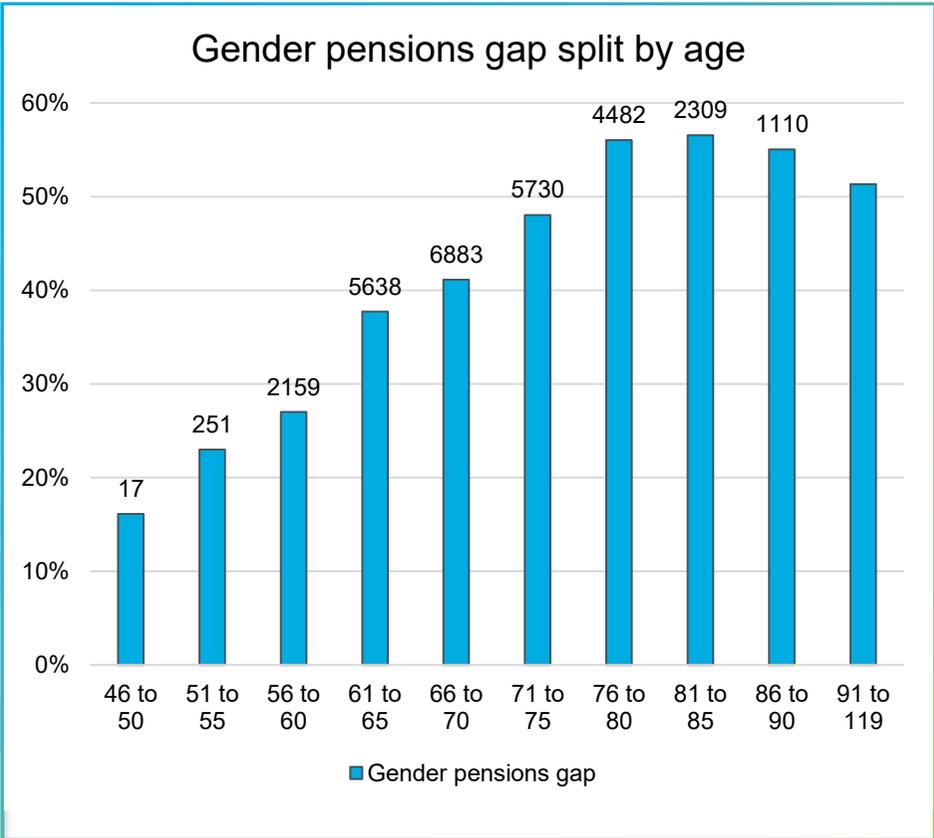


Chart 11: GPG at each age



LOCAL PENSION COMMITTEE – 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Committee (LPC) of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Policy Framework and Previous Decisions

2. The LPC's Terms of Reference state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS, securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and such other matters as the LGPS regulations may specify.

Background

3. The Pension Regulator's (TPR) Code of Practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of, risk management and internal controls. The Code states this should be a standing item on each Local Pension Board and LPC agenda.
4. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for the LPC.

Risk Register

3. The 19 risks are split into six different risk areas. The risk areas are:
 - Investment
 - Liability
 - Employer
 - Governance
 - Operational
 - Regulatory

4. 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**.
5. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
6. The latest version of the Fund's risk register was approved by the LPC on the 5 December 2025.
7. There has been one change to risk scores, alongside some changes to the contents of the risk register as highlighted below. Officers have also considered the implications of 'Fit for the Future' and how that will impact on the risk register which has been indicated.
8. To meet Fund Governance best practice, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position. The Local Pension Board considered this report at its last meeting where there were no comments.
9. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Fit for the Future Impact

10. It is recognised the proposals linked to 'Fit for the Future' will require a number of changes to the Fund, in relation to pooling and general Fund governance. These risks are largely captured under Risk 18, however, once changes are implemented there will be implications how the Fund considers investment risk. Changes to how the Fund considers these will be somewhat dependent on when the LGPS regulations receive royal assent and also ensuring appropriate agreements and oversight mechanisms are in place. These considerations are also set out within the business plans elsewhere on the agenda.
11. Currently, the Fund mitigates investment risk through thorough appraisal and due diligence before implementation decisions, such as, manager appointments and fund transitions. Going forward, these decisions will sit with LGPS Central. As Central assumes these responsibilities, the Fund must ensure robust oversight through regular officer meetings and updates to LPC and Investment Sub-Committee (ISC). Central has confirmed they do not intend to act unilaterally, and the relationship will remain collaborative and engaged. The LPC will continue to focus on its strategic investment role. Areas of expected change are highlighted in purple within the risk register.
12. A review of the LPC terms of reference and role of the ISC will be undertaken to ensure governance arrangements are clear and aligned to best practice.

Revisions to the Risk Register

Risk 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates

13. This has been updated to reflect the LPC considered the latest Strategic Asset Allocation in January 2026, and will be next due for review in January 2027.

Risk 5: Assets held by the Fund are ultimately insufficient to pay benefits due to individual members

14. This risk has been updated to reflect the 2025 Fund Valuation set out the 140% funding level. As a result, this risk has reduced significantly due to reduction in likelihood. With the risk turning green (from a current risk score of 10 to 5). The risk response has been changed from treat to tolerate as a result.

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.

15. This risk has been updated to reflect that the further action related to developing a monthly tracker for employers that post data to individual member records monthly has been implemented and is included within the list of current controls.

Risk 10: Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer

16. An update to the risk has been made to reflect that pressure on employer financial situations are not only contribution rates, but funding challenges they may be facing more broadly. It is intended that a report will be taken to the LPC to include an approach to cessation and exits to mitigate where an individual employer is looking to leave the Fund.

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.

17. Text has been added to reflect that additional funding is to be secured for two apprentice roles for the Pensions Section.

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

18. Text has been updated to reflect the Fund has responded to all consultation with regard to fit for the future. This risk remains a key pressure recognising the wait for final regulations and guidance, and the time it will take for the Fund to

implement any changes. Current fit for the future developments are detailed below.

Recommendation

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

Equality Implications

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

Human Rights Implications

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

Background Papers

None

Appendix

Appendix A – Risk Register

Appendix B – Risk Scoring Matrix and Criteria

Officers to Contact

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Risk no	Category	Risk	Causes (s)	Consequences	List of current controls	Impact	Likelihood	Current Risk Score	Risk Response	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score	Residual Risk Change since August 2025	Action owner
1	Investments	Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates	Poor market returns most probably caused by poor economic conditions and/ or shocks e.g. CV19, global recessions	Significant financial impact on employing bodies due to the need for large increases in employer contribution rates	Ensuring that strategic asset allocation is considered at least annually, and that the medium-term outlook for different asset classes is included as part of the consideration. Reviewed in January 2026.	5	2	10	Treat	Making sure that the investment strategy is sufficiently flexible to take account of opportunities and risks that arise but is still based on a reasonable medium-term assessment of future returns. To be reviewed January 2027.	4	2	8	—	Investments - SFBP
2	Investments	Market returns are acceptable, but the performance achieved by the Fund is below reasonable expectations	Poor performance of individual managers including LGPS Central especially during this phase of implementing the fit for the future recommendations, poor asset allocation policy or costs of transition of assets to LGPS Central is higher than expected	Opportunity cost in terms of lost investment returns, which is possible even if actual returns are higher than those allowed for within the actuarial valuation. Lower returns will ultimately lead to higher employer contribution rates than would otherwise have been the case	Ensuring that the causes of underperformance are understood and acted on where appropriate. Shareholders' Forum, Joint Committee and Practitioners' Advisory Forum will provide significant influence in the event of issues arising. Appraisal of each LGPS Central investment product before a commitment to transition is made.	3	3	9	Treat	After careful consideration, take decisive action where this is deemed appropriate. It should be recognised that some managers have a style-bias and that poorer relative performance will occur. Decisions regarding manager divestment to consider multiple factors including performance versus mandate and reason for original inclusion and realignment of risk based on revised investment strategy. The second phase of LGPS Central's expansion is likely to be challenging. The Fund will continue to monitor how the company and products delivered evolve. Programme of LGPS Central internal audit activity, which has been designed in collaboration with the audit functions of the partner funds. Each transition's approach is independently assessed with views from 8 partners sought. Use of the annual investment strategy refresh in January 2026 to highlight areas of concern and corrective action alongside, consideration of any additional oversight mechanisms that may be helpful following fit for the future changes	3	2	6	—	Investments - SFBP
3	Investments	Failure to take account of ALL risks to future investment returns within the setting of asset allocation policy and/or the appointment of investment managers	Some assets classes or individual investments perform poorly as a result of incorrect assessment of all risks inherent within the investment. These risks may include, but are not limited to the risk of global economic slowdown and geopolitical uncertainty and failure to consider Environmental, Social and Governance factors effectively.	Opportunity cost within investment returns, and potential for actual returns to be low. This will lead to higher employer contribution rates than would otherwise have been necessary.	Ensuring that all factors that may impact onto investment returns are taken into account when setting the annual strategic asset allocation. Only appointing investment managers that integrate responsible investment (RI) into their processes.Utilisation of dedicated RI team at LGPS Central and preparation of an annual RI plan. The Fund is also member of the Local Authority Pension Fund Forum (LAPFF) and supports their work on shareholder engagement which is focused on promoting the highest standards of corporate governance and corporate responsibility. The Committee has approved a Net Zero Climate Strategy to take into account the risk and opportunities related to climate change. Climate Risk Report and Climate Stewardship Report. The Fund also produces an annual report as part of the Taskforce on Climate-related Financial Disclosures.	3	4	12	Treat	Responsible investment aims to incorporate environmental (including Climate change), social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Annual refresh of the Fund's asset allocation allows an up to date view of risks to be incorporated and avoids significant short term changes to the allocation. This can take into account geopolitical uncertainty, the impact of climate change on the portfolio including risk from stranded assets. As part of the 2026 strategic asset allocation review LGPS Central alongside Hymans Robertson will present recommendations to the Committee taking into account the above factors. Asset allocation policy allows for variances from target asset allocation to take advantage of opportunities and negates the need to trade regularly where investments under and over perform in a short period of time. LGPS Central are in the process of developing an ESG report for the Fund which can be used to monitor the Fund's portfolio exposure, and support engagement with underlying companies	3	3	9	—	Investments - SFBP
4	Investments	Risk to Fund assets and liabilities arising from climate change	The impact on global markets and investment assets from the transition to a low carbon economy, and/or the failure to achieve an orderly transition in line with the Paris agreement.	Failure of meeting return expectations due to risks, or missed investment opportunities, related to the transition to a low carbon economy, and/or the failure to achieve an orderly transition. Resulting in increased employer contributions costs. Some asset classes, and carbon intensive sectors may be overexposed to transition risks, and/or the risk of stranded assets	Net Zero Climate Strategy, targeting by 2050 with an ambition for sooner. Climate metrics, including decarbonisation targets monitored annually through the Climate Risk Report, and reporting under TCFD recommendations. Supporting real world emissions reduction with partners (LAPFF, and LGPS Central) as part of the Fund's Climate Stewardship Plan. Consideration of climate change in investment decisions including investment in climate solutions and funds titled towards climate factors. Climate scenario analysis is undertaken biennially on impact to Fund assets. The Funding Strategy Statement's resilience to climate risk was also tested through the 2022 triennial valuation	3	4	12	Treat	Annual refresh of the Fund's asset allocation allows for an up to date view of climate risks and opportunities to be incorporated and avoids significant short term changes to the allocation. This will take into account the Fund's latest Climate Risk report. Increased asset coverage for climate metric reporting. Increased engagement with investment managers and underlying companies through Net Zero Climate Strategy and further collaboration. Expected regulatory change on climate monitoring. As part of the actuarial valuation the Fund's Actuary will undertake climate scenario analysis. Climate considerations will also feed into longevity assumptions. The IIGCC has produced a Net Zero Infrastructure Framework 2.0 that will be incorporated into the Fund's Net Zero Climate Strategy review to include further asset classes over 2025/2026.	3	3	9	—	Investments - SFBP

5	Liability	Assets held by the Fund are ultimately insufficient to pay benefits due to individual members	Ineffective setting of employer contribution rates over many consecutive actuarial valuations	Significant financial impact on scheme employers due to the need for large increases in employer contribution rates.	Input into actuarial valuation, including ensuring that actuarial assumptions are reasonable and the manner in which employer contribution rates are set does not bring imprudent future financial risk Early engagement with the Fund's higher risk employers to assess their overall financial position. Ongoing review of Community Admission Bodies (CABs). As at the 2025 Fund Valuation the Fund is 140% funded.	5	1	5	Tolerate	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%.	5	1	5	↓	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 Developed a monthly tracker for employer postings. 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. Monitor employers that change payroll systems.	3	1	3	—	Pension Manager
7	Employer	If contribution bandings and contributions are not applied correctly, the Fund could receive lower contributions than expected	Errors by Fund employers payroll systems when setting the changes	Lower contributions than expected. Incorrect actuarial calculations made by the Fund. Possibly higher employer contributions set than necessary	Pension Section provides employers with the annual bandings each year. Pension Section provides employers with contributions rates (full and 50/50) Internal audit check both areas annually and report their findings to the Pensions Manager Finance reconcile monthly contributions to payroll schedule	3	2	6	Tolerate	Pension Officers check sample cases Pension Officers to report major failings to internal audit before the annual audit process Major failings to be reported to the Pensions Board	3	1	3	—	Pensions Manager
8	Employer	Employer and employee contributions are not paid accurately and on time	Error on the part of the scheme employer	Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.	Receipt of contributions is monitored, and late payments are chased quickly. Communication with large commercial employers with a view to early view of funding issues. Internal Audit review on an annual basis and report findings to the Pensions Manager	2	3	6	Tolerate	Late payers will be reminded of their legal responsibilities. The pensions investment team will escalate any late payers to the Pensions Manager as required	2	3	6	—	Pensions Manager
9	Governance	If the Funds In House AVC provider (The Prudential) does not meet its service delivery requirements the Pension Fund is late in making payment of benefits to scheme members	System or administrative change at the Prudential.	Failure to meet key performance target for making payments of retirement benefits to members Complaints Reputational damage Members may cease paying AVCs	A new contract has been signed from 2025. The contract details the Prudential fund requirement. Quarterly meetings with the Pension Manager. The Prudential attended LPC in June 2025.	3	1	3	Tolerate	Working closely with the Prudential to improve administrative processes e.g. employer data directly to the Prudential via secure link.	3	1	3	—	Pensions Manager
10	Governance	Sub-funds of individual employers are not monitored to ensure that there is the correct balance between risks to the Fund and fair treatment of the employer	Changing financial position of both sub-fund and the employer	Significant financial impact on employing bodies. Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.	Ensuring, as far as possible, that the financial position of each employer is understood. On-going dialogue with them to ensure that the correct balance between risks and fair treatment continues. Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates. Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks The Department for Education extended its guarantee to provide assurance to LGPS funds that FE bodies should not be treated as high risk employers. The Fund will ensure that the implications of the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations is fully accounted for in the Funding Strategy.	4	2	8	Treat	To review the security as required . The draft Funding Strategy Statement will set out the cessation and exit value if required, to be considered by LPC for approval.	3	1	3	—	Pensions Manager

11	Governance	Strategic 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 lower 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 complete 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 and oversight process. Members undertake Training Needs Assessment and get issued individual training Plans. The training plan for 2026 will look to reflect these results alongside any key areas resulting from the fit for the future proposals. An internal audit of this risk is underway, action will be taken on any recommendation	3	3	9	Investments - SFBP
12	Operational	If the Pensions database system is subjected to a cyber attack, resulting in the theft of personal data or a period of unavailability, then there may be a breach of the statutory obligations.	Pensions database now hosted outside of LCC. Employer data submitted through online portal. Member data accessible through member self-service portal (MSS). Data held on third party reporting tool (DART). Greater awareness of information rights by service users.	Diminished public trust in ability of Council to provide services. Loss of confidential information compromising service user safety. Damage to LCC reputation. Financial penalties.	Regular LCC Penetration testing and enhanced IT health checks in place. LCC have achieved Public Sector Network (PSN) compliance. New firewall in place providing two layers of security protection in line with PSN best practice. Contractual arrangements in place with system provider regarding insurance. Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place. Developed a new Cyber risk policy	5	2	10	Treat	Liaise with Audit to establish if any further processes can be put in place in line with best practice. Good governance project and the TPR new code of practice to include internal audit reviews of both areas. Under review and findings will be reported to the Board. Six monthly review of Fund's continuity plan.	5	1	5	Pensions Manager
13	Operational	If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one off payments could be wrong	Human error when setting up immediate payments or calculating a pension System failures Over or under payments Unable to meet weekly deadlines	Reputation Complaints/appeals Time resource used to resolve issues Members one off payments, not paid, paid late, paid incorrectly	Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk New immediate payments bank account checks system Use of insights report to identify discrepancies between administration and payroll sides of the system Funds over and under payment policy. Segregation of duties, benefits checked and authorised by different Officers Training provided to new staff. Figures are provided to the member so they can see the value and check these are correct A type of bank account verification applied to all pensions and transfer payments.	4	1	4	Tolerate	Officers worked with LCC Technical Security and Audit colleagues to update the Fund Cyber Policy document, ensuring that it complies fully with TPR Code of Practice. The latest version was approved by the Local Pension Committee in March 2025	4	1	4	Pensions Manager
14	Operational	If transfer out checks are not completed fully there may be bad advice challenges against the Fund There are some challenges being lodged from Claims Management Companies on historic transfers out	Increasing demand for transfers out from members Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits Increased complexity on how the receiving schemes are set up Increased challenges on historic transfers Manual calculation of transfer values due to McCloud.	Reputation Financial consequence from 'bad advice' claims brought against the Fund IDRP appeals (possible compensation payments) Increased administration time and cost	Follow LGA and Pensions Regulator (TPR) national guidance and checks, e.g. £30K plus transfers require members to take professional advice, completion of required forms. Internal Audit undertake a review of transfers out every two years. Queries escalated to Team Manager then Pensions Manager Legislative checks enable the Fund to withhold a transfer in certain circumstances. Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"	2	4	8	Treat	Escalation process to officers to check IFA, Company set up, alleged scam activity Further escalation process to external Legal Colleagues National change requires checks on the receiving scheme's arrangements. Some McCloud calculations using an LGA template. Pension officer phones member to discuss when required.	2	3	6	Pension Manager
15	Operational	Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity	Late or no notification of a deceased pensioner. Fraudulent attempts to continue to claim a pension	Overpayments or financial loss Legal cases claiming money back Reputational damage	Tracing service provides monthly UK registered deaths Life certificates for overseas pensioners Defined process governing bank account changes Moved to 6 monthly checks, (from one check every 2 years) National Fraud mortality screening for overseas pensioners	3	1	3	Tolerate	Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors. Informal review of tracing service arrangements.	3	1	3	Pensions Manager

16	Regulatory	The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service	The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme. The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful	Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is; Increasing administration Revision of previous benefits Additional communications Complaints/appeals Increased costs	Guidance from LGA, Hymans, Treasury Employer bulletin to employers making them aware of the current situation on McCloud Team set up in the Pension Section to deal with McCloud casework. Quarterly updates to the Board. Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.	3	3	9	Treat	Final system changes have been loaded into the system. Fund Officers are adopting a phased approach starting with new in scope retirements and leavers. Phase two will require a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.	2	2	4	—	Pensions Manager
17	Regulatory	The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service	National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard	Increased administration Data cleaning exercise on member records Increased system costs Additional communications	Initial data cleaning started Contract made with the system provider on building the data link	3	3	9	Treat	Work with LCC's internal IT Team Security checked on the required link to allow the access to secure member pension data GDPR requirements Quarterly updates to the Board Work with the Prudential regarding the transfer of AVC information	3	2	6	—	Pensions Manager
18	Regulatory	Proposed changes as a result of Government propositions relating to regulations, guidance in relation to pooling and local government reorganisation/devolution.	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 and the tight timescales with relation to the Pension Schemes Bill and any required compliance by the Fund. If extensive recruitment at Central is not at the sufficient level to undertake and present investment proposals. Local government reorganisaion.	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 probable over the next 12-24 months, as soon as 1 April with drafted regulations.	Response provided to all consultation strands for Fit for the Future, alongside Central partners on challenges that may arise from proposed changes. Productive participation with LGPS Central at officer and Joint Committee level. Investment in pool products where possible and in line with the Fund's strategy as approved by it's investment advisor. Careful consideration of government proposals, balancing pooling proposals and improved governance and continuation of the investment strategy including the net zero journey.	3	4	12	Tolerate	Officers to review all relevant guidance and/or regulation changes. Continue to work with the Fund's Investment Advisor and LGPS Central on progressing pooling. Review the outcome of the Fit for the Future consultation and Pensions Bill considerations in collaboration with LGPS Central, the chair of the Local Pension Committee and the section 151 officer. Careful planning of the 2026 ISS to take into account member views, fund beliefs and fit for the future consultation recommendations. Committee and Board will be kept updated on implications as part of any future local government reorganisation or devolution proposals.	3	4	12	—	Investments - SFBP
19	Operational	Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.	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	Additional funding to be secured for two apprentice roles.	3	2	6	—	Pensions Manager

Appendix B: Risk Scoring Matrix

Impact					
5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1	2	3	4	5
	Very Rare/Unlikely	Unlikely	Possible/Likely	Probable/Likely	Almost certain

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

Impact Risk Scoring Criteria

Scale	Description	Departmental Service Plan	Internal Operations	People	Reputation	Impact on the Environment
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major Local Impact
5	Very High/Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council/Fund, members or officers	Major regional or national impact

Residual Risk Score Change since last meeting indicator

-  Risk Increase
-  No Change
-  Risk Decrease

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

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

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LOCAL PENSION COMMITTEE – 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

VALUATION OF PENSION FUND INVESTMENTS

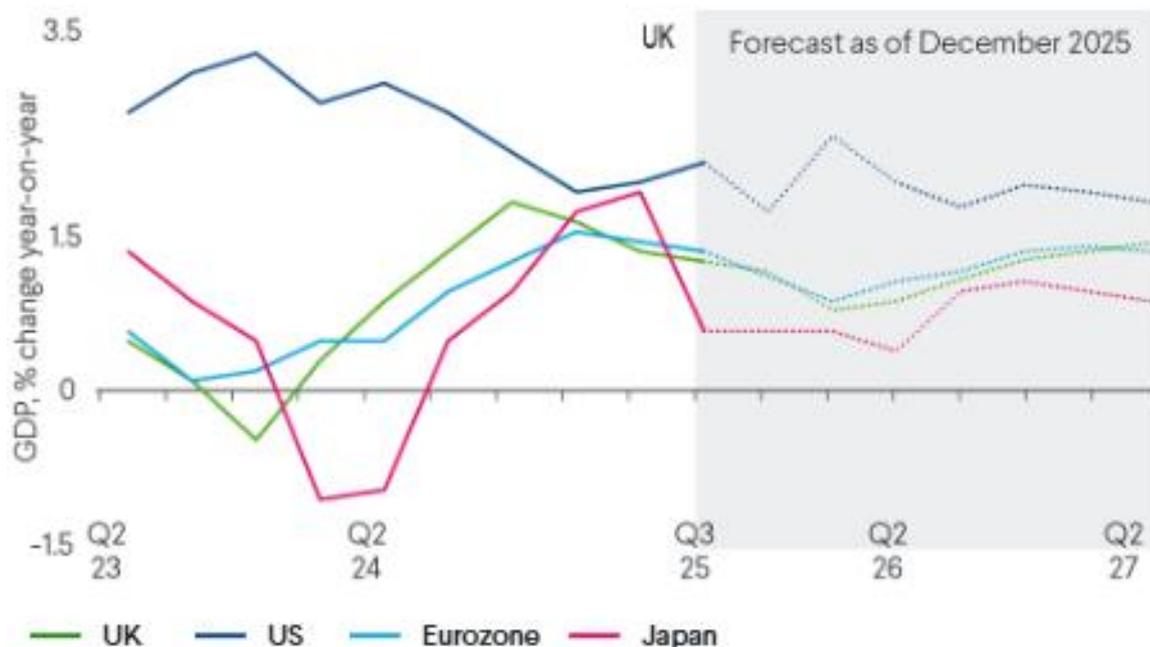
Purpose of Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update on the investment markets and how individual asset classes are performing, and the total value of the Fund's investments as at 31 December 2025.

Markets Performance and Outlook

2. Global growth remained resilient through 2025 despite ongoing policy uncertainty and the introduction of US trade tariffs. Full year global growth forecasts continued to be revised upwards during the year and finished broadly in line with 2024 levels, with only a modest slowdown expected into 2026.

Figure 1: Resilient global growth is expected to ease only modestly in 2026



Source: Bloomberg

3. The US economy continued to outperform, supported by strong corporate finances, an AI driven investment cycle and ongoing fiscal support following the extension of tax cuts. Elsewhere, China increased fiscal stimulus to support manufacturing and export led growth, although domestic demand remained weak and deflationary pressures

persisted as the property market downturn continued. Core European economies underperformed in 2025 but are expected to benefit from increased infrastructure and investment spending in 2026.

4. In the UK, headline inflation eased during the second half of 2025, with both headline and core inflation falling to around 3.2% by November. At the same time, unemployment rose, indicating softer labour-market conditions. While this points to slower wage growth ahead, inflation is still expected to remain slightly above target due to modest productivity growth.
5. Central banks began easing monetary policy during 2025 in response to moderating inflation and signs of labour-market weakness. The US Federal Reserve and the Bank of England both reduced policy rates during the year, while the Bank of Japan raised rates further as inflation remained above target. Looking ahead, markets expect a cautious and gradual approach to further rate cuts, particularly in the UK and US.
6. Government bond yields were mixed over the year. UK and US yields fell modestly overall, while longer-dated yields remained elevated due to higher real yields and rising term premia. In contrast, Japanese government bond yields rose materially following further monetary tightening. In Europe, core yields increased on expectations of higher government spending.
7. Credit spreads widened slightly during the fourth quarter amid heavy issuance but remained close to historic lows by year end. Strong investor demand for yield continued to support credit markets, despite the increased supply associated with large-scale issuance from major technology companies to fund capital expenditure.
8. Global equity markets delivered strong returns in 2025, supported by robust earnings growth, monetary easing and optimism around artificial intelligence-related investment. Equity markets recovered from earlier volatility linked to tariff announcements and finished the year strongly. The table below shows the index performance of the MSCI world index (GBP) as at 31 December 2025, it finished the year up 13.2%

Figure 2: MSCI world index performance

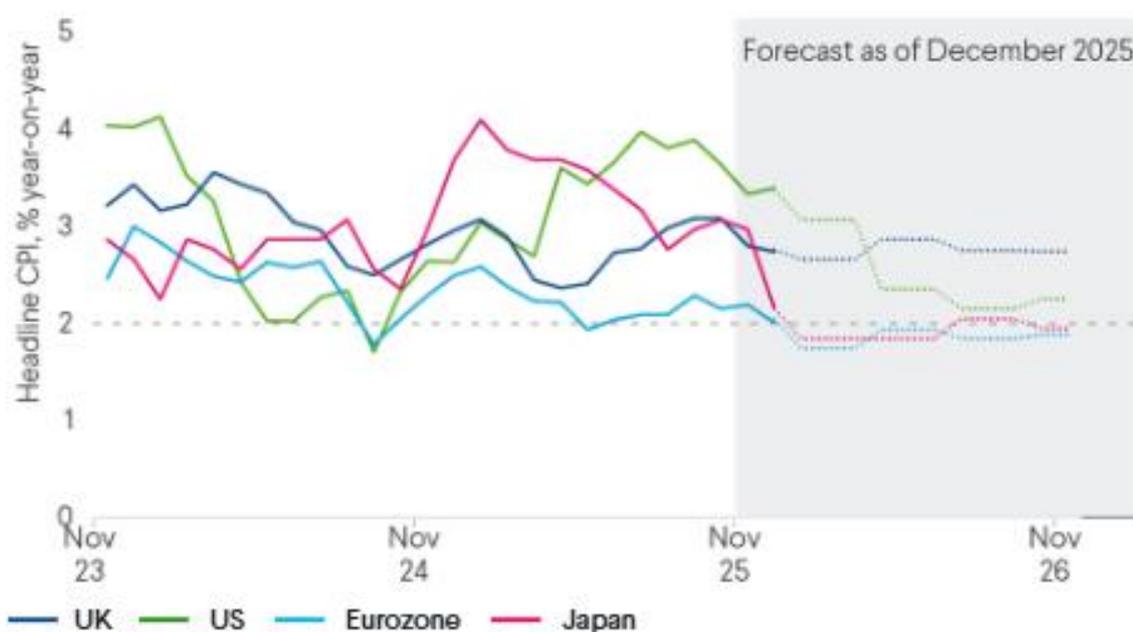
INDEX PERFORMANCE – GROSS RETURNS (%) (DEC 31, 2025)

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			Since Dec 31, 1987
					3 Yr	5 Yr	10 Yr	
MSCI World	-0.66	3.29	13.22	13.22	17.27	13.03	13.78	9.83

9. While near-term fundamentals remain supportive, Hymans note that equity and credit valuations appear stretched relative to long-term assumptions. As a result, expected medium-term returns are likely to be more modest than those experienced over recent years, reinforcing the importance of maintaining diversification and a focus on long-term strategic objectives.
10. The Fund is well diversified and is able to weather most downward global market conditions. The listed equity component which is arguably one of the most volatile asset types has been reduced over time as funding levels improved, the actual allocation as at 31 December to listed equity is 44%. There is additional equity allocation within other mandates, notably within the 5% targeted return allocation but this is variable based on the investment managers views on listed equity.

11. We would not expect all areas of the Fund's investments to be performing well at the same time, as it could be inferred if a slowdown were to take place all parts of the portfolio could suffer. The Fund's annual SAA review considers the weightings to asset classes amongst other areas, the most recent review took place in January 2026.
12. One of the main policy tools that affects markets in general is central bank interest rates and forward guidance that markets interpret as either positive or negative for markets. Historically, interest rates and guidance offered by central banks would be accommodative during periods of low growth, recession or rising employment. However, over the last few years inflation concerns have tempered the default response of reducing rates to support the economies. Inflation has proved to be far stickier than many had forecast. Looking ahead inflation for the major economies looks modestly lower although recent events (Middle East conflict) if prolonged will likely change these forecasts.

Figure 3: CPI forecast



Source: Bloomberg

13. The US has continued its path on cutting 'base' interest rates with the last cut at the January 2026 meeting and in August 2025 the Bank of England cut rates by 0.25% to 4.00%.
14. The table below shows a handful of developed market interest and inflation rates as at 9 March 2026. The general direction of interest rate moves has been lower through 2025 across major developed economies, the exceptions being Australia and Japan which have had rate increase in in February 2026 and December 2025 respectively.

Country	Interest Rate %	Last Movement	Date of Last Movement	Inflation Rate %	Date of Inflation Rate	Inflation Metric Used
Australia	3.85	Up	February 2026	3.8	January 2026	Consumer Price Index (CPI)
Canada	2.25	No change	January 2026	2.3	January 2026	Consumer Price Index (CPI)
Euro Area	2.15	No change	February 2026	1.9	February 2026	Harmonised Index of Consumer Prices (HICP)
Japan	0.75	Up	December 2025	1.5	January 2026	Consumer Price Index (CPI)
Sweden	1.75	No change	January 2026	1.7	February 2026	Consumer Price Index with Fixed Interest Rate (CPIFI)
United Kingdom	3.75	No change	February 2026	3.2	January 2026	Consumer Prices Index incl. owner occupiers' housing costs (CPIH)
United States	3.50–3.75	No change	January 2026	2.4	January 2026	Consumer Price Index

Source: various including central banks, national statistics offices, Eurostat, (Bureau of Labour Statistics (BLS), Office of National Statistics (ONS))

15. Hymans' capital markets review for the December 2025 quarter ending comments on most major asset classes performance and their prospects. A summary of the paper for a number of asset classes starting with equities is shown below.

a. Equities:

Global equities rose strongly in 2025, supported by improving economic and earnings expectations, AI-driven investment and monetary easing. Earnings growth forecasts remain robust into 2026 and 2027, providing a supportive near-term backdrop. However, valuations, particularly in the US remain elevated, leaving markets vulnerable to disappointment should earnings growth fall short. While US equities may justify some valuation premium, diversification across regions and investment styles remains important.

b. Government bonds:

The Bank of England reduced the base rate by a total of 1.0% during 2025, leaving policy only modestly restrictive by year end. Short-dated yields fell in response, while longer-dated yields remained elevated due to higher real yields and increased term premia. Although the technical backdrop for gilts remains challenging due to ongoing issuance and reduced demand from traditional buyers, current yield levels are viewed as more attractive than in recent years. Hymans maintain a balanced view between nominal and index-linked gilts.

c. Corporate credit:

Corporate fundamentals remain broadly supportive, although higher interest costs have reduced debt affordability from previously strong levels. Investment-grade credit spreads remain close to historic lows, which limits near-term upside and warrants caution for investors with shorter time horizons. However, elevated underlying government bond yields mean investment-grade credit still offers reasonable medium-term return potential. Hymans are more cautious on speculative-grade credit, where spreads offer limited compensation for risk. The Fund has limited exposure to this higher risk and higher expected return area on credit.

d. UK Property:

UK commercial property income remained resilient during 2025, with rental growth and income returns supporting overall performance. Prime assets continued to benefit from limited supply and stronger occupier demand, while secondary assets, particularly older offices face higher vacancy rates and obsolescence risk. Although investment volumes remained subdued and market sentiment weakened towards year end, the gap between net initial and reversionary yields suggests some longer-term potential for capital value recovery, particularly for well-located, high-quality assets.

16. A summary of global asset class performance over various time frames as at quarter ending 31 December 2025 is shown below. The standout classes over the longer term remain, listed global equity, US listed equity, private equity and gold. The first two exhibit a high degree of correlation given the US equity market makes up the majority of global equity returns. Private equity depends on the types of strategy employed and as such can be less correlated with global equity returns. Gold has, against most asset classes the lowest levels of correlation when measured over a 10-year period, see figure 5.

Figure 4: performance by asset class

Sub Asset Class	Return	Annualised Total Returns to 31/12/25 (GBP unless stated)				
	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Global	3.5%	14.6%	16.6%	12.1%	13.3%	10.1%
US	2.7%	9.8%	18.6%	14.8%	15.9%	12.3%
UK	6.4%	23.9%	12.9%	11.6%	8.3%	6.9%
EM (USD)	1.8%	26.4%	16.0%	5.2%	8.9%	6.4%
US Investment Grade	0.5%	0.5%	2.5%	-0.4%	4.3%	5.8%
US Non Investment Grade	1.5%	1.3%	6.0%	4.6%	7.0%	7.0%
UK Investment Grade	3.0%	5.5%	2.6%	-4.5%	0.5%	2.7%
European High Yield (EUR)	0.5%	5.1%	8.5%	3.2%	4.1%	5.8%
Emerging Markets	3.3%	14.3%	9.9%	1.1%	3.4%	5.1%
UK Gilts	3.1%	5.0%	1.7%	-5.3%	-0.1%	2.5%
UK Index Linked Gilts	3.3%	1.3%	-2.1%	-8.2%	-0.3%	3.2%
Cash	1.1%	4.8%	5.0%	3.3%	2.1%	
Gold	11.7%	52.8%	27.8%	18.2%	16.1%	12.6%
Cat Bonds	2.4%	3.7%	12.3%	10.4%	8.0%	9.5%

	Return	Annualised Total Returns to 30/9/25 (USD)				
	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years
Private Equity	2.4%	8.0%	6.9%	13.7%	13.7%	14.0%
Private Credit	2.2%	6.9%	8.3%	10.5%	8.6%	9.3%
Real Estate	0.0%	0.7%	-0.9%	5.9%	6.9%	9.1%
Infrastructure	1.5%	7.0%	8.5%	11.0%	9.5%	9.3%

Source: Bloomberg for listed markets,

Figure 5: asset class correlations 10 year

	Global	US	UK	EM	US	US Non	UK	Euro	EM	UK	UK	Cash	Gold	Cat
	Equities	Equities	Equities	Equities	IG	IG	IG	Hi Yield	Bonds	Gilts	ILG			Bonds
Global Equities	1.00	0.94	0.88	0.80	0.17	0.63	0.14	0.63	0.55	-0.05	0.27	0.21	-0.06	0.02
US Equities		1.00	0.74	0.62	0.24	0.67	0.12	0.47	0.40	-0.02	0.27	0.15	-0.07	0.17
UK Equities			1.00	0.79	-0.07	0.43	0.09	0.72	0.61	-0.13	0.17	0.26	-0.17	-0.20
EM Equities				1.00	-0.02	0.47	0.11	0.74	0.66	-0.09	0.22	0.21	0.04	-0.20
US Investment Grade					1.00	0.58	0.54	-0.26	0.02	0.60	0.41	-0.03	0.57	0.72
US Non Investment Grade						1.00	0.23	0.36	0.30	0.15	0.36	0.06	0.24	0.51
UK Investment Grade							1.00	0.08	0.47	0.96	0.79	0.14	0.41	0.21
European High Yield								1.00	0.76	-0.16	0.18	0.33	-0.28	-0.45
EM Bonds									1.00	0.28	0.47	0.36	0.08	-0.35
UK Gilts										1.00	0.75	0.09	0.48	0.32
UK Index Linked Gilts											1.00	-0.06	0.31	0.12
Cash												1.00	0.28	0.09
Gold													1.00	0.44
Cat Bonds														1.00

Portfolio changes during the quarter ended December 2025

- Cash was deployed into the Aegon Short Date Bond Fund during October and November 2025. A total of £90million was invested in three £30million investments. This allocation hopes to capture additional return with relatively low risk whilst the Fund has high cash balances and awaits calls from commitments made to private market managers. The cash invested is liquid can be recalled as and when calls cannot be readily met from cash balances.
- Capital calls for Central's direct lending (private credit) 2024 vintage were also received this quarter, a total of £270million is committed to this investment product.

19. The net effect on cash, quarter on quarter, has seen a decrease from £561million to £453million. There has no rebalancing activity over the last quarter. Information on the Fund's current valuation and variances to the Strategic Asset Allocation are reported later within this paper.

Investments approved at Investment Sub-Committee (ISC)

20. There has been no meeting of the ISC since the last update to the LPC. As a reminder, at the meeting of the ISC on the 1 October 2025 the following decisions were approved:
- a. Top up an additional £120m to the 2024 Central private debt sleeves (£90m to Direct Lending and £30m to real assets). These additional commitments bring the total commitments across the two 2024 Central private credit vintages to £400million.
 - b. £90m additional commitment to the Aegon Short Dated Investment Grade corporate bond investment from general cash balances. £90million was added to this product over three £30million investments in October and November 2025.
 - c. £110m per annum of new commitments to private equity, are made to rebuild exposure and reach the target allocation by 2031-32 for private equity (PE), to be split as follows:
 - i. £65m to the LGPS Central 2025 PE primary sleeve.
 - ii. That it be delegated to the Director of Corporate Resources to commit £15m to the 2025 co-investment sleeve subject to satisfactory due diligence.
 - iii. That it be delegated to the Director of Corporate Resources to commit a further £30m earmarked for potential allocation (£15m each to secondary and venture sleeves), subject to satisfactory due diligence. The Venture Capital product will now not be launched by Central owing to limited capital available from Partner Funds to make this product viable. In total £95million is committed to PE rather than the envisaged £110million. The minor shortfall of £15million is not material and can be evaluated at the next strategic asset allocation review.

Strategic Asset Allocation (SAA) 2026

21. The annual meeting of the LPC on 30 January 2026 was attended by Hymans Robertson who presented the proposed changes to the SAA alongside a review of the performance of the Fund.
22. Proposals were approved by the LPC the change to allocations are described below:
- a. Local investments: 1% initial allocation to Local Investments across the four asset classes, private equity, property, infrastructure and private credit.
 - b. Fixed interest UK Government Bonds: Initiation of 2% fixed interest gilts allocation.
 - c. Two asset class reviews: A listed equity and investment grade credit review. The nature of the reviews will be dependent on Central's asset class design work

which is ongoing currently. Any outcomes will be presented to the relevant LPC meeting during 2026.

23. The presentation of the SAA was updated to follow the guidance from Government where all LGPS funds will report against the same nine asset class descriptions. The Fund's 2026 allocation is shown below alongside the rebalance ranges.

Asset class	Strategic asset allocation (%)	Tolerance range ($\pm\%$)	Local invs
Listed equity	41.00%	+ / - 2.5%;	
Other alternatives	5.75%	51.75% - 56.75%	
Private equity	7.50%		1 % across 4 asset classes
Property	7.5%		
Infrastructure	12.5%	+ / - 2.0%;	
Private credit	9.5%	34.50% - 38.50%	
Credit liquid MAC (i)	7.00%		
Credit IGC (i)	3.75%	+ / - 2.0%;	
UK Government bonds	5.5%	7.25% - 11.25%	
Investment cash	0.0%		
	100.0%		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

Cash holdings and outstanding commitments

24. The level of cash held by the Fund is higher than the SAA target of 0.75% of total Fund assets. This, alongside a cash flow forecast for cash is presented to the ISC each quarter. At the quarter ended 31 December 2025 the Fund held £453million (£561m previous quarter) in cash and an additional £60million (£59million previous quarter) with Aegon as collateral in order to support the currency hedge. Taken together this represents 7.0% (8.7% last quarter) of total Fund assets, with the decrease due to overall capital calls and the £90million invested with Aegon's short dated bond fund over the quarter. The Fund has continued to grow in overall value and as it increases the cash component becomes a smaller percentage, all other things being equal.
25. The additional cash is as a result of SAA recommendations in 2022 and 2023 prompted a switch from liquid assets towards private market investments. At the time of writing there is over £1billion in outstanding commitments awaiting to be called for private market investments. The majority of this is for LGPS Central products totalling over £0.9billion across private equity, property, infrastructure and private credit.
26. The Fund's private market illiquid assets take time for money to be invested (called) by the underlying managers. In the meantime, the majority of the cash that would be used to satisfy calls is held as cash which includes the use of money market funds, fixed cash deposits and UK treasury bills.
27. At present there are no more proposals for additional investments to be presented to the Leicestershire Pension Committee's as the Fund awaits the setup of LGPS Central's advisory function which intends to perform implementation and management of the SAA which will take into the Fund's investments strategy

statement (ISS) which includes the Fund's investment beliefs and responsible investment policy. The Fund does, however, have existing approval to commit a further £130million to Central products in 2026 across infrastructure asset classes. Officers will discuss with Central the need to commit this amount based on the current valuation of the infrastructure allocation, outstanding commitments and expected distributions. Any decision will be reported the Committee.

28. The Fund also has a requirement for a 2% allocation to UK Government bonds which was a new allocation approved at the meeting of the Committee on 30 January 2026. Officers and Central are aware of the requirement, no appropriate investment product is currently available at Central, however work is underway on how this allocation could be met.
29. The Fund, at the time of writing (10th March 2026), has £290million invested in fixed deposits with a weighted average interest rate of 3.85% (was 4.14% at the last update) with an average term to maturity of 3.0 months (was 2.8 months at last update). In addition, at the time of writing, the Fund holds £198million across four money market funds (MMF) and a USD account with rates ranging from 3.68% to 3.82%.
30. A cashflow forecast for the Fund estimates that cash should reduce gradually over the financial year end towards £300million from the quarter end position of £453million. The reduction in cash is dependent on a number of factors:
 - a. The most important factor is the speed at which the significant commitments already made by the Fund are called by the underlying managers, a prudent estimate for this has been included in the forecast.
 - b. The pace at which closed ended funds return capital, in particular private equity, private credit and infrastructure funds.
 - c. When the 2% allocation to a new UK Government bond allocation can be made. Based on the current Fund valuation, a c£150million allocation from cash would be needed. This is not currently included within the forecast.
31. The table below shows the current position of the Fund's actual investments against the 2026 SAA targets. Approvals or planned approvals and expected cashflows to the end of 2026 is also shown in the tables below. The 'commitments / investments approved' will be called over a number of years whilst the other cashflows / divests column shows expected movements until 31 December 2026. In summary, the Fund is still overweight cash, and underweight income assets. As previously stated, significant commitments have been made to income asset classes, however they will take time to be fully called.

	31/12/25		31/12/25	Difference, actual to 2026 SAA	£m to SAA weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
	£m	2026 SAA	Actual weight %						
Growth	4,002	53.5%	54.6%	1.1%	78	150	-60	169	2.3%
Income	2,221	36.5%	30.3%	-6.2%	-456	805	-157	193	2.6%
Protection	658	10.0%	9.0%	-1.0%	-75	0	0	-41	-0.6%
Cash	453	0.0%	6.2%	6.2%	453				
	7,334	100.0%	100.0%						

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

	31/12/25		31/12/25	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
	£m	2026 SAA	Actual weight %						
Growth									
Listed Equity	3,245	41.00%	44.2%	3.2%	238			238	3.2%
Other alternatives	360	5.00%	4.9%	-0.1%	-6			-6	-0.1%
Private Equity inc local	397	7.50%	5.4%	-2.1%	-153	150	-60	-63	-0.9%

	31/12/25		31/12/25	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
	£m	2026 SAA	Actual weight %						
Income									
Infrastructure inc local	781	12.50%	10.6%	-1.9%	-136	220	-54	31	0.4%
Property inc local	499	7.50%	6.8%	-0.7%	-51	40	-6	-17	-0.2%
Credit - Private inc local	486	9.50%	6.6%	-2.9%	-211	490	-97	182	2.5%
Credit - global liquid MAC	455	7.00%	6.2%	-0.8%	-58	55		-3	0.0%

	31/12/25		31/12/25	Difference, actual to 2026 SAA	£m to target weight	All commitments / invs approved	to 31/12/26: other cashflow / divests	Diff to target weight post changes £m	% diff to SAA
	£m	2026 SAA	Actual weight %						
Protection									
Credit - Investment grade	205	3.25%	2.79%	-0.5%	-34			-34	-0.5%
Short dated IG credit	158	0.50%	2.15%	1.6%	121			121	1.6%
Government bonds	237	5.50%	3.23%	-2.3%	-167			-167	-2.3%
Active currency hedge	60	0.75%	0.81%	0.1%	4			4	0.1%

Cash	453	0.00%	6.2%	6.2%	453				
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Overall Investment Performance

32. Investment performance analysis over various time frames to the period quarter ending 30 December 2025 is conducted by Hymans. Hymans collate information directly from investment managers and calculate performance, which provides an independent check of manager valuations. The valuation summary is included within the exempt part of today's agenda together with the individual investment manager reports.
33. It is important to note that the valuations produced can be different to those provided by managers or included in the Statement of Accounts. For example, timing differences or use of different accounting methodologies. The differences are not expected to be material in the context of the messages being conveyed by this report.

34. Summarised returns for the whole Fund versus benchmark are shown below.

	1yr	3yr pa	5yr pa
Total Fund	+9.7%	+8.2%	+7.4%
vs benchmark	-1.6%	-2.8%	-0.5%

35. It is important to note that investment returns can be negative in absolute terms and for a protracted period, and chances of negative absolute returns over shorter periods of time are considerably higher than over longer periods of time. Currently over the short and medium term (three and five-year time frames) the returns for the Fund are comfortably positive at +8.2% pa over 3 years and +7.4% per annum over five years.
36. The current returns compare favourably to the most recent Hymans Robertson actuarial valuation, as at 31 March 2025, which calculated a future investment return of at least 6.1% pa in 80% of the future simulated outcomes. The Fund decided to increase the level of prudence from 75% used at the 2022 actuarial valuation to 80% in recognition of increase volatility and uncertainty in investment markets. The Fund aims to generate an investment return ahead of the future investment return from the last actuarial valuation which therefore builds in an amount of margin without taking undue investment risk.
37. The current investment returns over the one, three and five-year timeframes versus the benchmarks are now negative. This is partly due to the change of benchmarks through 2024 where existing benchmarks were replaced with comparisons which more accurately reflect the risk being taken. In many cases the existing benchmarks were replaced with tougher comparisons, for example, moving of the private equity benchmark from FTSE all world to FTSE all world plus 3% per annum.
38. Over the one year time period investment returns are 1.6% below the benchmark. The largest components to that affect this variance are the LGPS Central global active equity product and the private equity investments. The global equity investment which has a 7.0% adverse variance is measured against the FTSE All World index (a broad global passive index) and takes active positions different to the index, it has a smaller portion invested within the magnificent 7 stocks over the last year. These seven investments (comprising of Apple, Microsoft, Amazon, Alphabet (Google), Tesla, Nvidia and Meta) have had a good investment returns in 2025 which have been harder to beat by the alternative investments chosen by the investment managers who operate this mandate.
39. Private equity has also had another tough year with total returns 10% below the benchmark which is also the FTSE All World index plus an additional 3% pa to represent the additional risk private equity investments represent. Over the longer term, private equity investments have performed well, see figure 4, where 10 year and 15 year performance for the private equity asset class has been 14% pa. Our Fund has performance for private equity from March 2016, performance to date is 13.3% pa.

Pooling progress

40. The Government's ambition is to have all investments pooled by 31 March 2026. Officers and Central are progressing with the necessary changes required.

41. The Fund's current pooled total is £4.6billion or 63% of total fund assets. The Fund invests with LGPS Central across most asset classes having collectively built the investment products over the life of Central and continually refining the individual mandate characteristics.
42. The Fund has at the time of writing over £900million in uncalled commitments to LGPS Central products.
43. Once relevant legal agreements have been signed and oversight of the remaining managers passes to Central the Fund will be 100% pooled although many of the existing non LGPS Central investment managers will still be used. The use of these managers is a decision for the Pool but many private market investments are more difficult to redeem and will take time to recycle capital to LGPS Central investment products as capital is returned.

Leicestershire Pension Fund Conflict of Interest Policy

44. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with four managers with whom the Leicestershire County Council Pension Fund invests, namely Partners Group, JP Morgan, DTZ investors and Christofferson Robb and Company (CRC). Decisions on the County Council's investments were made after the Fund had made its own commitments.

Recommendation

45. The Local Pension Committee are recommended to note the report.

Environmental Implications

46. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

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

Human Rights Implications

48. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after

the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Background Papers

Local Pension Committee 30 January 2026, Overview of the Current Asset Strategy and Proposed 2026 Asset strategy – item 121:

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=8372&Ver=4>

Appendix

None

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LOCAL PENSION COMMITTEE – 20 MARCH 2026
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
OUTCOME OF THE RESPONSIBLE INVESTMENT SURVEY AND
RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. The purpose of this report is to:
 - Advise the Local Pension Committee (LPC) of the key findings from the survey on responsible investment (RI) views.
 - Seek approval of the Responsible Investment Plan 2026/27 in line with the outcome of the survey.
 - Present an update on the Fund's quarterly voting and stewardship activities undertaken on its behalf via LGPS Central (Central), LGIM, and the Local Authority Pension Fund Forum

Policy Framework and Previous Decisions

2. Leicestershire County Council Pension Fund's (the Fund) Investment Strategy Statement (ISS) sets out that all prospective investment managers are required to take account of all financial, environmental, social and governance (ESG) factors as part of their decision-making processes before they can be considered for appointment. This is in-line with the Fund's fiduciary duty.
3. The LPC agreed the Fund's first Net Zero Climate Strategy (NZCS) on 3 March 2023, following extensive engagement with the LPC, scheme members, employers, and investment managers. This recognised climate change is a systematic financial risk that could impact all sectors and asset classes.

Background

4. For the Fund, the term 'responsible investment' refers to the integration of financially material ESG factors into investment processes. It has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The approach taken by the Fund, as set out in the ISS, is distinct from 'ethical investment,' which may look to exclude

companies engaged in activities deemed 'unethical' by the investor, whereby the moral persuasions of an organisation or individual take primacy over financial factors.

5. Climate change is considered a systematic risk, given it is possible it will affect all investment asset classes, sectors and regions, as well as having implications on inflation and longevity. For example, higher average and absolute global temperatures together with extreme weather events pose risks to physical assets, while the impact to markets from a transition towards a more decarbonised economy will have its own risks and opportunities with changes in consumer behaviour, and considerations around resilience and resource efficiency. There is also a clear uncertainty around any impacts, this leads to uncertainty which markets can react to. These risks may also impact scheme members and their longevity, and impacts from crop failures, and changes in how diseases spread in warmer climates.
6. Given the Fund's long-term horizons this may result in greater exposure to climate risks, therefore identification of these vulnerabilities can inform risk management processes, helping to ensure that appropriate controls and mitigations are in place.
7. The LPC previously undertook engagement on potential net zero targets from July to September 2022 and consulted on the draft Strategy from November 2022 to February 2023 which resulted in a combined 1,700 responses from scheme members, employers and other stakeholders, a response rate which compared well against other council and LGPS fund consultations. From this 70% of scheme members supported net zero by 2050 with an ambition for sooner, other responses either did not have an opinion, or wanted the Fund to be more ambitious with its target, and to divest from fossil fuel companies, or believed climate change was not a concern to the Fund. The Net Zero Climate Strategy (NZCS) was formally approved by the LPC in March 2023.
8. As set out in the NZCS, the Fund is targeting net zero by 2050, with an ambition for sooner. This ambition is one that considers the risks, and potential opportunities, such as investing in emerging technologies. It is also expected that government will align private pension scheme requirements to LGPS funds, which will require Fund's to consider and disclose their climate-related financial risks and opportunities fully in line with recommendations by the Task Force on Climate-related Financial Disclosures. The Fund is also required to report on its climate scenario

analysis undertaken as part of the Fund's triennial valuation which will feed into considerations.

9. Failure to consider these aspects, or exercise effective stewardship of the Fund's assets risks inferior investment performance which would negatively impact contributing employers.
10. The Committee also received a report as part of the 30 January 2026 Strategic Asset Allocation review included recommendations from Hymans Roberston on the Fund's approach to engagement and divestment this included setting clear escalation expectations with Central, strengthening responsible investment themes beyond climate risk, and maintain a practical engagement first approach.

Fit for the Future

11. The Fund is awaiting final guidance from Government on pooling, governance and investment strategy statements in line with fit for the future proposals. From draft guidance it is clear that administering authorities (AAs) must (a legal requirement):
 - Be transparent with their approach to responsible investment and must maintain the highest standards in managing financial risk.
 - ISS must set out AAs approach to responsible investment.
 - The AA has no role in making decisions relating to, "Views on geographical zones of investment or exposure targets" and "Investment decisions on individual holdings"
12. That AAs should (recommended and best practice, should generally be followed unless there is a justifiable reason not to):
 - Consider all factors, including ESG factors, that are financially material to performance of their investments and the impact of their investments.
 - Exercise caution against undue influence from campaign groups whose positions may not reflect the views of members or align with the fund's fiduciary responsibilities.
 - Set their RI approach in collaboration with their pool and partner AAs to maximise the alignment between their approach and that of partner AAs
 - Responsible investment policies should aim to deliver positive real-world outcomes
13. That AAs may (permitted but optional and provides discretion):
 - Also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund,

and where they have good reason to think that scheme members would support their decision

- Include a preference for investments which have a positive impact as well as an acceptable financial return. AAs may also choose to indicate that a lower return on a limited proportion of their portfolio is acceptable in order to achieve ESG-related goals.
- AAs should take account of the views of employer and member representatives on their approach to responsible investment

14. Throughout this the Fund has to engage with its pool. While pools must endeavour to respect the RI approach set by a Fund, this must be balanced with delivering the other objectives of the AA. If an AA sets an RI approach which is in conflict with the AA's other objectives or is not reasonably practical to implement efficiently, for example, by including an overly prescriptive set of exclusions, it may not be possible for the pool to fully implement the RI approach of an AA.

15. The Fund remains responsible for setting its responsible investment approach, which it will engage on and communicate to Central.

16. Central will continue to support the Fund with training, climate risk monitoring, and voting shares, and these services will extend to legacy assets as appropriate. Central set their broad RI approach in collaboration with partner funds. They may provide different offerings, however, largely will need to maximise alignment which the Fund should look to support.

Responsible Investment Survey

17. The purpose of the survey was to gather members' views on responsible investment and climate related risks to support policy development and engagement with Central and other investment managers. This was to ensure these issues that are important to members are considered, where compatible with the Fund's fiduciary duty.

18. The survey ran from 20 October 2025 to 5 January 2026, which sought the views of a wide variety of stakeholders including scheme members (active, deferred and retired) and employers. Responses were also received from other stakeholders.

19. The survey asked for views on the Fund's approach to responsible investment, what issues were most important to them, and about the Fund's wider approach to managing climate risk. A report of the outcome of the survey is attached as Appendix C. The following steps were taken to ensure

scheme members and Fund employers had sufficient opportunity to respond to the engagement exercise:

- Multiple emails to circa 45,000 scheme members (that the Pension Service held email addresses for) with a link to the consultation.
- The engagement was available via the Pension Fund's website and was highlighted on the main page.
- It was highlighted as part of the Annual General Meeting open to all scheme members
- All employers were sent Employer Bulletins highlighting the engagement and asking them to respond and share the engagement with their staff.

20. Over 2400 responses were received. This compares well against previous engagements on development of climate targets and the Fund's Net Zero Climate Strategy in 2022/23 which received c.1400 and c.700 responses respectively.
21. All responses are considered collectively, and with due regard to the advice provided by Nigel Giffin KC in relation to fiduciary duty, whereby it was noted that it is not expected that employer views on non-financial factors to take primacy over scheme member representatives.
22. A workshop was held on the 4 March 2025 with Committee members, on the key findings from the surveys and considerations, and those views alongside the survey response itself have been incorporated into the Responsible Investment Plan (Appendix A), and Investment Strategy Statement elsewhere on the agenda, further to the below. Officers have also discussed findings with Central.
23. As part of the survey, respondents were asked if they understood that pension contributions are invested to grow the Fund and keep employer contributions manageable, without any risk to scheme member benefits. From this question 21% indicated no, while this question was used as a primer to remind respondents that their pension benefits are not at risk, in free text comments there was still concern over any implications to their pensions. This will be taken into account for ongoing communications with scheme members.

Importance of Environmental, Social and Governance Factors

24. Question 4 asked respondents to rate the importance of specific environmental, social and governance factors (ESG). These were ranked as follows for respondents that indicated either "Very" or "Fairly" important.

1. Economic factors (95%)
2. Investor protections and rights (93%)
3. Company management (88%)
4. Human Rights (87%)
5. Labour Standards (84%)
6. Natural Capital (80%)
7. Climate risks and opportunities (79%)
8. Technology and Artificial (66%)

25. Question 5 asked whether respondents believed companies with a focus on ESG issues are more likely to be well run and deliver stronger financial returns for the Fund. Respondents indicated, Yes (21%), Maybe (44%), No (21%), Don't Know (15%).

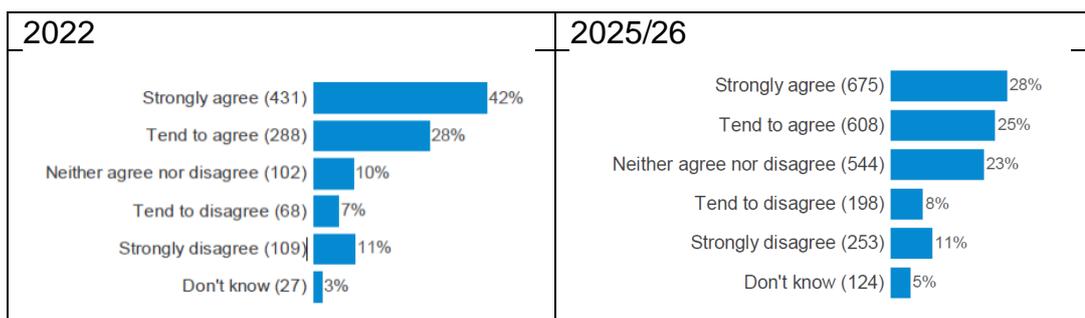
26. The divergences show that while respondents feel economic factors are most important, and that specific ESG issues are important, valuing an issue does not necessarily mean they are sure it will impact returns. This is recognised with the complexity of ESG reporting and financial impact.

Climate Risk

27. The survey then asked a number of questions related to the Fund's approach to managing climate risk that are summarised below.

28. Question 6: To what extent do you feel climate change presents a risk to the Fund's investments: 21% a great deal, 55% to some extent, 13% not very much, 5% not at all, 6% don't know,

29. Question 7: To what extent do you agree or disagree with the Fund's ambition to achieve net zero by 2050 with an ambition for sooner. When comparing this with a similar question asked back in 2022 on whether respondents agreed the Fund should set a net zero target, there is clearly a reduced level of certainty of support, however the percentage of those that disagreed did not meaningfully increase.



30. Respondents were also invited to set why they felt like this for question 7, the themes are set out in more detail in Appendix C, including examples of comments received, but largely of the 1201 responses: 553 were supportive of the target, 212 felt it was unrealistic due to the size of the Fund, or geopolitical factors, and 161 felt financial factors were most important for the Fund to consider.
31. When considering this alongside question 6, clearly the majority of respondents feel climate presents some form of risk to investments, however there is less certainty on a net zero target for the Fund mitigating those risks.
32. Question 8 asked which approaches do you believe are most important to be considered when forming policy and to focus on when engaging with investment managers? Respondents were able to pick their top three options which were ranked as follows:
- a. By regularly monitoring and reporting on climate related risks and opportunities that the Fund can take account of in its investment strategy (1492)
 - b. Shift investment away from industries most at risk from climate change, and towards solutions like renewable energy, sustainable forestry, and green technology (1346)
 - c. Support investment managers to set a clear approach to managing climate risk and climate targets (1240)
 - d. Prioritise financial returns by giving investment managers the freedom to manage risks as they see fit (840)
 - e. Keep investing in carbon-intensive sectors like energy, construction, and agriculture but engage alongside partners to encourage change to support real-world impacts (806)
 - f. Other (91), these responses were split by comments which reflected other choices within the options, comments relating to divestment and the importance of focusing on financial risk.
33. Question 9: To what extent do you agree or disagree that the Pension Fund should apply targets to more of its investments as guidance develops? 21% Strongly agree, 28% tend to agree, 24% neither agree nor disagree, 12% tend to disagree, 12% strongly disagree, 4% don't know.
34. Respondents were also invited in question 10 to set out any other comments that they may have on responsible investment matters, which are set out in more detail in Appendix C. These reflected earlier themes like the importance of focusing on financial factors first (141), managing climate risk

as a long-term risk (75), as well as comments in relation to ethical investment and divestment (95) and other investment suggestions (46).

35. As set out in paragraph 11 specific investment or divestment decisions will not be issues for the Fund to determine, however it will be for the Fund to engage with LGPS Central to make sure it is monitoring risks and investment managers in a way that is not detrimental to the Fund, and that it is engaging with companies to protect long-term value. The Fund will continue to develop this as pooling progresses.

Key Findings

36. From this there are four key takeaways, which are set out below, these are actionable areas that align with requirements of fit for the future and draft guidance, as well as recommendations from Hymans January report on engagement and divestment. These will be taken forward subject to Committee approval of the RI Plan (Appendix A), and within the draft ISS set out elsewhere on the agenda.

37. **Economic factors remain most important.** It is important the Fund does more to demonstrate work undertaken with RI delivers stronger financial returns.

- a. This has been strengthened within the draft ISS, elsewhere on the agenda. Including that the Fund does not support lower investment returns for ESG factors.
- b. The Fund will look to improve reporting on how it believes its approach to RI delivers stronger financial returns by working with Central.

38. **Strong recognition of climate risk, but more divided on with the scale and pace of action and realism of net zero achievability.**

- c. Revise the Net Zero Climate Strategy to focus on managing risk, not just transition pathways, and consideration of broader climate risks beyond net zero, such as recognition of regulatory and market uncertainty.
- d. Emphasising the Fund does not believe lower returns are required or accepted in achievement of Fund ambitions.
- e. Develop new target wording with Central that is achievable, and focuses on reducing risk to the Fund.

39. **Respondents feel there is importance within broader ESG areas.** With a strong level of importance placed on these issues through question 4, even if the view on their financial materiality is less certain demonstrated by question 5.

- f. Ask that investment managers, including Central demonstrate how ESG factors feed into long-term financial risks.
- g. Set stewardship themes within the ISS, to strengthen transparency and feedback formally as part of Central's stewardship review, alongside reporting and communication with scheme members. It is recognised that while these themes are presented separately, in practice these factors are deeply interconnected and should not be considered in isolation. That where factors are financially material the following areas are engaged on:

Good corporate governance: Companies that demonstrate high standards of corporate governance should be better positioned to handle the effects of future shocks and stresses and ultimately protect and enhance long-term shareholder value.

This may include engaging on topics such as Board effectiveness, accountability, market standards, disclosure, investor protections.

Human Rights: The long-term legitimacy of sectors and markets depends on companies operating in ways that are acceptable to society. Strong corporate human rights risk management supports efficiency, resilience and long-term value.

This may include engaging on issues such as: Child Labour, Modern Slavery, Land and Housing Rights, Occupational Health, Conflict Affected High Risk Regions

Climate risk and nature protection: Climate and nature related risks can materially affect financial performance. Companies with strong risk management practices are better equipped to handle physical and transition risks, including the added challenges posed by evolving and uncertain regulatory requirements. This may include engaging on topics such as risk and reporting, adaptation/resilience, strategy, Governance, nature impacts and dependencies assessments

- 40. Communication needs to continue to address potential misconceptions, with clarity on fiduciary duty, explanation of how ESG issues may impact the Fund, and members.

- h. Ongoing approach to scheme member engagement on how best to communicate Fund progress, though emails, and scheme website.

Voting and Engagement

41. Appendix B sets out the Fund's voting report from October to December 2025.
42. This incorporates circa 44.2% of the Fund's assets (LGIM passive funds, Central Climate balanced fund, global emerging markets fund and the global active equity fund). A brief breakdown is set out below:
43. LGPS Central voted on behalf of the Fund at 805 meetings (5809 resolutions)
- At 397 meetings the Central opposed one or more resolutions.
 - Central supported management on all resolutions at the remaining 407 meetings.
 - The majority of votes where the Fund voted against management were related to board structure (43%). These votes include issues such as over boarding (when a director may sit on too many boards for example), diversity, and inadequate management of climate risk.
44. Some highlights from engagement activity from partners are set out below.

LGPS Central Stewardship Report – October to December 2025.

45. Central is the pooling company of the Fund. It is a strong supporter of RI through the Responsible Investment and Engagement Framework. Central's latest Stewardship Report sets out progress of ongoing and new engagements which relate to the four Stewardship Themes. This quarter the engagement set comprised 682 companies, with 1,135 engagement activities on 714 objectives. Positive progress was measured on 130 occasions.

Engagement	Action	Outcome
Volusion	Discuss the company's approach to identifying and mitigating modern slavery risks within its supply chain.	Although the company has begun to enhance reporting, its 2025 Modern Slavery Statement introduced only incremental changes. Given the limited progress, Central abstained on the approval of the Financial Statements and wrote to the company explaining the rationale for the voting decision. They have requested a meeting with the Non-Executive Director responsible for

		sustainability oversight in H1 2026 to further escalate our concerns and to encourage clearer disclosure and more rigorous risk assessment practices.
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Legal and General Investment Management – October to December 2025

47. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 18.3% of the Fund. LGIM's latest engagement report highlights some key activity in the Investment Stewardship team.

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

Company	Theme	Action	Outcome
Anglo American	Governance	In 2025, LGIM engaged closely with Anglo American to address undervaluation risks and support long-term strategy. LGIM's recommendations on restructuring helped shape the company's direction, leading to the proposed merger with Teck Resources, which LGIM supported for its strong sustainability and energy-transition potential.	At the December 2025 EGM to approve the merger, Anglo American also put amendments to its Long-Term Incentive Plan (LTIP) for shareholder approval. Following a pre-declaration from LGIM that they would vote against it due to assurance being sought on future performance based incentives, the company withdrew the resolution

Local Authority Pension Fund Forum –Q4 2025

49. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The latest report features an update on climate transition plan letters, steel, conflict-

affected and high-risk areas, employment rights act, social and governance issues.

Topic	Action
<p>Conflict Affected and High-Risk Areas (drive improved corporate practices, recognising these contexts pose acute human rights, legal and reputational risks for companies and investors alike.</p>	<p>Two shareholder proposals were filed at Microsoft relating to human rights, requesting that the company assess the implications of locating cloud datacentres in countries of significant concern and outlining strategies to mitigate related risks. As well as assess the effectiveness of human rights due diligence processes in preventing, identifying and addressing customer misuse of AI and cloud services that could contribute to human rights violations or breaches of international humanitarian law. LAPFF recommended its members voted for these resolutions.</p> <p>LGPS Central's voting on the Fund's behalf aligned with these recommendations for shareholder voting, which received significant support of 27.48% and 26.34% respectively.</p>

Recommendations

50. It is recommended that the Local Pension Committee:

- a. Note the outcome of the responsible investment survey.
- b. Approve the 2026 Responsible Investment Plan.
- c. Note the update on responsible investment matters.

Background papers

30 January 2026 Overview of the current Asset Strategy and Proposed 2026 Asset Strategy Local Pension Committee

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=740&MIId=8372>

18 November 2022 Outcome of engagement on net zero climate strategy targets and draft strategy and responsible investing update and Fiduciary duty advice

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CIId=740&MIId=6761&Ver=4>

Equality Implications

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

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.

Appendices

Appendix A – RI Plan

Appendix B – LCC Pension Fund Voting Report

Appendix C – RI Survey

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RESPONSIBLE INVESTMENT PLAN 2026

Qtr.	Date	Title	Description	Complete
Q4	30 January 2026	RI Plan	Communication and publication of the Fund's 2026 RI Plan	
		Engagement and Divestment	Report from Hymans on the Fund's existing approach	
		Strategic Asset Allocation	Consideration of the Fund's Net Zero Climate Strategy progress within the asset allocation.	
	4 February 2026	Local Pension Board Report	Update to the Local Pension Board on progress against the Fund's net zero targets and any RI matters.	
	Date	LPC Workshop	Outcome of RI Survey	
	20 March 2026	RI Report	Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund Forum, and developments on responsible investment matters with themes of interest to the Committee. Update on outcome of RI Survey and Net Zero Climate Strategy proposals.	
	Summer	Newsletter	Outcome of RI Survey update to scheme members, steps being taken as set out in report to 20 March LPC.	
		LGPS Central RI and External Managers	Consideration of how the Fund works with LGPS Central to oversee legacy external managers and how that can be reported to LPC.	
	July 2026	Manager Presentation	As part of Manager report to Committee and provide an overview of the approach to ESG. LGPS Central to provide a specific stewardship presentation, reflecting considerations from the RI survey outcome.	
		NZCS Review	Draft Strategy for LPC consideration following RI survey outcomes, focus on climate risk management.	
		RI Report	Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund	

Appendix A

			Forum, and developments on responsible investment matters with themes of interest to the Committee.	
Q2	September 2026	Manager Presentation	As part of Manager report to Committee and provide an overview of the approach to ESG.	
		RI Report	Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund Forum, and developments on responsible investment matters with themes of interest to the Committee. To include deeper dive on outcomes and key votes from the AGM season and consider any outcomes from the RI survey and areas for focus.	
Q3	29 November 2026			
		Climate Risk Report	The Fund will engage with LGPS Central and partner funds on future reporting and increase monitoring for legacy mandates. The Fund will ensure it is reviewed in light of reporting on NZCS and seek to expand data coverage, and the possibility of expanding targets to corporate bonds and other available asset classes.	
		Policy Review	Regular Fund policy review as needed to incorporate fit for the future requirements.	
		Manager Presentation.	Manager TBC. As part of Manager report to Committee overview of approach to ESG.	
		RI Report	Quarterly reports to the Local Pension Committee on voting, engagement, and stewardship activities of LGPS Central, LGIM and the Local Authority Pension Fund Forum, and developments on responsible investment matters with themes of interest to the Committee.	
	TBC	Pension Fund AGM	Presentation as part of Pension Fund Annual General Meeting progress on NZCS and RI matters of interest from Ri Survey Outcome.	
Q4	January 2026	Strategic Asset Allocation Committee	Consider recommendations from Climate Risk Report	

Appendix A

	January 2027	RI Plan	Or consider as part of ongoing business plan 2027/28.	
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Ongoing Activities throughout the year or without date

Date (where applicable)	Area	Commentary
TBC 2026	LGPS Central are expecting to host an Annual RI Day/and or/ Stakeholder Day with topics of interest to members, this date will be circulated to Committee once confirmed	
2026	Responsible Investment considerations from fit for the future and integration with LGPS Central and other partner funds to support alignment. Officers will feedback specific findings and priorities from RI Survey Outcome as part of LGPS Central’s stewardship review.	
Investment Subcommittee throughout the year	Implementation and further inclusion of actions positively correlated with broader Net Zero Climate Strategy through LGPS Central to support the Fund’s approach to responsible investment and managing climate risk.	
Quarterly	RI Working Group with LGPS Central and Partner Funds. Including Working with LGPS Central to continue to develop climate reporting more broadly and on their work to engage companies highlighted in the Climate Stewardship Plan, and that LGPS Central are following their escalation framework.	
Mid-Year 2026	Following review of the Stewardship Code 2020, review whether the Fund should apply, subject to value being evidenced, and requirements on the Fund. To consider if the Fund is sufficiently covered through LGPS Central reporting.	
Ad hoc	Continue review of best practice with regards to the Fund’s asset classes and climate reporting, and international industry standards.	





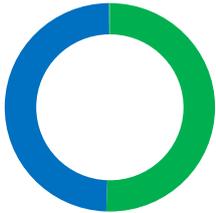
Leicestershire County Council Pension Fund

Voting Report, Q4 2025 (Oct-Dec 2025)

Over the last quarter we voted at **805** meetings (**5,809** resolutions). At **397** meetings we opposed one or more resolutions. We abstained at **one** meeting. We voted with management by exception at **zero** meetings. We supported management on all resolutions at the remaining **407** meetings.

Global

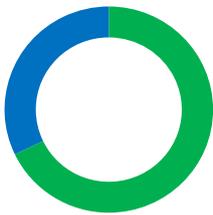
We voted at 805 meetings (5809 resolutions) over the last quarter.



- Meetings in Favour 51%
- Meetings Against 49%

Developed Asia

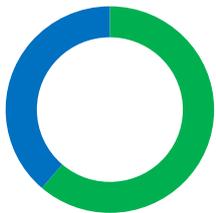
We voted at 56 meetings (367 resolutions) over the last quarter.



- Meetings in Favour 68%
- Meetings Against 32%

Europe Ex-UK

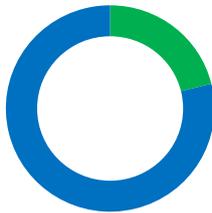
We voted at 31 meetings (238 resolutions) over the last quarter.



- Meetings in Favour 61%
- Meetings Against 39%

Australia and New Zealand

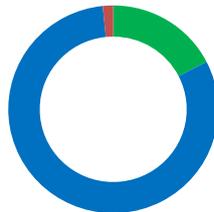
We voted at 104 meetings (680 resolutions) over the last quarter.



- Meetings in Favour 21%
- Meetings Against 79%

North America

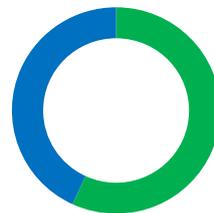
We voted at 63 meetings (750 resolutions) over the last quarter.



- Meetings in Favour 17%
- Meetings Against 81%
- Meetings Abstained 2%

Emerging and Frontier Markets

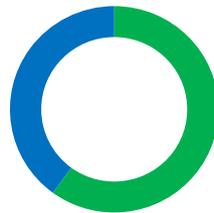
We voted at 436 meetings (2577 resolutions) over the last quarter.



- Meetings in Favour 57%
- Meetings Against 43%

United Kingdom

We voted at 115 meetings (1197 resolutions) over the last quarter.

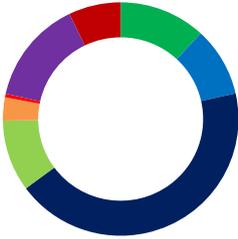


- Meetings in Favour 60%
- Meetings Against 40%

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

Global

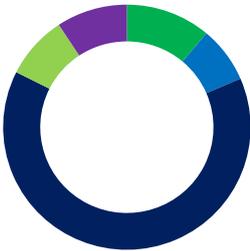
We voted against or abstained on 3189 resolutions over the last quarter.



- Amend Articles 12%
- Audit + Accounts 10%
- Board Structure 43%
- Capital Structure + Dividends 10%
- Poison pill/ Anti-Takeover Device 1%
- Remuneration 14%
- Shareholder Resolution 7%

Developed Asia

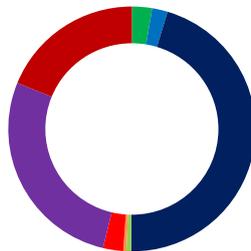
We voted against or abstained on 108 resolutions over the last quarter.



- Amend Articles 11%
- Audit + Accounts 7%
- Board Structure 64%
- Capital Structure + Dividends 8%
- Remuneration 9%

Australia and New Zealand

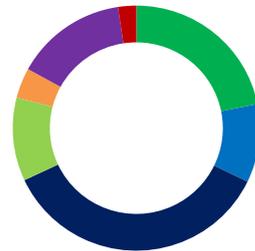
We voted against or abstained on 493 resolutions over the last quarter.



- Amend Articles 3%
- Audit + Accounts 2%
- Board Structure 45%
- Capital Structure + Dividends 1%
- Poison pill/ Anti-Takeover Device 3%
- Remuneration 27%
- Shareholder Resolution 19%

Emerging and Frontier Markets

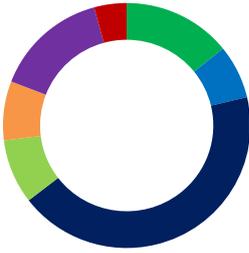
We voted against or abstained on 1382 resolutions over the last quarter.



- Amend Articles 22%
- Audit + Accounts 10%
- Board Structure 36%
- Capital Structure + Dividends 11%
- Other 4%
- Remuneration 15%

Europe Ex-UK

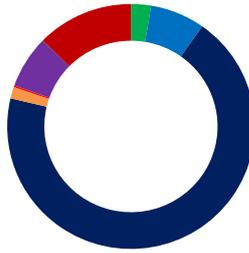
We voted against or abstained on 141 resolutions over the last quarter.



- Amend Articles 14%
- Audit + Accounts 7%
- Board Structure 43%
- Capital Structure + Dividends 9%
- Other 8%
- Remuneration 15%
- Shareholder Resolution 4%

North America

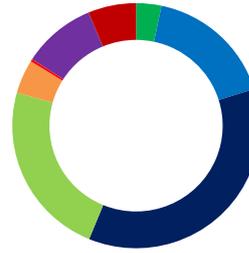
We voted against or abstained on 460 resolutions over the last quarter.



- Amend Articles 3%
- Audit + Accounts 7%
- Board Structure 69%
- Other 2%
- Remuneration 7%
- Shareholder Resolution 13%

United Kingdom

We voted against or abstained on 605 resolutions over the last quarter.



- Amend Articles 3%
- Audit + Accounts 17%
- Board Structure 36%
- Capital Structure + Dividends 23%
- Other 4%
- Remuneration 10%
- Shareholder Resolution 6%

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- RI SURVEY LEICESTERSHIRE COUNTY COUNCIL PENSION FUND RESPONSIBLE INVESTMENT SURVEY OUTCOME REPORT

Introduction

Leicestershire County Council Pension Fund (the Fund) manages investments on behalf of over 100,000 scheme members and 200 employers to meet the costs of paying scheme member benefits in retirement.

The LGPS is a statutory public service scheme, meaning members are guaranteed their benefits by law. If investments do not perform well, it is the employers, not members that may have to pay more to cover the shortfall. To avoid any shortfall the Fund invests in lots of different types of assets with the aim to grow the pot of money over time to meet these benefit payments.

In September 2025 LPC agreed to seek views on the Pension Fund's approach to investment in relation to environmental, social and governance factors, and in particular how it manages climate risk as part of a review into the Fund's Net Zero Climate Strategy. These views will be used in the Fund's policies and engagement with our partners and investment managers.

Responses

2418 stakeholders participated during the formal consultation period, including members of the pension fund, employers, and members of the public.

The report analyses the consultation responses received from online survey. The consultation consisted of the following:

- Questionnaire developed in partnership with Leicestershire County Council's engagement and business intelligence team, and following comments from the Local Pension Committee in September 2025
- Emails to over 45,000 scheme members (who had previously signed up to Member Self Service)
- Employer Bulletin to circa 198 employers within the scheme, as well as follow up communications with key employers to ask that they advertise it internally and respond.
- Publication on the Member Self-Service Website on the front page, and news release.
- Presentation as part of the Fund's Annual General Meeting on 15 December.

Appendix C

Q1. In what role are you responding to this consultation?

	Respondents
Active Scheme Member	1010
Deferred	224
Pensioner	1130
Employer	25* It is noted that while respondents have chosen this option, these largely appear to be responses from employees (active scheme members) for example there are multiple responses in relation to Leicester City Council, LCC and Leicestershire County Council.
Other	29* Of these (9) also further specify that they are either active, deferred or a pensioner. Other respondents are related to being residents in Leicestershire and one district councillor or had not disclosed.

For those that responded as an Active, Deferred or Pensioner scheme member

Q.3a Did you know that your pension contributions are invested to grow the Pension Fund, and keep employer contributions manageable - without any risk to your benefits?

And for those that responded as an employer or other

Q3b Did you know that pension contributions are invested to grow the Pension Fund, and keep employer contributions manageable?

Yes	1893
No	355
Don't know	154

This question was used to support framing for the questions ahead. It is positive to see the majority of respondents understand it is not their benefits at risk as a result of any issues with investment performance. However, the members that don't know or are unsure, and some comments received in later portions of the survey reiterate the importance of reminding members as part of key communications that this is not a risk to them, though the Fund works actively to ensure employer contributions remain stable to limit any negative budgetary pressures from required uplifts due to poor investment performance.

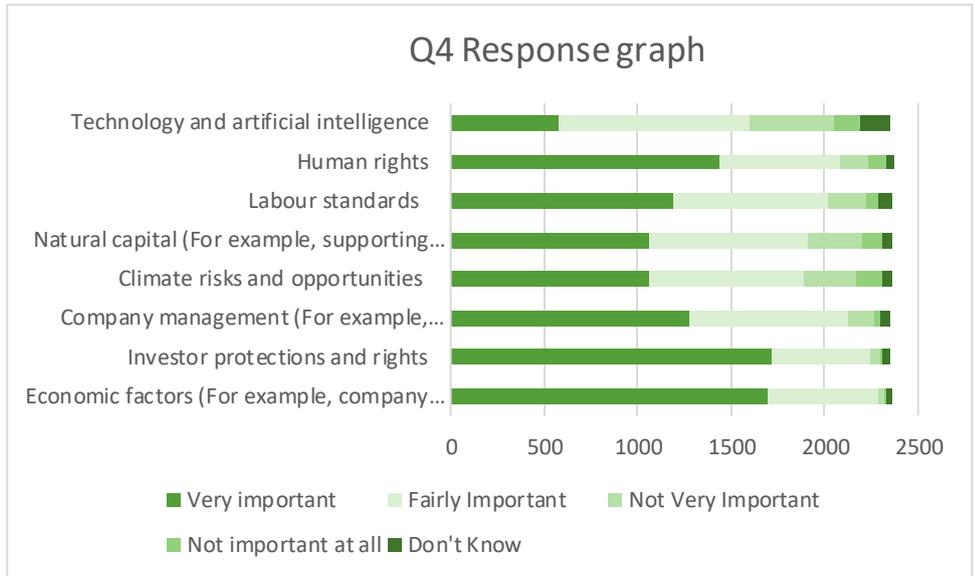
Appendix C

RI Survey Analysis

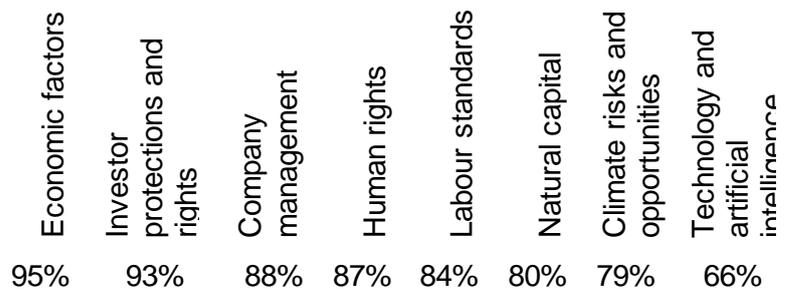
Analysis of the submissions are set out below alongside the questions as they are worded in full within the survey.

Q4: The Pension Fund spreads its investments across shares of publicly listed companies, property, forests, infrastructure, government bonds, among others. Investments are chosen by our specialist investment managers who will look at many factors, including Environmental, Social and Governance factors, which can cover a wide range of issues alongside financial considerations. How important, if at all, do you think the following issues are when discussing and considering investment decisions?

Respondents rated economic and governance issues as the most important considerations for investment considerations. There is a strong support for consideration of ESG factors, especially governance and rights-related considerations. Climate remains important but does not top the list signalling a broad preference for balancing ESG factors with core financial drivers.

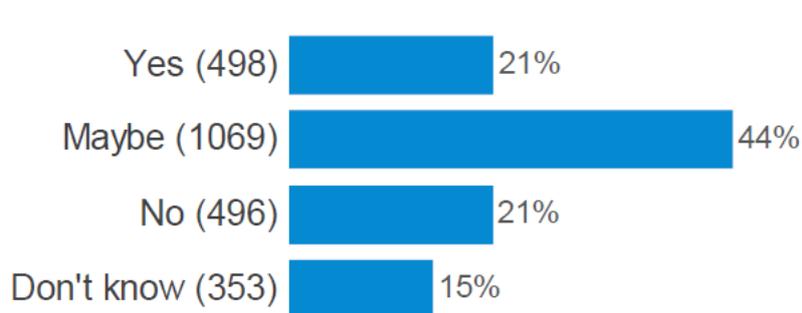


% of Respondents that feel issue is important (Very or Fairly)



Appendix C

5. Do you believe that companies with a focus on Environmental, Social and Governance (ESG) issues are more likely to be well run and deliver stronger financial returns for the pension fund?



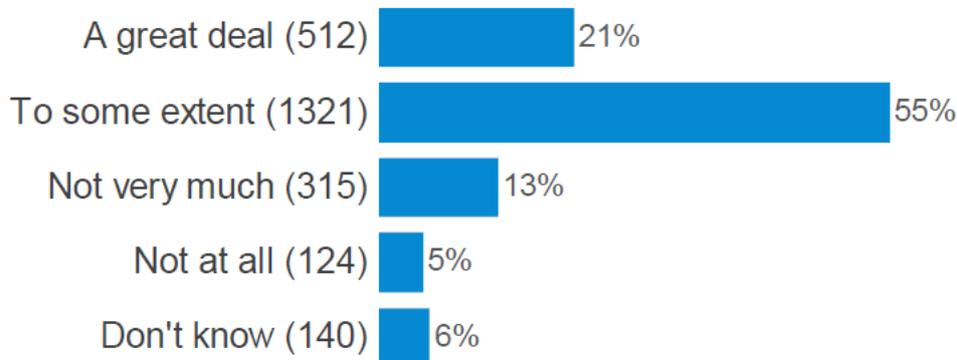
Despite the response to the previous question and strength of belief in considering certain ESG issues the response is more mixed. This could indicate that members feel some of the options previously should be considered as issues of importance, even if they are not confident in a

beneficial financial impact, or simply a view of the broadness of ESG factors and the different impact they may have.

6. Climate risk may impact the Pension Fund in different ways. For example:

- The physical impact of flooding may damage buildings or infrastructure we invest in.
- If consumer preferences or government policies change, companies that do not adapt may lose value. On the other hand, some sectors may perform well if regulations do not limit their activities and fossil fuels are expected to be used for several more decades.

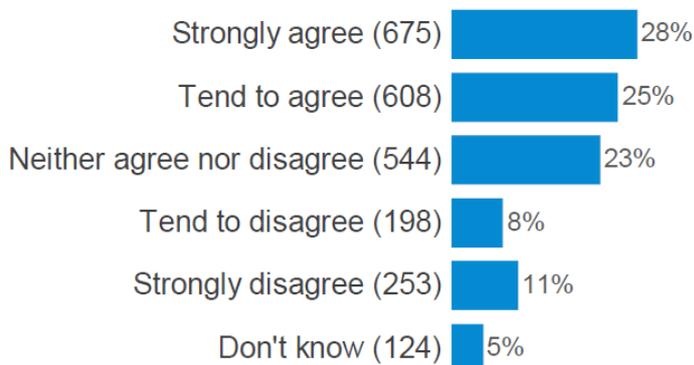
To what extent, if at all, do you feel climate change in particular presents a risk to the Pension Fund's investments?



The vast majority believe climate risk poses a risk to the Fund, only around 5% believe it does not at all. Stakeholders recognise climate risk as financially material, with a clear mandate for the Fund to monitor climate-related risks as part of the Fund's approach to managing investments.

Appendix C

7. To what extent do you agree or disagree with the Pension Fund's ambition to achieve net zero by 2050 with an ambition for sooner?



Despite the stronger views on climate risk impact within the previous question views on the Fund's existing net zero target were more mixed, reasons for this are set out in below in a thematic analysis of comments on this question.

Strongly agree	53.4%
Tend to agree	
Neither agree nor disagree	22.6%
Tend to disagree	20.9%
Strongly disagree	
Don't know	5.1%

Why do you say this?

1201 comments were received on this question. These can largely be grouped as follows.

Why do you say this – by theme.	Examples of responses
Supportive of net zero target (553)	<ul style="list-style-type: none"> Because the risks that climate change brings to the planet are fundamental to all our futures A target is required to achieve net zero - this is extremely important. I fully support anything that helps reduce climate change I believe this to be an important and responsible investment goal. Not that this will be easy - but - to aim for this is the best choice, for the planet and its people.
Factors relating to realism of target (212) <i>(Views that the target may not be achievable, other external factors limit the Fund, size of fund, UK limitations, geopolitical concerns)</i>	<ul style="list-style-type: none"> I agree that the Pension Fund should aim for net zero but this has to be balanced by returns for the Fund. Therefore, I think even 2050 is an ambitious target. The Fund should just aim to get to net zero gradually year by year. Net Zero is in my opinion almost impossible to achieve as somewhere along the line either in production or capture/storage there is unlikely to ever be a perfect balance. i.e fossil fuels will be used, carbon storage capacity filled. “Depends on how the companies being invested in are achieving net zero. Carbon offsetting for example, is not really going to achieve net zero.” “Only fairly important due to UKs size and Emissions compared to the majority of the world, you may preach to others but those are not delivering the our example.” International political factors will likely outweigh the effect of parochial decisions.

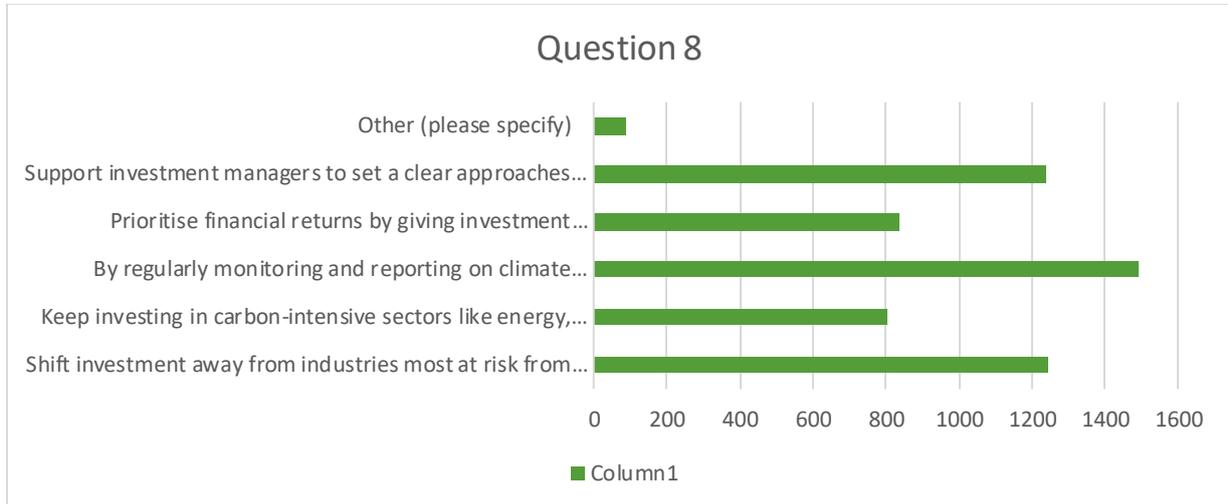
Appendix C

Financial factors are most important to the Fund (161)	<ul style="list-style-type: none"> • I think arbitrary goals such as this miss the point of the pension - to be as effective as possible in growing the investments of the funds. Should growth be possible AND meet this goal, I have no objections, but if targets like this affect the capacity of the fund to pay benefits and rely on employers to add more, I think this is an unnecessary risk • Although net zero might be seen as a collective responsibility for society, it is very much a secondary or tertiary objective and purpose for a pension fund, so attention upon this should not distort the primary functions and operations of the fund managers. • It is unrealistic and the costs will be borne by those least able to afford them, including pensioners.
Comments on the target date <ul style="list-style-type: none"> • That the target needs to be sooner (70) • That the target needs to be flexible (20) 	<ul style="list-style-type: none"> • 2050 is far too late; 2030 is the furthest away that should be aimed for • Need to be flexible re the date. The Pension Fund cannot be responsible for the worlds transition to net zero. The primary goal of the Pension Fund cannot be compromised which is to pay and secure pensions for members.
Disagree with climate change or net zero (55)	<ul style="list-style-type: none"> • Any climate change is a natural process that has ran its course for millennia, carbon is not a factor in this.
Other comments	
Ethical/Divestment (17)	<ul style="list-style-type: none"> • The climate threat is a danger to life and is serious and so are wars and weapons which help to create it. The pension fund should end its investment in Thalix Elbit and BAE systems as well as fossil fuels.
Don't know (74)	<ul style="list-style-type: none"> • Don't understand enough about it
Other comments, either political, specific to pension queries or statements (39)	<ul style="list-style-type: none"> • I don't think a pension provider should be more responsible than those that contribute to climate change

Appendix C

Q8. The Fund does not directly choose which individual companies to invest in. Instead, it appoints professional investment managers that take decisions on what to invest in.

Managing climate risk can involve a range of different actions, depending on the type of investment and the specific risks or opportunities involved. Which approaches do you believe are most important to be considered when forming policy and to focus on when engaging with investment managers? Please select **up to three**.



Selections ranked:

1. By regularly monitoring and reporting on climate related risks and opportunities that the Fund can take account of in its investment strategy (1492, 63%)
2. Shift investment away from industries most at risk from climate change, and towards solutions like renewable energy, sustainable forestry, and green technology (1346, 56%)
3. Support investment managers to set a clear approaches to managing climate risk and climate targets (1240, 52%)
4. Prioritise financial returns by giving investment managers the freedom to manage risks as they see fit (840, 35%)
5. Keep investing in carbon-intensive sectors like energy, construction, and agriculture but engage alongside partners to encourage change to support real-world impacts (806, 34%)
6. Other (91, 4%)

Overall respondents favoured practical and transparent climate risk management. Members' strongest preference is for the Fund to regularly monitor and report on climate related risks and opportunities, reflecting a clear desire for transparency and data driven governance. Shifting investments away from industries most exposed to climate risk is also strongly supported, demonstrating that members still favour tangible portfolio actions once robust oversight is in place.

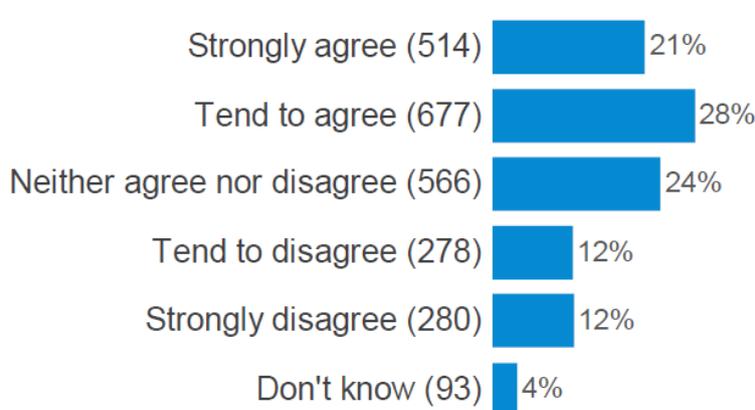
Support for investment managers in developing clearer climate-risk approaches sits at a mid-level, while options emphasising continued investment in carbon-intensive sectors or prioritising financial returns above climate-risk management received notably lower support.

Appendix C

For respondents that indicated 'other' their responses are summarised below.

Other (please specify):	
Theme	
Divestment	<ul style="list-style-type: none"> Arms manufacture (2) Don't invest in companies with climate ambitions (3) Divest companies contributing to climate change ie. fossil fuel (15) Ethical investment (8)
Investment	<ul style="list-style-type: none"> Focus on financial factors (16) Oil, gas coal (3) Individual comments (15) including investments that support human rights, passive equity funds, supporting the local economy, having a say on how funds are invested, geothermal sources, alternative investment strategies, diversification, growth markets, bitcoin, diversify, renewable energy, ESG factors alongside financial return, agriculture.
Other	<ul style="list-style-type: none"> Against climate change consideration (5) Emphasis on other response (13) Did not respond or did not know (11)

Q9 At the moment, the Pension Fund's climate targets apply to only half of its investments. To what extent do you agree or disagree that the Pension Fund should apply these targets to more of its investments, in line with best practice guidance as it develops?



Responses are varied with 49% expressing a positive view of the statement in support of extending the Fund's climate target.

However, there is a large neutral response which may be due to the requirement for the Fund to be flexible in its approach and maintain financial factors as its managing climate risk, not just targets for targets sake.

It is appropriate to ensure any targets set are clear in their use case and link with fiduciary duty.

Q10 – Any other comments?

Comments largely reflected earlier themes and are highlighted below (745 responses)

Why do you say this – by theme.	Comment examples
141 - Financial factors first	<ul style="list-style-type: none"> Its best to invest in who is doing well, environmentally or not.

Appendix C

	<ul style="list-style-type: none"> • I'd like the pension fund managers to be free to invest in what they see as getting the best returns from the investments and not have to consider any other factors in their decision making process.
<p>75 - Managing climate risk and other long-term risks important</p>	<ul style="list-style-type: none"> • As long as the investment managers the council are using are keeping the best financial interests in focus whilst still addressing climate concerns. • Good governance is needed to support climate change - quick action on quick fixes first and then a measurable and tangible course of action in place
<p>95 - Ethical and Divestment Some comments cut across different ethical areas, but broadly can be categorised as follows:</p> <ul style="list-style-type: none"> • AI (2) • Animal Rights (2) • Arms/companies linked to conflicts (13) • Companies that have poor human rights, and labour standards(9) • Ethical investment policy (25) • Fossil fuel/climate damaging investments (14) • Specific comments on investment related to Israeli Palestinian conflict (29) • Tobacco (1) 	<ul style="list-style-type: none"> • Do not invest in companies funding war. • i would not like to see funds invested into companies/ countries with poor human rights EG Isreal and it's treatment of Palestinians • The fund should stop investing in fossil fuel producing companies • It is crucial that net zero and human rights are the most important factors when determining where my pension is invested. • All investments should be ethical and support both the environment and human rights.
<p>46 - Investment comments</p> <ul style="list-style-type: none"> • Climate solutions (3) • Commodities (ie. fossil fuel, gold) (4) • Diversification (27) • UK (3) • Tech/AI/Space/Bitcoin (3) • Other: Companies with responsible tax policies, the Council should manage their own investments, Shariah compliance, infrastructure long-term. 	<ul style="list-style-type: none"> • Make it a priority to invest in low carbon related industries and real estate • Make sure you have a large enough proportion invested in commodities and precious metals. • There should be a mix of different types of investments. You cant just have one type of investment as this will affect the pension if markets crash or there are global/ local disasters • Invest in government bond so income remains in country • Look at funds that use AI to maximise returns to the pension fund

Appendix C

16 - Disagree with climate change or net zero	<ul style="list-style-type: none"> • Net zero is a waste of time and climate change is a woke ideology
73- Other comments, specific pension queries or statements on: <ul style="list-style-type: none"> • World/National/Local Government comment (11) • Concern for greenwashing (3) • Limit targets to 50% of Fund assets • Act sooner with net zero (4) 	<ul style="list-style-type: none"> • While the UK targets on climate change are impressive, other world countries are either not interested in climate change or just choose to ignore it, until to late. • There are possibly world major conflicts ahead . Every one then will soon have a new set of priorities. • I just want my pension safe.
297 - Nothing further	<ul style="list-style-type: none"> • None



LOCAL PENSION COMMITTEE - 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND – BUSINESS PLAN AND BUDGET 2026/27

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's (LPC) approval of the Pension Fund's Administration, Investment and Governance Business Plans and the Training Plan for 2026, attached to this report marked Appendix A, B, C, and D respectively, and the Pension Fund budget for 2026/27.
2. A representative from LGPS Central (Central) will be available to take any questions relating to Central's 2026/27 budget and integration of new partners and delivery of new services.

Background

3. To demonstrate good governance, the Pension Fund's Budget and Business Plans are presented to the Committee for consideration. The Business Plans include information on administration, investments, and governance (including the Fund's training plan).
4. The annual Business Plan and Budget was presented to the Pension Board on the 4 February 2026 for noting to ensure the Pension and Investment Sections are adequately resourced to continue to provide the level of service required by scheme members and Fund employers over the next financial year.

Business Plan

5. The Pension Section's Administration Business Plan details the main changes that impact on the Pension Fund in 2026/27. The most significant are continued implementation of a solution for the national Pensions Dashboards programme, phase two of the McCloud implementation, review of the Fund's administration system contract, and review and implementation of any changes from Local Government Reorganisation (LGR).
6. The key points are detailed in points 1, 3, 5 and 6. The Business Plan is attached as Appendix A.
7. The Investments Business Plan covers four main areas: policies, asset allocation, Fund valuation and reporting / other. Full details of individual work and deliverables are included within Appendix B.

8. The Governance Business Plan is new and follows the expected recommendations of the Fit for the Future (FftF) proposals, as well as brings together areas previously included separately in the Administration and Investment plan. This is included as Appendix C. This is supported by the Training Plan attached as Appendix D.

Pension Fund Budget

9. Is it important to note the Pension Fund budget is independent of the Council's budget and its finances are managed separately. The Director of Corporate Resources, as the Fund's designated senior officer, has reviewed the Pension Fund budget independently considering the full needs of the service. Whilst the Good Governance/FftF project is not in final legislation, Phase 3 of an earlier Good Governance report includes the following proposal:
- Each administering authority must ensure their committee is included in the business planning process. Both Committee and LGPS senior officer must be satisfied with the resource and budget allocated to the deliver the LGPS service over the next financial year.
10. The current budget covers the financial year 2025/26 with projected estimates out to 2027/28. A summary of the budget is shown below including current forecasts for 2025/26 to 2027/28.

Budget Heading	2024/25	2025/26	2025/26	2026/27	2027/28
	Actual £'000s	Budget £'000s	Forecast £'000s	Forecast £'000s	Forecast £'000s
Investment Management Expenses (split into three areas)					
o Management	32,812	31,706	37,315	39,471	41,746
o Transaction	8,815	14,257	11,074	11,714	11,714
o Performance	6,369	10,500	10,500	11,107	11,042
Sub Total	47,996	56,463	58,888	62,291	64,501
LGPS Central costs (Governance, operator running costs, product development)	1182	1231	3000	3700	3700
Staffing	1,829	2,116	2,049	2,049	2,121
IT costs	442	500	515	500	518
Actuarial costs	197	350	350	150	155
Support Services / other	640	820	820	948	981
Total	52,286	61,480	65,622	69,638	71,976
% of assets under management	0.80%	0.90%	0.91%	0.92%	0.90%
Average assets under management in year	6,560,150	6,850,771	7,173,500	7,588,043	8,025,385

11. The Budget for LGPS Central is now updated to reflect the higher costs of the Fit for the Future programme implementation. Costs are updated for 2025/26 to a forecast of £3million attributable to the Fund. This is higher than the last forecast of £2million reported to Pension Board in February.
12. The LGPS Central budget for 2026/27 is planned to be agreed by shareholders before the start of the new financial year, and a meeting is scheduled on the 23 March 2026. There is £3.7million forecast included for 2026/27. This is the top of the range as estimated by Central. Uncertainty on costs exists whilst cost sharing arrangements between the shareholders are being revised. In addition, the movement of assets from the new partners (ex Brunel and ACCESS pension funds) and the allocation to existing LGPS Central investment products will have an effect on the fees paid by existing Partners and hence a range is provided by Central.
13. An update will be provided later in the year once more accurate costs are able to be forecast. It is important to note that the Fund will be only charged for costs incurred by Central. Central invoice the Fund quarterly in line with forecast costs.
14. The overall budget for Central in 2025/26 and 2026/27 sees a material increase as the introduction of new responsibilities means an effective doubling of the Central's headcount which is the majority of the operating costs of the company. In addition, the setup phase includes one off work including project teams, legal costs and external operating reviews which is expected to decrease during 2026/27. Efficiencies from increased assets under management are expected over the medium term per LGPS Central forecasts although absolute costs may still increase. The Shareholders have a role to play in ensuring the budget is reasonable and allows Central to operate safely in line with the Financial Conduct Authority (FCA) guidelines but can hold Central to account to ensure they are providing value for money.

Total forecast cost 2026/27

15. The fund holds no reserves and has no capital expenditure planned.
16. The total cost being forecasted for approval is £69.6 million for 2026/27. A breakdown of the expenses is set out below.

Investment Management Expenses

17. Investment Management Expenses have been split into three sections:
 - management fees, transaction costs and performance fees.
 - There could be deviations from these numbers given the changes within fee structures and changes of investment manager.
 - From 1 April 2026 it is planned that Central will have responsibility for management and oversight of all of the Fund's investments. In reality, actual responsibility will pass on a phased basis as systems and personnel at Central are developed. For example, reduced investment manager fees, as a direct or indirect

result of asset pooling or increased performance fees if mandates which are subject to performance fees when product investment returns are ahead of the hurdles required. It is possible for investment management fees in absolute terms to increase as the assets under management increase and / or the proportion of investments invested in private markets increase which generally have higher management fees than say listed equity market investments.

18. Transaction costs can be variable year on year due to mandates being invested into or out of, both of which can impact transaction costs, for example, adding capital to a property mandate will incur stamp duty and transaction costs which can be material but are one offs given the longer-term holding periods for this asset class. In addition, Central will be mindful of all costs when making decisions regarding how the strategic asset allocation that the Local Pension Committee agrees is enacted.
19. The total budget being forecasted for the current year is £65.6m and takes into account the higher assets under management than was expected when the budget was first set. The Fund's total value is now £7.3bn and given that management fees are based on assets, the Fund would expect a higher management fee overall. In addition, the work undertaken by Central to accept the additional responsibilities has meant some costs are incurred in 2025/26 by the current eight shareholders. It is expected that the new incoming shareholders and/or clients once they are formally accepted as shareholders and/or clients will share costs in relation to the project to become compliant with government guidance.
20. The 2025/26 investment management expenses are still a forecast and will be subject to investment market returns that will be finalised after the financial year ends. The Fund has assumed a prudent long-term investment return for the purpose of this budget estimate.
21. Performance fee estimates can be highly volatile and given the Fund would not expect meaningful performance fees when general market returns are depressed and an increase in performance fees is usually accompanied by an increase in assets under management. The Fund is investing a greater proportion of total assets into private markets which usually have performance fees associated with them once a predetermined hurdle is reached and, therefore, the Fund should expect performance fees to be on the rise if investments are meeting their targets. Most of the Fund's private market commitments are via LGPS Central who are able to negotiate lower investment management and performance fees given their scale. The forecast for performance fees has been kept at the budgeted level which is prudent until the year is completed.

Staffing

22. The 2026/27 Pensions Administration staffing budget covers staffing related costs for 44 full time equivalent staff. This is a proposed increase of 1.5 full time equivalent Pension Officers, compared to 2025/26.
23. The proposed increase includes a new full-time pension apprentice (taking the total number of pension apprentices to two in 2026/27) and 0.5 increase at Assistant Team Manager level.
24. Since the introduction of McCloud, calculations and checking have taken longer, caused by the complexity of the McCloud remedy.
25. In addition to the ongoing McCloud complexity, during 2026/27 the Pension Section will continue to work on recalculating all in-scope cases, backdated to April 2014, and paying any necessary arrears.
26. It is anticipated work will increase in the Pension Section in preparation for Local Government Reorganisation (LGR). The Section is already seeing an increase in estimates from scheme members, in advance of LGR.
27. The proposed additional 1.5 pension colleagues, alongside salary progression and inflationary increases, calculates the 2026/27 salary budget at £2,049,000.
28. This is the same value as the expected staffing spend for 2025/26. Officers have assumed 3.5% for salary progression and inflation in 2026/27 and 2027/28. However, there is a 6% reduction in Leicestershire County Council employer pension contributions, which offsets the salary progression and inflation for 2026/27.
29. Staffing spend for 2025/26 is expected to be slightly below budget. This was due to several vacancies that were difficult to fill, as the required knowledge needed for senior positions increases.
30. In 2026/27 pension officers will again be offered the opportunity to further enhance their pension knowledge and experience by completing external training provided by Barnett Waddingham. There are initially two separate levels of pension qualification being offered (equivalent to GCSE and A levels) with two higher level qualifications to follow in future years.
31. Three pension colleagues passed the GCSE equivalent in 2025/26, and two further colleagues are progressing well with the 24-month A level equivalent course. The Pensions Manager is keen for Officers to have opportunity to expand their training, to compliment future succession planning within the Pension Section.

IT Costs

32. The Pension Section invested in a new pensions administration system in 2018/19 including pensioner payroll, IConnect for employers to submit data monthly, the main core system, workflow and image, and online member self-service. There remains three years left on the existing contract, but the Pension Manager is looking to manage future

administration costs by commencing the administration system contract review early, with a tender taking place during 2026/27.

33. The 2025/26 system budget was £500,000 (as detailed in the original tender) and the actual spend is expected to be £515,000, £15,000 over budget. The £15,000 overspend in 2025/26 is for enhanced security for scheme members registering for the online member self-service function. Multi factor authentication, using a scheme member's personal mobile, is now available.
34. The 2026/27 budget is set to remain at £500,000 with future year costs to be determined, pending the outcome of the administration system tender.

Actuarial Charges

35. 2025/26 is a Fund valuation year so the actuarial budget is £350,000 and spend is expected to be in line with this.
36. This is greater than the usual annual £150,000 actuarial budget, as Fund valuation creates significant additional actuarial work, including calculation of the Fund's funding level, and all individual employer contribution rates for the three years (April 2026 to March 2029).
37. 2026/27 actuarial budget is £150,000. The 2027/28 actuarial budget is £155,000 to account for 3.5% inflation.

Support Services/Other

38. Support Services were made up of Strategic Financial and Operational Finance charges, East Midlands Shared Services, Internal Audit, Legal Services, Insurance, Central Print and Democratic Services. Other costs include annual subscriptions, tracing service charges, and training for Officers.
39. 2025/26 support services/other budget was £820,000 and actual spend are expected to be in line. The proposed budget for 2026/27 has been increased to £948,000 to account for the increased volume of work, especially in the pension investment and accounting areas, as more work is brought in house.

Budget Summary

40. Around 90% of the budget is expected to be spent on investment manager related expenses. Given that most investment manager expenses are based on a percentage of assets under management any increase in asset values, for example an increase in stock market returns, will result in higher management fees paid in total.
41. Investment management costs are volatile and are likely to be higher than expected if investment performance exceeds assumptions. Therefore, the costs detailed in the report could significantly change if returns exceed expectations.
42. The impact of the Fit for the Future regulations and resultant changes to LGPS Central are unknown at present. Estimates have been made but a revised budget may need to be

presented to both Local Pension Committee and Pension Board at a later date if the budget needs to be amended significantly.

Recommendation

43. It is recommended that the Local Pension Committee approves the Business Plans, Training Plan and Pension Fund budget for 2026/27.

Equality and Human Rights Implications

None

Appendix

Appendix A: The Pension Section's Administration Business Plan 2026/27

Appendix B: Pension Fund Investment Business Plan 2026/27

Appendix C: Pension Fund Governance Business Plan 2026/27

Appendix D: Training Plan 2026

Officers to Contact

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**Pensions Administration
Business Plan
2026 - 2027**

Level One – Changes that impact on the Pension Section

	Priority (Not business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	Customer	Timescale/ Due Date
1	Implement the final stages for the national “pensions dashboard” Project for LGPS and Additional Voluntary Contributions (AVCs) and go live	<ul style="list-style-type: none"> • Ongoing data cleanse member data • Ongoing reduction of preserved benefits and aggregations • Communicate dashboards to employers and fund members 	<ul style="list-style-type: none"> • Monitor the internal KPI measuring improved take up of the Fund’s new member self-service. • Monitor future increases in member self-service take up once linked to the national dashboard 	<ul style="list-style-type: none"> • Increased member enquiries about LGPS benefits • Increased sign up to the Fund’s new member self-service solution • Review and amend communications and letters to include the national pensions dashboard 	<ul style="list-style-type: none"> • Heywood (system provider) • Prudential for member’s AVCs • Fund employers 	<ul style="list-style-type: none"> • Pension Sections 109,000 scheme members 	<ul style="list-style-type: none"> • Reduce backlogs – ongoing • Communication – to align with national exercise Summer/Autumn 2026 • Dashboard proposed live date for all schemes - October 2026
2	SAB – Good Governance Project/Fit for the Future (admin elements) from April 2026	<ul style="list-style-type: none"> • Implement the administrative final areas of recommendation (e.g. admin strategy, peer reviews) 	<ul style="list-style-type: none"> • National guidance • Scheme Advisory Board • Report progress to Board/Committee 	<ul style="list-style-type: none"> • Increase in administration changes from Fit for the Future • Improve the governance of the Fund • Reduce risk 	<ul style="list-style-type: none"> • Hymans • Pensions Board, Committee and Democratic Services • SAB/LGA – peer reviews 	<ul style="list-style-type: none"> • Scheme members 	<ul style="list-style-type: none"> • Peer reviews - 3 years from April 2026 (to align with valuation cycle) • LGA reviews – ongoing (prior to the peer reviews) • Other admin changes – e.g.

2026

							admin strategy – 30 September 2026
3	Implement “phase two” of the McCloud remedy – the retrospective recalculation of in scope member benefits with the McCloud period (1 April 2014 to 31 March 2022)	<ul style="list-style-type: none"> Recalculate pension benefits for in scope members since April 2014 Calculate LG benefits for in scope Teachers 	<ul style="list-style-type: none"> Revise benefits and adjust payments where necessary Regular reports detailing progress and risk to the Pension Board 	<ul style="list-style-type: none"> Additional time to recalculate leavers and deaths Additional time to pay any arrears due 	<ul style="list-style-type: none"> Pension colleagues (internal) Pensioner payroll colleagues Heywood (system changes) LGA Legal Services (potential for legal appeals) Teachers (multiple employment cases) Other public sector schemes for non-aggregations 	<ul style="list-style-type: none"> Revised in scope pensions Revised in scope transfers out Revised in scope death benefits Revised in scope trivial commutations 	<ul style="list-style-type: none"> Recalculate and pay arrears due to existing leavers and pensioners 31 August 2026
4	Review the Fund’s contractual arrangements. 1. Member address tracing service	<ul style="list-style-type: none"> Review the market using a suitable national framework Procure contract provider/s via the Framework 	<ul style="list-style-type: none"> Reports to the Board Measure cost efficiency improvements using procured provider/s for elements of 	<ul style="list-style-type: none"> Reduce risk Improve data quality Improve the customer experience Reduce potential fraud to 	<ul style="list-style-type: none"> Pension colleagues (internal) The successful provider/s Legal services on the 	<ul style="list-style-type: none"> Scheme members and their dependants National dashboards 	<ul style="list-style-type: none"> Target date for completion – Summer 2026

	2. Mortality screening		member address tracing and mortality screening	deceased pensioners <ul style="list-style-type: none"> • Improve operational efficiency and costs 	contractual arrangements <ul style="list-style-type: none"> • ICT • National Framework • Internal Audit 		
5	Review the Fund's contractual arrangements for an "end to end" pension administration system – to include; <ul style="list-style-type: none"> • Calculations • Annual statements • Member online portal • Pensioner payroll • Image • Task/workflow • Reporting • Employer data submission • Dashboards requirements • Website 	<ul style="list-style-type: none"> • Review the market using a suitable national framework • Procure contract provider/s via the Framework 	<ul style="list-style-type: none"> • Reports to the Board • Drive system cost efficiency 	<ul style="list-style-type: none"> • Manage risk whilst still two full years on the existing contract remain • Secure a long-term contract to provide administration stability • Improve the customer experience with online opportunities • Security to mitigate the risk of hacking and fraud • Improve operational efficiency and costs 	<ul style="list-style-type: none"> • Pension colleagues (internal) • The successful provider/s • Legal services on the contractual arrangements • ICT • National Framework • Internal Audit 	<ul style="list-style-type: none"> • Scheme members and their dependants • Fund employers • Pension colleagues (internal) • Pensioner payroll colleagues (EMSS) 	<ul style="list-style-type: none"> • Target date for completion – March 2027
6	Review and implement pension changes from Local Government Reorganisation (LGR)	<ul style="list-style-type: none"> • New or amended employer rates • Employers ceasing 	<ul style="list-style-type: none"> • Reports to the Board • Measure workloads and 	<ul style="list-style-type: none"> • Increased administration time and costs 	<ul style="list-style-type: none"> • Pension colleagues (internal) 	<ul style="list-style-type: none"> • Central Government and the 	<ul style="list-style-type: none"> • Preparation from Summer/Autumn 2026 after

		<ul style="list-style-type: none"> • Comms to scheme members • Pension system changes to scheme member records • New employer discretions • Actuarial changes to employer assets and liabilities 	<p>impact on resource</p>	<ul style="list-style-type: none"> • Increased system costs • Increased actuarial costs 	<ul style="list-style-type: none"> • Pension investments • Fund employers • Heywood (system provider) • Hymans (Fund Actuary) • Board or Committee members 	<p>impacted employers</p>	<p>Government decide their favoured option</p>
7	<p>Implement changes from the outcomes of Access and Fairness and Access and Protection consultations</p> <p>Fairness</p> <ul style="list-style-type: none"> • Survivor benefits • Gender pension gap • Opt outs • Forfeiture <p>Protections</p> <ul style="list-style-type: none"> • Minimum pension age • Mayors and Cllrs 	<ul style="list-style-type: none"> • Implement the various changes • Test system changes • Contact impacted members or their families • Liaise with a new group of scheme members (Cllrs) and their employers 	<ul style="list-style-type: none"> • Reports to the Board • Measure workloads and impact on resource 	<ul style="list-style-type: none"> • Increased administration time • System changes and testing • Revised processes • Comms to impacted members • Comms to impacted employers 	<ul style="list-style-type: none"> • Pension colleagues (internal) • Heywood (system changes) • LGA • Employers – Acads • Outsourcing employers and the contractor 	<ul style="list-style-type: none"> • Scheme members and their families • Central Government • Employers • Contractors • Mayors and Cllrs 	<ul style="list-style-type: none"> • April 2026 onwards as the changes are implemented

	<ul style="list-style-type: none"> Acads – direction orders New Fair Deal 					
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Level Two – Changes that impact on or from Corporate Resources

	Priority (Not business as usual)	Key Actions	Performance measures / KPIs	Impact	Support required from another service	Customer	Timescale / Due Date
8	County Council project; To implement Salary Sacrifice Shared Cost Additional Voluntary Contributions (SSSCAVCs)	<ul style="list-style-type: none"> Assist County colleagues implement SSSCAVCs 	<ul style="list-style-type: none"> Increased County AVC take up Assist the County generate corporate savings 	<ul style="list-style-type: none"> System changes in Fusion Payroll changes Communication exercise with existing and new AVC payers 	<ul style="list-style-type: none"> The Pension Section EMSS Payroll Corporate communications Accountants The Fund's AVC provider 	<ul style="list-style-type: none"> Funds County AVC payers Potential new County AVC payers County Council 	Spring/Summer 2026

Level Three – Pension Section (continuous improvement) – Business as Usual and continually monitored

	Priority (Business as usual)	Key Actions	Performance measures / KPI	Impact	Support required from another service	EHRIA required Y/N	Officer	Timescale/ Due Date
9	<p>Review and maintain the Local Government KPIs at or above target, for all areas of Local Government pension administration for;</p> <ul style="list-style-type: none"> • Fund Annual report • Quarterly Board reports • County Council quarterly KPIs • Monthly Pension Section management and colleagues • Covers timescales for work completion and work volumes 	<ul style="list-style-type: none"> • To meet all statutory reporting requirements. • Review and amend workflow tasks to enable correct reporting results • Ensure customer service remains highest priority in all areas covered in the KPIs (especially retirements, deaths and payments) • Target casework by age and employer • Work closely with Pension Team Managers • Monitor and measuring workloads 	<ul style="list-style-type: none"> • Fund annual report and Committee • Quarterly Board reports • Council quarterly KPIs • Monthly Pension Section management targets 	<ul style="list-style-type: none"> • Meet all statutory reporting requirements • Maintain and improve customer service • Highlights any falls in service so these can be addressed quickly • Promote colleagues working from individual task boxes to better manage and target casework • Increased officer morale – positive feedback is very welcome 	<ul style="list-style-type: none"> • All fund employers • Heywood for workflow task changes • Pension section colleagues for new tasks • Develop insight reporting 	N	Ian Howe	On-going throughout 2026

		<ul style="list-style-type: none"> • Demonstrate value for money 						
10	Implement ongoing customer service improvements	<ul style="list-style-type: none"> • Team Managers to explore ongoing customer service improvement opportunities • Reduce calls to the helpdesk by directing members to an enhanced website 	<ul style="list-style-type: none"> • Implement new KPI's and review measuring techniques • Reduce phone calls 	<ul style="list-style-type: none"> • Ensure the highest level of service available • Continually look to enhance and improve the customer experience including ongoing improvements to the helpdesk, capturing member feedback, communications, processes, online submission of data, member self-service • Provide information more easily online, to enhance the customer experience 	N	N	Ian Howe	On-going
11	Manage and reduce employer risk Keep the employer tracking system (EPIC) updated for monitoring employer changes and risks	<ul style="list-style-type: none"> • Implications of New Fair Deal (removal of admissions) – links to an element in point 6 • Continue to review bonds and guarantors 	<ul style="list-style-type: none"> • Negate the need for admissions/full bonds where possible • Inform the Board each quarter 	<ul style="list-style-type: none"> • Reduce fund related employer risk • Reduce full bond values by moving to pass-through when appropriate (older cases) • Reduce outsourcing pension costs and risk 	<ul style="list-style-type: none"> • Hymans • Pensions Liaison Officer • Legal services • Employers • Contractors 	N	Ian Howe	On-going New Fair Deal – potentially 6 months after Regs are implemented

		<p>where appropriate</p> <ul style="list-style-type: none"> • Monitor FE bodies under the DfE guarantee 		<ul style="list-style-type: none"> • Reduce the risk of default by new employers at TUPE 				
12	Achieve all the statutory deadlines – ABS by 31 August and pension taxation statements by 6 October	<ul style="list-style-type: none"> • Work closely with Fund employers, especially those changing payroll providers 	<ul style="list-style-type: none"> • Regulatory statutory deadlines 	<ul style="list-style-type: none"> • Failure is a reportable “material breach” of pension rules • Reportable to The Pensions Regulator • Inform the Local Pension Board • Reputational damage 	<ul style="list-style-type: none"> • All fund employers and their payroll providers • EMSS 	N	Ian Howe	31 August 6 October
13	Maintain the list of all fund policies and documents	<ul style="list-style-type: none"> • Monitor and make changes as required • Report changes to Board and Committee 	<ul style="list-style-type: none"> • Annual report to Board and Committee 	<ul style="list-style-type: none"> • Failure to deliver the service • Complaints and appeals • Reputational damage 	<ul style="list-style-type: none"> • Investment colleagues • Democratic services • Legal • Internal audit 	N	Ian Howe	On-going (annual review)
14	Manage staff sickness levels within the Pension Section	<ul style="list-style-type: none"> • Team Managers to continue to manage sickness to keep as low as possible 	<ul style="list-style-type: none"> • Pension Section target of 5.0 	<ul style="list-style-type: none"> • Increased sickness – negative impact on morale, KPIs and targets, increased risk of failure with customer service standards and increases time for work completion 	N	N	Ian Howe	On-going
15	Develop staff training and succession planning	<ul style="list-style-type: none"> • Team Managers continue to develop and 	<ul style="list-style-type: none"> • One to ones • Annual performance reviews 	<ul style="list-style-type: none"> • Increased risk of operational delays • Failure to meet KPIs and targets 	N	N	Ian Howe	On-going

		<p>monitor staff training</p> <ul style="list-style-type: none"> • Team Managers continue to consider/review succession planning • Promote external training options (especially the Barnett Waddingham levels two and three, pension qualifications) • Review apprenticeships 	<ul style="list-style-type: none"> • Career grade progression • Barnett Waddingham - Level two (equivalent to GCSE) – introduction to general pensions • Barnett Waddingham – Level three (equivalent to A level) – LGPS specific training • Barnett Waddingham (levels 4 and 5 once available) • More qualified colleagues in the Section 	<ul style="list-style-type: none"> • Greater pressure on colleagues • Reduced morale • Complaints and appeals • Reputational damage 				
16	Implement 50% return to the office	<ul style="list-style-type: none"> • Team Managers to maintain close contact with all colleagues to facilitate a 50% return to the office 	<ul style="list-style-type: none"> • Set up a team monitoring system to record 50% home/office working • Measure and monitor performance 	<ul style="list-style-type: none"> • Manage staff morale • Monitor efficiency • Consider individual needs assessed against the policy • Maintain regular dialog with colleagues and make necessary 	N	N	Ian Howe	<p>April 2026</p> <p>On-going</p>

			through the Sections existing KPIs	adjustments where necessary <ul style="list-style-type: none"> • Ensure the working environment and equipment is suitable 				
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Pensions Administration

Overview

- Provides a statutory service administering the Local Government Pension Scheme to over 190 employers in the Leicestershire Fund with over 109,000 scheme members.
- Rated highly by customers for providing a positive customer experience
- Reports to the Leicestershire Local Pension Board and Pensions Committee, made up of both employee and employer representatives

Key drivers

- Achieve or better, key performance indicators in business processes and customer satisfaction
- Conclude phase two of the McCloud remedy
- Go-live of dashboards
- Implement solutions for member address tracing and mortality screening
- Prepare for the outcome of LGR

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Leicestershire County Council Pension Fund

Pensions Investment Business Plan

2026-2027

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
Policies	Net Zero Climate Strategy (NZCS) Review	<ul style="list-style-type: none"> • To complete the review of the NZCS following responsible investment survey. • Continued implementation of Net Zero Climate Strategy and action plan. • Support alignment with LGPS Central Net Zero approach. • Communication of Strategy and progress against climate metrics. • Further development of measurements through future iterations of Climate Risk Management Report in line with government guidance best practice and data availability • Manager monitoring and engagement on climate metrics and targets. 	<ul style="list-style-type: none"> • To manage the climate risk and opportunities to the Fund arising from Climate Change. • To communicate to scheme members and interested parties of the current progress versus the NZCS interim targets. • To communicate and engage with the Fund's investment managers and LGPS Central on the Fund's expectations with relation to climate risk management. 	<ul style="list-style-type: none"> • External support / resource as required to be defined for selected workstreams, Hymans, LGPS Central, other external bodies. 	<ul style="list-style-type: none"> • March 2026 Workshop • High-level considerations to be reported to Committee in March 2026 and updates as appropriate throughout 2026/27. • Est June 2026 for revised Net Zero Climate Strategy.
	Update Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> • Update draft ISS with any changes from consultation with employers • Await finalisation of the Government's Pensions legislation and update any parts of the ISS as required depending on the importance of the changes. • Annual update of ISS to include changes from 2026 and 2027 	<ul style="list-style-type: none"> • Annual asset class target allocation refresh, including rebalance tolerance ranges and local investment targets. • Engage with LGPS Central to set 2027 strategic asset allocation targets. • Consider the ability to use an external investment advisor where the Pool might not be 	<ul style="list-style-type: none"> • LGPS Central • Possible 3rd party advisor including new independent advisor 	<ul style="list-style-type: none"> • March 2026 minor update for changes from consultation. • Q1 2027 update for changes including SAA, rebalance tolerances and local investments

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
		<p>Strategic Asset Allocation (SAA) review and investment beliefs</p> <ul style="list-style-type: none"> • Update the latest position regarding net zero targets from the 2026 climate risk report (CRR) • Update for outcomes affecting the ISS from the Fit for the Future government consultation into Pooling and government guidance. • Update approach as a result of the outcome Responsible Investment Survey and fit for the future. 	<p>able to provide a service. Will depend on the outcomes of the pensions legislation.</p> <ul style="list-style-type: none"> • Ensure the approach to Responsible Investment is up to date as part of good governance, and in line with Scheme Advisory Board's recommendation. 		
Asset Allocation	Ensure that 2026 decisions from the Strategic Asset Allocation (SAA) review are implemented	<ul style="list-style-type: none"> • Work with Central to ensure changes approved have a plan to be implemented. • Communicate these to the committee via relevant communication or presentation 	<ul style="list-style-type: none"> • To complete investment decisions proposed by Hymans and approved by Committee in January 2026 noting that some decisions require careful planning and take a significant amount of time to fully implement 	<ul style="list-style-type: none"> • The Fund's investment advisor LGPS Central and possibly Hymans Robertson where circumstances allow. 	<ul style="list-style-type: none"> • Through 2026/27 complete the reviews per the proposals taken to the Jan 2026 Pension Committee <ol style="list-style-type: none"> 1. Listed equity review 2. Investment grade credit review 3. SAA target changes
	Investment manager presentations	<ul style="list-style-type: none"> • LGPS Central manager presentations to be scheduled to LPC to cover different asset classes. Retain the ability to allow underlying 	<ul style="list-style-type: none"> • To improve the Committee's understanding of asset classes and performance against benchmarks. 	<ul style="list-style-type: none"> • LGPS Central Investment Manager attendance 	<ul style="list-style-type: none"> • LGPS Central to present at quarterly committee meetings,

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
		<p>managers if needed to present.</p> <ul style="list-style-type: none"> • Each presentation manager to cover at least the following: <ul style="list-style-type: none"> ○ Market outlook ○ Describe the mandate and aims ○ Mandate performance ○ ESG – e.g. how they identify, assess, and manage all risks 	<ul style="list-style-type: none"> • Over time Central will be report and be accountable for performance for the whole Fund's performance. • Allows for interaction with investment manager on ESG polices and investment performance versus other mandate targets. 	<ul style="list-style-type: none"> • Independent advisor, depending on scope of role 	<p>switching between public markets and private market investments.</p> <ul style="list-style-type: none"> • Currently scheduled meetings and managers: <ul style="list-style-type: none"> March –private June – public Sept – private Dec – public
	2027 Strategic Asset Allocation preparatory work	<ul style="list-style-type: none"> • Produce 2027 strategic asset allocation strategy refresh. This deliverable will take into account finalised government guidance. • Agreeing the scope with the Fund's investment advisor (LGPS Central) and present for approval to the LPC in December. • Net Zero Climate Strategy considerations • Balancing required return versus risk and updated medium/long assumptions for asset class returns alongside return expectation from last actuarial review. • Any potential asset class reviews 	<ul style="list-style-type: none"> • To provide the Fund the right level of return taking into account all risks and required rate of return. 	<ul style="list-style-type: none"> • The investment advisor • LGPS Central 	<ul style="list-style-type: none"> • The SAA is normally delivered for approval at the January Local Pension Committee meeting each year.

	Item	Key in year deliverables	Aims	Support required from another service	Timescales
Valuation	None – valuation planning from 2027 for 31 March 2028				
Reporting / other	Responsible Investment	<ul style="list-style-type: none"> • Progress the Fund's RI Plan as agreed at January 2026 Local Pension Committee meeting. • Consider development of outcomes as a result of the Responsible Investment Survey. • More information included within the appendix taken to the January 30 2026 Local Pension Committee Appendix A: Draft RI plan 2026 • Represent LCCPF at cross party meetings to enable Central to deliver a considered and cost effective RI solution to all partners 	<ul style="list-style-type: none"> • Continue reporting against best practice and guidance available. • Improved understanding of RI risks including climate change. • Improved communication with scheme members and other interested parties. 	<ul style="list-style-type: none"> • LGPS Central. LAPFF, Investment Managers reporting 	<ul style="list-style-type: none"> • Ongoing multiyear implementation alongside NZCS.
	Local Investment reporting	<ul style="list-style-type: none"> • Develop approach to reporting impact from local investment alongside LGPS Central as the pooling approach to local investment evolves. 	<ul style="list-style-type: none"> • To demonstrate quantifiable external benefits to the Fund's targeted area. 	<ul style="list-style-type: none"> • LGPS Central 	<ul style="list-style-type: none"> • 2025/26 and onwards
	Performance reporting	<ul style="list-style-type: none"> • Understand with Central how to develop performance reporting currently delivered by Hymans Robertson 	<ul style="list-style-type: none"> • To provide greater depth within performance reporting by mandate and asset class. This might not be completed within the year with transition of legacy mandates and bedding in of processes 	<ul style="list-style-type: none"> • Hymans • Central 	<ul style="list-style-type: none"> • 2026/27 and onwards

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Governance business plan 2026/27

Item	Key in year deliverables	Aims	Support required from other service	Timeline
Decision making	Review of existing delegations and incorporation into the Council's constitution to ensure compliance with updated regulations.	Ensure decisions relating to the management of the Fund are made in accordance with appropriately delegated responsibilities.	Democratic and legal services	2026/27
Compliance with new government guidance and continued compliance with the TPR Code of Practice	<p>Review of existing training policy, conflict of interest, and terms of reference.</p> <p>Development of Fund specific risk management policy, governance strategy and remuneration and fee policy.</p> <p>Appoint a Senior LGPS Officer</p> <p>Appoint an Independent Person to the Local Pension Committee</p>	Implementing and monitoring the training policy, conflicts of interest, risk management, breaches and adhering to the Pension Regulator's code of practice.	<p>Democratic and legal services</p> <p>Internal Audit.</p>	<p>March 2025</p> <p>2026/27</p> <p>By October 2026</p> <p>By October 2026</p>

<p>Knowledge and Understanding</p>	<p>Delivery of 2026/27 training plan as appended</p> <p>End of year training needs self-assessment, to cover additional areas within relevant government guidance. Creation of individual, Board and Committee training plans.</p> <p>Publicise LGPS Central's Annual Responsible Investment/Stakeholder Day meeting date to LPC Members</p> <p>New Members to have induction with relevant officers and supply induction pack in advance. Generate log on to Hymans training modules. Members must complete all Hymans Modules within six months of appointment.</p>	<p>Training needs to understand individual requirements, officers to advise Member accordingly</p> <p>To build minimum standard of knowledge to ensure compliance with government regulations and ensure effective decision making.</p> <p>Improve overall understanding of the pension environment</p> <p>Hymans online training to generally improve knowledge in the most important areas for Committee members and officers.</p>	<p>Training from external sources can include Hymans, LGPS Central, LAPFF, Funds investment managers</p>	<p>2026/27</p> <p>December 2026</p> <p>Throughout year</p> <p>As needed throughout year</p> <p>Progress to be highlighted to officers and the Chairman of the Committee or Board as needed.</p>
<p>Risk Management Function</p>	<p>Ensure compliance with Government guidance and establish Fund specific approach.</p> <p>Quarterly review of risk register and reporting to LPC/LPB</p>	<p>Ensure the Fund identifies, evaluates and records risk to manage them appropriately.</p>	<p>Internal Audit</p>	<p>2026/27</p> <p>Quarterly</p>
<p>Annual Report and Accounts</p>	<p>Approval and publication of the Fund's draft Annual Report and Accounts by 1 December in line with the LGPS Regulations.</p> <p>Preparation for compliance with separated Leicestershire County</p>	<p>Compliance with regulation. The report summarises the Fund's activities for the previous scheme year.</p>	<p>External audit.</p>	<p>September 2026.</p> <p>Preparation for 2026/27 reporting</p>

	Council and Pension Fund accounts, and relevant external audit.			
Monitor the annual Budget	To monitor the Annual Budget reflecting anticipated income and expenditure during 2026/27	Provide indications of variances to the budget	n/a	During 2026/27
LGPS Central	Update Committee with Shareholder and client activity with respect to actions or decisions taken at the Joint Committee and Company meetings	To ensure oversight of the pool.	n/a	As appropriate through 2026/27
Government consultations and initiatives	Participation with LGPS Central and individually where appropriate Communicate to Local pension committee and wider Fund membership implications and changes to the LGPS	To allow Government to hear the Funds views on various topics being consulted on. To keep the committee and membership informed of material changes	Internal Council communications teams, LGPS Central, partner funds within LGPS Central	As appropriate through 2026/27
Independent Governance Review	Ensure compliance with requirements of government guidance, and consider timing for procuring a provider ahead of 2028/29.	To ensure compliance with government guidance.	TBC	Ahead of 2028/29
Annual Review of Fund's various policies and strategies	To undertake a review of the Fund's various policies and strategies including the cash management strategy.	Annual refresh of relevant strategies to reflect any developments / maintain best practice within the Fund and its management. Or government guidance.	External Support/resource as required Hymans, LGPS Central or other external bodies.	February 2027, and adhoc as required.
Review and implement pension changes from Local Government	Subject to Government's announcement on the proposals for LGR prepare for any changes required to the Fund's governance structure (for example representation on the LPB and LPC).	Keep LPC and LPB up to date on material changes and proposals.	Democratic services, legal services.	Preparation from Summer/Autumn 2026 after Government decide their favoured option

Reorganisation (LGR)	Report to LPB and LPB			
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Training Plan 2026

Training will follow or form part of LPC or LPB meetings as identified in-year, joint training sessions reflect areas highlighted within training needs assessment and are scheduled according to relevance for upcoming agenda work. These will be flexible to allow room for any emerging issues that need to be considered especially in light of Fit for The Future.

<u>Date</u>	<u>Topic</u>
30 January	LPC Training as part of SAA
20 March	LPC Presentation LGPS Central.
20 April 10am	<p><u>Governance Position</u></p> <ul style="list-style-type: none"> - Overview of UK Gov, LGPS legislation, and roles of organisations and main features of LGPS legislation and new guidance. - Roles of the Scheme Advisory Board, Pensions Regulator and Code of Practice. - Roles of Local Pension Board and Local Pension Committee. <p><u>Oversight of outsourced providers</u></p> <ul style="list-style-type: none"> - How the Fund monitors and manages outsourced providers. - An understanding the background of public procurement and the roles of key decision makers and organisations in relation to pensions administration (ie. Actuarial services, Investment Advisors, AVC provider) - The Fund's Additional Voluntary Contribution arrangements and choice of investments offered to members - Supplier risk management. (i.e. procurement procedure, risk assessments).
29 July	LPC Presentation from LGPS Central.
21 September 10am	<p>Joint Training to cover:</p> <p>Employer Areas</p> <ul style="list-style-type: none"> • How employer outsourcings and bulk transfers are dealt with? • The importance of the employer covenant • Where an employer leaves the Fund, how the promised pensions liabilities are paid for. • LGPS discretions and how employers' discretionary polices impact on the Fund. • How employers' contribution rates are set • Statutory deadlines and key performance indicators of the Pension Fund. • An understanding of how Fund breaches in law are reported

<u>11 August</u>	LPB TBC if needed for Training.
<u>11 September</u>	LPC Quarterly Manager Presentation
<u>14 October</u>	LPB TBC if needed for Training.
16 November 10am	<p>Joint Training to cover:</p> <ul style="list-style-type: none"> • Key aspects of Investment Manager Monitoring/pooling performance. • The risk and return characteristics of the main asset classes and their role in long-term pension fund investing, including different investment vehicles available for SAA • Understanding of primary importance of SAA. • Awareness of the limits placed by regulation on the investment activities of the Fund (ie. fiduciary duty, ESG, and Fund discretions).
<u>4 December</u>	LPC Climate Training and TBC Quarterly Manager Presentation.

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



LOCAL PENSION COMMITTEE – 20 MARCH 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND POLICY REPORT

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's (LPC) approval of the Pension Fund's (the Fund) current strategies and policies.

Background

2. The LPC is responsible for the governance of the Leicestershire Fund, which included setting policies to be included in statutory documents.
3. This report is the annual review of any new policies that have been introduced or amendments that have been made to existing policies. The content of the report was presented to the Local Pension Board on the 4 February 2026.
4. There were no comments from the Board ahead of these going to Committee on the 20 March 2026 for approval.

Summary of Current Policies

5. All current policies covering both administration and investments, are listed below. Updated policy documents are attached to this report, other policies can be found on the [Pension Fund website](#).

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Reviewed	Date Next Review Scheduled
Investment Strategy Statement	Yes	Yes	Detailed in this report	February 2026	February 2027
Investment Adviser Objectives	Yes	Yes	Detailed in this report	November 2025	November 2026
Net Zero Climate	Yes	No	Detailed in a separate report.	March 2023	June 2026

Strategy (NZCS)					
Cash Management Strategy	Yes	Yes	Now incorporated in the Investment Strategy Statement	February 2026	February 2027
Funding Strategy Statement	Yes	Yes	Detailed in a separate report to Committee on 20 March 2026	February 2026	Summer 2028 (as part of Valuation exercise)
Administration Strategy (formerly Administration and Communication Strategy)	Yes	Yes	Minor changes to wording to reflect Fit for the Future	February 2026	February 2028
Fund Training Strategy (formerly Policy)	Yes	Yes	Detailed in this report	February 2026	February 2029
Pension Fund Budget and Business Plan (Administration, Investment and Governance)	Yes	Yes	Detailed in a separate report to Committee on 20 March 2026	February 2026	February 2027
Conflict of Interest Policy	Yes	Yes	Detailed in this report	February 2026	February 2029
Fund Employer Risk Policy	Yes	Yes	Detailed in this report	February 2026	Summer 2028 (as part of Valuation exercise)
Administering Authority (Fund) Discretions Policy	Yes	No	Reviewed. No changes required	February 2026	January 2028
Administering Authority Distribution of Death Grant Policy	Yes	No	Reviewed. No changes, but see comments in report	January 2026	January 2027

Administering Authority Overpayment of Pensions Policy	Yes	No	Reviewed. No changes required.	February 2026	February 2028
Cyber Policy	Yes	No	n/a	February 2025	February 2027
Complaints Process	Yes	No	n/a	February 2025	February 2028
Monitoring Contributions Process	Yes	No	Reviewed. No changes required.	February 2026	February 2028
Reporting Breaches of Law Process	Yes	No	n/a	February 2025	February 2028
Data Improvement Plan	Yes	Yes	Reviewed. No changes required	February 2026	February 2027
Internal Controls	Yes	No	Reviewed. No changes required	February 2026	February 2027
Transfer Payment Process	Yes	No	Reviewed. No changes required	February 2026	February 2027

Investment Strategy Statement

6. The draft Investment Strategy Statement (ISS) has been updated to comply as far as possible and take into account Government's draft regulations and guidance as is currently understood. This is set out in more detail elsewhere on the agenda.

The LPC considered the draft on 30 January and approved it for consultation. It is expected more changes may be required following the Pension Bill being made into law, and other regulations and guidance that are expected.

7. The LPC considered the draft on 30 January and approved it for consultation. It is expected more changes may be required following the Pension Bill being made into law, and other regulations and guidance that are expected.

Key amendments relate to:

- i. Reference to the current 'Fit for the Future' position, recognising the role of the Fund will change with LGPS Central's responsibilities. Reiterating alongside the Strategic Asset Allocation the ISS is the Fund's key document to ensure it achieves its primary aim.

- ii. Update of investment beliefs. These have been extended to also specify preferences. While the Fund cannot intervene in implementation it provides a clear steer of the Fund's view to LGPS Central. Where Central is unable to follow these preferences the Fund expects clear dialogue.
- iii. Local investment. This adds a target, and broad view on how local investment should be undertaken for the Fund alongside LGPS Central. It is recognised this may develop over time, however at the moment the approach seems prudent in line with considerations from the Strategic Asset Allocation elsewhere on the agenda.
- iv. Responsible investment. The section has been updated from the version shared in January 2026 to reflect current draft regulations and the requirements for the Fund and outcome of the responsible investment survey by the Local Pension Committee as set out in more detail elsewhere on the agenda. This includes three stewardship themes for the Fund to engage with LGPS Central on and report against to scheme members.

Investment Advisor Objectives

8. The Investment Advisor Objectives were updated to recognise clear expectations of relationship and service standards and focus on the work to be undertaken over the next year relating to 'Fit for the future'. It is recognised there will be some cross over with Government's proposal arising from Fit for the Future that pools are to provide primary advice funds. It is intended that the Fund will ensure clear expectations are set when advice is required with the existing arrangements with Hymans. These changes were approved by the Local Pension Committee at their meeting on 5 December 2025.

Cash Management Strategy

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

Funding Strategy Statement

10. The consultation on the Fund's Funding Strategy Statement (FSS) ended on 11 January 2026. Officers considered responses. The final FSS is included in a separate Valuation report to LPC on the 20 March 2026.

Administration Strategy

11. Minor changes only have been made to the Administration Strategy (formerly known as the Joint Administration and Communication Strategy, changed to comply with Fit for the Future requirements), but nothing fundamental has changed.

Fund Training Strategy

12. The Fund Training Strategy (formerly policy) was last reviewed and refreshed by the Local Pension Committee at their meeting on 19 June 2024. The draft reflects current understanding of the regulations as currently drafted ahead of the Pension Schemes Bill receiving royal assent. Key amendments relate to:
- i. Introduced a defined approach for managing substitute members as part of the policy, to ensure they have completed induction training and are aware of appropriate policies and documents to appropriately act as substitute for meetings.
 - ii. Updated to reflect that knowledge and skill requirements for Local Pension Committee members will be embedded in forthcoming legislation (as already exists for Pension Board members in the Pensions Act 2013).
13. These requirements are also now considered an individual responsibility, rather than a collective responsibility as previously included.
14. It is intended that officers will consider any published guidance from Government and the Scheme Advisory Board and that the Director of Corporate Resources be authorised to make any minor amendments to the Strategy as required to support compliance.

Conflict of Interest Policy

15. This has been reviewed and refreshed to ensure it is in alignment with regulations as currently drafted ahead of the Pension Schemes Bill receiving royal assent and other 'fit for the future' considerations. A section on LGPS Central has been added, as well as references to potential conflicts that will need to be managed in regard to local investment.
16. It is intended that officers will consider any published guidance from Government and the Scheme Advisory Board and that the Director of Corporate Resources be authorised to make any minor amendments to the Policy as required to support compliance.

Fund Employer Risk Policy

17. The employer risk policy has been updated to state that the Fund may use a third-party covenant expert when assessing employer risk. Other minor changes have been made to bring the document up to date. Note that this needs to be read in conjunction with the FSS.

18. The Fund is aware of Government's Access and Protection consultation (December 2025) on New Fair Deal that may bring changes to the way employers are brought into the scheme following outsourcing exercises. This area will be reviewed to account for any changes, should they be required.

Administering Authority Distribution of Death Grant Policy

19. This policy has been reviewed and no changes were required. However, following the Government's announcement that unused pension funds and death benefits will be included within the value of a person's estate for inheritance tax purposes with effect from 6 April 2027, this policy will be reviewed again once there is a clearer understanding of the process.

Monitoring Contributions

20. This internal process has been reviewed and no changes were required. Note that regular meetings have been introduced between Pensions and Investments to assist with the administration if any late payments occur.

Data Improvement Plan

21. This internal process has been reviewed and no changes were required. Officers appreciate the need for high quality data and consider this as "business as usual".

Fit for the Future

22. The draft Local Government Pension Scheme (Amendment) Regulations 2026 are currently progressing through the parliamentary process prior to receiving royal assent. They include additional requirements for the Fund, such as development of a new Governance Strategy, that Fund Officers have drafted. These requirements will be linked with statutory guidance which is currently draft. Officers will await final guidance and ensure policies are drafted and update both the Local Pension Board and LPC appropriately.

Recommendation

23. The Committee is asked to:
- (a) Approve the Fund's revised policies and strategies set out in Appendices A to E attached to this report;
 - (b) Authorise the Director of Corporate Resources to make any necessary revisions to the Training Strategy (Appendix C) and Conflict of Interest Policy (Appendix D) to ensure that it remains up to date and relevant provided that these do not constitute material changes.

Equality and Human Rights Implications

None specific

Appendices

Appendix A: Investment Strategy Statement

Appendix B: Administration Strategy

Appendix C: Fund Training Strategy

Appendix D: Conflict of Interest Policy

Appendix E: Fund Employer Risk Policy

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Appendix A

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND INVESTMENT STRATEGY STATEMENT

Effective: 20 March 2026
Next review: By Q3 2028



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1. Introduction and Background

The Local Government Pension Scheme (“LGPS”), of which Leicestershire County Council Pension Fund (“the Fund”) is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act.

All LGPS funds in England and Wales are required to have an Investment Strategy Statement (“ISS” or “Statement”). This is the Investment Strategy Statement (“ISS”) of the Fund, which is administered by Leicestershire County Council, (“the Administering Authority”).

The Local Government Pension Scheme (Pooling, Management, and Investment of Funds) Regulations 2026 (the “Regulations”) require administering authorities to formulate and publish a statement of its investment strategy in accordance with guidance issued from time to time by the Secretary of State.

In preparing the ISS the Fund’s Local Pension Committee (“the Committee”) has consulted with such persons as it considered appropriate. The Committee acts on the delegated authority of the Administering Authority which takes advice from the Fund’s external investment consultant at the time of writing.

The current regulations require this statement to be reviewed at least triennially but the Fund reviews its strategy annually and updates as appropriate. The last version of this strategy was approved by the Local Pension Committee on 14 March 2025.

The Committee aims to invest, in accordance with the ISS and any other relevant policies, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s latest available Funding Strategy Statement (FSS), and Net Zero Climate Strategy (NZCS).

Fit for the Future Proposals

In July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched the “Local Government Pension Scheme: Next Steps on Investments” consultation, commonly referred to as the “Fit for the Future” (FFtF) proposals. The consultation set out the government’s vision for the LGPS to deliver greater value for money, improved governance, and enhanced stewardship, with a particular focus on accelerating the pooling of assets and strengthening responsible investment practices.

The Fund participated in the national consultation process, responding to the government’s proposals and engaging with employers, scheme members, and other stakeholders. The Local Pension Committee considered the implications of the FFtF proposals at several meetings and workshops throughout 2024 and 2025, including a dedicated workshop in September 2025 to discuss local investment and pooling arrangements. The Fund has continued to monitor developments and prepare for the anticipated regulatory changes.



Pensions Bill and Regulatory Position

At the time of preparing this Investment Strategy Statement (ISS), the government's new Pensions Bill, which is expected to give statutory effect to many of the FFtF proposals, has not yet been enacted. The Fund will review and update this ISS as necessary once the new legislation and accompanying statutory guidance are in force.

Main Points Relating to Pooling and the ISS

The main changes withing the FFtF proposals and the progressing Pensions Bill relate to the pooling of LGPS assets and the governance of investment strategy. From April 2026, all Fund assets are required to be invested and managed by LGPS Central, the Fund's pooling company, with the Administering Authority retaining responsibility for setting the high-level investment strategy and strategic asset allocation. Implementation decisions, including manager selection, mandate construction, and portfolio rebalancing, will be delegated to LGPS Central.

The ISS has been restructured to reflect these changes, with clear separation between the Fund's strategic objectives and the operational responsibilities of the Pool but taking into account the current transitional arrangements whilst legislation is being finalised.

The ISS also incorporates new requirements for explicit investment objectives, tolerance ranges for asset allocation, a formal approach to local investment, and enhanced responsible investment and stewardship policies.

2. Governance

Leicestershire County Council, as the Administering Authority, has delegated responsibility for the management of the Fund to the Local Pension Committee (the Committee). The Committee has responsibility for establishing an investment policy and its ongoing implementation.

Members of the Local Pension Committee have a fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are the members of the Fund who are entitled to benefits (pensioners, previous and current employees) and the employing organisations. Other key stakeholders are the beneficiaries of the employing organisations services, for example local Council taxpayers.

Decisions affecting the Fund's investment strategy are taken with appropriate advice from a FCA (Financial Conduct Authority) regulated investment advisor including the Pool company LGPS Central (Central or Pool). Only persons or organisations with the necessary skills may provide advice and take decisions affecting the Fund. The Members of the Committee receive training as part of an annual review process to enable them to critically evaluate advice they receive. This is documented within the Fund's Training Policy.



The Director of Corporate Resources of Leicestershire County Council has responsibilities under Section 151 of the Local Government Act 1972 and provides financial advice to the Committee, including financial management, issues of compliance with internal regulations and controls, budgeting, and accounting.

3. Fund Objectives

The primary objective of the Fund is to provide pension and lump sum benefits as and when they fall due for members or their dependents.

The funding position will be reviewed triennially through an actuarial valuation, or more frequently as required. Payments will be met by employer contributions, resulting from the funding strategy, employee contributions, or financial returns from the underlying investments.

The Funding Strategy Statement (FSS) and ISS are therefore inextricably linked. The latest FSS can be found at: <https://www.leicspensionfund.co.uk/about-fund/governance/valuation-reports>. The Fund believes in a long-term investment strategy with regular reviews, usually annually in the form of the strategic asset allocation (SAA) review. This is with the aim to maximise investment returns of the Fund whilst maintaining an acceptable level of risk and retaining flexibility in the event the Fund is required to change strategy.

The Fund has an investment strategy that focuses on the suitability of investments based on the following investment beliefs which are developed and refreshed on a regular basis and are listed below within the core beliefs column. The ten core beliefs are supplemented with preferences listed which the Pooling company may take account of whilst implementing the investment strategy. The investment beliefs have been developed with the Fund's external investment advisor and will be considered when proposing a refresh of the strategic asset allocation each year.



	Core beliefs	Preferences
1	<p>Risk and return</p> <p>Returns should be maximised taking into consideration risk tolerance, liability profile of the Fund and affordability for employers. Returns expectations should be reviewed annually with a more robust review every three years post an actuarial valuation.</p>	<p>Expected return of the investment strategy should exceed the required return specified in the actuarial valuation with an appropriate risk buffer.</p> <p>Tactical views based on market conditions can be very challenging to time correctly so this should only be implemented in certain limited circumstances</p> <p>Where a risk factor is dominating overall volatility for an asset class, then steps should be taken to mitigate this risk</p> <p>Downside protection strategies can support long-term objectives, but investment drag should be carefully considered and communicated. Protection can cost the Fund in payments for long periods of time before potentially paying returns. These strategies may be useful in further stabilising employer contribution rates if delivered efficiently.</p> <p>Hedging part of the Fund's foreign currency exposure.</p>



<p>2</p>	<p>Diversification</p> <p>Diversification, across asset classes and within asset classes, can help minimise volatility and support long-term value creation.</p> <p>However, the Fund is keen to not over diversify as this adds additional governance and oversight cost whilst adding ever decreasing investment benefits.</p> <p>Focusing manager selection and oversight where each mandate makes a meaningful impact on risk and return should further the overall aim of the Fund.</p>	<p>The Fund has developed investment frameworks across four private market investment classes (private equity, private credit, infrastructure, and property) in order to manage risk from over or under investment in particular geographies and or sub investment segments or strategies.</p> <p>The Fund recognises that implementation decisions within asset classes is a Pool responsibility and would like the Pool to recognise the broad frameworks developed over the years to manage these risks and work with the Fund to retain the considerable work undertaken and presented to the relevant committees.</p> <p>Actively managed and index tracking solutions both have a role to play in strategy implementation. With active management only undertaken where the additional costs can be clearly justified over the medium term.</p> <p>Multi asset products can offer diversification potential and access to sub asset classes but require careful construction to ensure intended Fund objectives are achieved.</p>
<p>3</p>	<p>Opportunity Set</p> <p>Reviewing broad global opportunity sets provides best potential for long-term growth. Targeting specific geographies and/or sectors within certain asset classes can prove additive where costs to develop and monitor the investment are acceptable. This allows for niche strategies to be incorporated which could provide material investment benefits from relatively small positions.</p>	<p>Investment focus can be beneficial in markets where there are better controls, tax arrangements, or knowledge expertise.</p> <p>Managing constraints on active managers can impede their ability to add value but can be considered where overall risk management is important.</p>



4	<p>Time horizon</p> <p>The Fund is a long-term investor and investment turnover should be minimised and only undertaken if consistent with SAA evolution, if investment underperformance on balance will not reverse or if engagement attempts have been unsuccessful.</p>	<p>Contribution rate stability should be taken into account when reviewing strategic allocations.</p> <p>When appropriate the ability to take long term views to outperform within the asset class should be taken</p>
5	<p>Liquidity</p> <p>It is well known that illiquidity premiums exist, However, the overall level of illiquid assets should be carefully monitored and managed in line with the annual SAA review and cashflow requirements of the Fund. As the Fund matures and benefit payments begin to match contributions the requirement for liquidity will increase.</p>	<p>The Fund may need to consider the ability to switch between income and accumulation units as appropriate to manage planning for cashflow.</p> <p>Diversification of illiquid assets is important to achieve long-term objectives in controlled manner.</p> <p>Careful planning of illiquid investments so that maturities are smoother, attempting to avoid large year on year fluctuations in order to aid cashflow planning.</p>
6.	<p>Local investing</p> <p>Investment should be focussed in on those that deliver a positive impact to the Pool area while ensuring the appropriate investment return is targeted for the risk being taken.</p> <p>If the ability to increase exposure to local investments from a Central pooling solution exists and falls within the administering authorities' geographic boundaries a local decision may be available to increase exposure. [Subject to development of appropriate process from Central and the Fund. The default position is to not increase exposure.]</p> <p>Risk and return expectations for local investments are not compromised and, in some cases, projects may be deemed to be higher risk and therefore require an appropriate higher target return.</p>	<p>The Fund does not have an investment preference between the likely local investing asset classes that will span across private equity, infrastructure, property, and private credit.</p> <p>Keeping the opportunity set as wide as possible in line will allow the Pool to select the best opportunities.</p>



<p>7.</p>	<p>ESG integration</p> <p>ESG represents a financial risk that should be analysed throughout the investment process. Formal engagement plans can mitigate risk and maximise value.</p> <p>The Fund's view is that companies with sustainable practices more likely to outperform in the long run.</p>	<p>Escalation policies must be established and followed.</p> <p>Divestment may form part of an escalation strategy when engagement proves ineffective and materially risks financial returns.</p> <p>Direction of travel for investee companies is even more important than current positioning.</p> <p>Forward looking metrics can help mitigate future risks and enhance long-term performance.</p>
<p>8.</p>	<p>Climate risk</p> <p>Climate change presents a material risk to financial markets.</p>	<p>To manage the financial risk the Fund supports a transition to a low carbon economy, in line with its ambition to become Net Zero by 2050, or sooner.</p> <p>The Fund will consider the impact of climate change as one of many risks in its annual review of the strategic asset allocation (SAA).</p>
<p>9.</p>	<p>Costs</p> <p>The Fund's aims to be efficient from a cost perspective. Costs should be minimised by leveraging the Pool's scale, but net investment returns over the medium and long-term are the most important factor.</p>	<p>The Fund would expect reporting of costs to be developed over time to incorporate narrative on changes to annual costs by type and in relation to the effect of the Fund's SAA has on investment costs.</p> <p>Index tracking is appropriate for obtaining low-cost allocation to efficient markets.</p> <p>Active management can be additive when markets are relatively inefficient and managers have greater scope for added value.</p>



4. Investment Objectives

The Fund sets explicit high-level investment objectives which align to the Funding Strategy Statement and are designed to protect contribution rate stability while meeting pension obligations.

Returns objective: Achieve a long-term return consistent with the 2025 valuation discount rate of 6.1% p.a., with the aim of sustaining a funding buffer above 120% to mitigate future volatility in employer contribution rates.

Risk objective: Maintain a funding level above 120% with at least an 80% likelihood over a 17-year horizon, recognising the Fund's long-term nature and the stabilisation framework for major employers.

Cash flow (liquidity) objective: Remain cashflow positive through 2026/27 and beyond; maintain sufficient liquidity, including an indicative operational cash buffer of **c£20 million**, and use the Pool's flexibility to hold income or accumulation units as needed to support shorter term operational payments.

Local investment objective: **Target 1%** of total assets invested within the LGPS Central Pool area on a phased basis over time, without sub-targets by asset class, prioritising risk-adjusted returns consistent with the Fund's fiduciary duty.

5. Fund Management

The Committee seeks to ensure that, under normal market conditions, the Fund's assets are sufficient to fully cover all accrued pension benefits. It also aims to establish appropriate employer contribution levels to support the cost of future benefit accruals and support contribution rate stability.

The Fund considers the employers covenant to meet liabilities. The Fund will work in partnership with these employers where their ability to meet liabilities may be in question in order to protect other Fund employers from the consequences of default.

The Committee will retain responsibility to set the SAA and ISS which is recognised to be a primary driver of investment returns. The implementation of the SAA is one of the areas that the outcome of the FFtF consultation defines as being the delegated to the Funds Pooling company.

It is intended that the Fund's SAA will be reviewed annually. Information available from several sources, including the triennial actuarial valuation, investment objectives and beliefs as set out above will be used to guide the setting of the investment strategy, however, the strategy does not look to match assets and liabilities in such a way that their values move in a broadly similar manner. Asset liability matching in this way would lead to employers'



contribution rates that are too high to be affordable, so there will inevitably be volatility around the funding level (i.e. to ratio of the Fund's assets to its liabilities).

It has been recognised that considered changes to the investment strategy over time without drastic changes is important and protects the Fund from shorter term influences.

The Fund's actual allocation is monitored by Fund officers and in the future also by the Central Committee will receive quarterly reports of any differences to the SAA including any actions in place to remedy the under or over allocation to a specific asset class.

6. Asset Allocation

6.1 Investing in a variety of asset classes

The Fund's investment strategy comprises a diversified mix of asset classes, while remaining manageable and cost-effective and is covered within the investment beliefs section.

The Committee will continue to have oversight of Fund investments on a regular basis through investment reports and presentations from investment managers including Central. The Committee also seeks and considers proper advice.

The Fund's SAA is scheduled to be reviewed annually, usually at the January meeting of the Local Pension Committee. The latest and prior year SAA is set out below. As far as is practical and cost-effective, attempts will be made to maintain an actual asset allocation that is close to the target strategy. This will be supported by the Fund's formal rebalancing arrangements which are also set out below.

The assessment of the suitability of particular investments is undertaken annually during the strategic asset allocation review conducted by the Fund's investment advisor. Differences to the SAA targets are reported regularly to the Local Pension Committee alongside actions being taken.

With respect to the rebalance ranges proposed, there are provisions within the rebalancing policy to not rebalance for a variety of reasons which may include not being able to reinvest into another asset class that is outside of its range. This may occur if for example the fund requires time for money to be deployed, there are many asset classes that need time such as private equity, private credit, and direct property.

6.2 Local Investment

The Fund defines local investment as investment within the LGPS Central Pool area. The Fund sets a target of 1% of total assets to be invested locally without sub-targets by asset class. LGPS Central will identify and implement opportunities consistent with the Fund's strategic objectives and fiduciary duty. Alignment with partner funds on local priorities is encouraged to maximise impact and reduce costs.



Any local investment opportunities will be subject to due diligence by Central, or their delegated external managers. These opportunities will reside within the private equity, infrastructure, property, and private credit asset classes in the main; the local investment allocation will be spread across the four classes.

The target level of local investment will be reviewed annually as part of the SAA review. Given the start-up phase for local investment the Fund is aware of additional risks when new investment products are being launched. It is likely that embedding a new team at Central, developing an investment product suitable for all investors and locating relevant opportunities to invest in will take time and as such consideration has been given to the size of the proposed initial allocation.

The local investments must support the Fund's overall investment return and risk profile and wider objectives and beliefs, in context of the Fund's primary objective to meet its fiduciary duty to its beneficiaries.

The Fund will work with Central to:

- consider collaboration with local authorities to identify local and regional investment opportunities.
- Support a broad investment base that identifies best sectors within the appropriate geographic area to support diversification and maximise investment potential
- Not compromise on return expectations (or risk profile) as a result of selecting local opportunities.

Central will be required to report annually on the local impact of these investments and the Fund will monitor these investments in line with its broader portfolio.

6.3 SAA and rebalancing framework

Asset class	2025 current Strategic Asset Allocation	2026 proposed Strategic Asset Allocation (%)	2026 Tolerance range (\pm %)	2026 Local invs
Listed equity	41.00%	41.00%	+ / - 2.5%; 51.75% - 56.75%	
Other alternatives	5.75%	5.75%		
Private equity (including local invs)	7.50%	7.50%	+ / - 2.0%; 33.50% - 37.50%	1 % across 4 asset classes
Property (including local invs)	7.50%	7.50%		
Infrastructure (including local invs)	12.50%	12.50%		
Private credit (including local invs)	9.50%	9.50%		
Credit liquid MAC (i)	9.00%	7.00%	+ / - 2.0%; 8.25% - 12.25%	
Credit IGC (i)	3.75%	3.75%		
UK Government bonds	3.50%	5.50%		
Investment cash	0.00%	0.00%		
	100.00%	100.00%		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.



For completeness, investment cash includes both operational cash (held by the Fund for paying benefits and operational needs) and investment cash (managed by the Pool for portfolio purposes).

With respect to the rebalance ranges proposed, there are provisions within the rebalancing policy to not rebalance for a variety of reasons which may include not being able to reinvest into another asset class that is outside of its range. This may occur if for example the fund requires time for money to be deployed, there are many asset classes that need time such as private equity, private credit, and direct property.

In managing rebalancing, consideration to be given to valuation lags in illiquid assets, market conditions, and transaction costs to avoid unnecessary trading. Grouped tolerances are intended to be sufficiently wide to maintain operational flexibility while preserving alignment to the strategic allocation.

There will be an element of judgement that will be exercised when deciding on rebalancing as not all eventualities can be prepared for. Examples can include extreme market movements in parts of the portfolio that mean rebalancing may not be possible or preferred.

Rebalancing decisions will take place at regular intervals with Central deriving valuations from managers or using the external fund valuation consolidator. However, decisions cannot be made purely on quarter end valuations due to:

- a. Not all asset classes are valued regularly, some asset classes, especially private markets will therefore lag the more liquid public market valuations and as such judgement will need to be exercised so as not to rebalance more often than necessary.
- b. Rebalancing is not always possible when the underweight or overweight is wholly or partially in illiquid areas of the portfolio. For example, you cannot divest from closed ended private equity funds (illiquid) to reinvest into listed equity quickly. In reality, a fund like the LCCPF with a mature Private Equity portfolio may await distributions from Private Equity investments and reinvest into listed equity if all other areas were also within the rebalancing range.
- c. In order to not have to rebalance too regularly, rebalancing should take place only when the asset classes have a rebalancing variance that is material to their target weight. Rebalancing asset classes may still be appropriate whilst the asset group is within the SAA rebalance range.
- d. Even for liquid assets there is a cost to transitioning positions that has a material impact upon performance.
- e. Timing of capital calls and distributions for certain investments is uncertain and therefore requires an element of judgement.
- f. Market conditions may delay allocation changes.

Where the variance to the rebalance range (the variance) exists within an asset class that is liquid and can be redeployed to an existing manager with little risk, officers or the Pool may



conduct internal due diligence or where economic or market conditions / size of the change dictate request advice from the Fund's investment advisor.

Portfolio changes required to rebalance will become the responsibility of the Pool once relevant agreements have been concluded, until then they are to be agreed by the Director of Corporate Resources.

Any investment changes will be reported to the next Committee meeting. Where asset groups are outside of rebalance ranges and partial or no action has been taken an explanation will be provided at the next Committee meeting.

6.4 Restrictions on investment

Restrictions are based on the SAA. In line with the Regulations, the Strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Fund does not look to support blanket exclusions as set out in the considerations for responsible investment.

6.5 Managers

To date the Local Pension Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. A full list of which is included within the Pension Fund's annual report.

It is currently expected that from 31 March 2026, LGPS Central is responsible for all implementation decision making on behalf of the Fund, including manager selection, mandate construction and portfolio rebalancing within the strategic parameters set by the Administering Authority. The ISS does not prescribe individual managers, investment styles, or geographic exposures. Oversight of delivery will be exercised through established Pool governance, Joint Committee, and client oversight arrangements. The Local Pension Committee will also receive quarterly reports and presentations from LGPS Central.

The Pool's delegated authority for management and oversight of assets and implementation of strategy must provide reporting across any relevant topics in a transparent and timely manner. Examples include reporting to pension committees across local investments of particular interest to the Administering Authority, investment performance attribution over relevant timeframes or planned investment implementation over the coming quarters.

It is recognised that given the FFtF changes to the current ways of working between the Committee, Pool's and external investment service providers there will be a period of time when the regular reporting outputs are being developed and implemented with the support of the Pool and client oversight groups.



Standard reporting should cover core metrics, RI metrics, and local metrics. Reporting should be received in a timely fashion to support decision making and bespoke reporting should be offered to support Fund specific requirements.

6.6 Cash Management Strategy (CMS)

The Fund has a nil (0%) strategic asset allocation target for cash and aims to be fully invested in line with the SAA as approved each year by the Local Pension Committee.

In the future as Central develops capabilities to manage and oversee the Fund's assets, the management of investment cash will also be transferred to Central and operate under an appropriate policy. The Fund deems the requirement to maintain a policy in the meantime appropriate and is therefore included within this ISS.

Operational cash for pensions and administrative needs remains within the Fund. Investment cash for portfolio purposes will be managed by LGPS Central once systems and processes are ready. The SAA 'Cash' line includes both operational and investment cash. The Fund will notify the Pool of any operational cash held outside the Pool to ensure whole portfolio alignment.

The Fund currently utilises the experience the administrating authority has regarding cash management, and the CMS is based upon the Leicestershire County Council's annual investment strategy as advised by the County Council's treasury advisor Link which incorporates:

- a. The management of risk – the Council's investment priorities are security first, portfolio liquidity second and then yield (return).
- b. A credit worthiness policy – Link's methodology includes the use of credit ratings from the three main credit rating agencies; Standard & Poor, Fitch, and Moody's.
- c. Country limits – the Link criteria include a requirement for the country of domicile of any counterparty to be very highly rated. This is on the basis that it will probably be the national government which will offer financial support to a failing bank, but the country must itself be financially able to afford the support.

The combination of all the factors above produces an acceptable counterparty list, for the County Council, which comprises only very secure financial institutions, and a list that is managed pro-actively as new information is available. The Fund uses a sub-set of the counterparty list as the basis of the Fund's CMS.

Link uses methodology that includes the use of credit ratings. The credit ratings of counterparties are supplemented with the following overlays:

- a. "Watches" and "outlooks" from credit rating agencies;



- b. Credit Default Swap (CDS) spreads that may give early warning of changes in credit ratings; If a CDS price increases it may be signalling to the market an increase in risk of default.
- c. Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned watches and outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of bands which indicate the relative creditworthiness of counterparties. These are used by the Council to determine the suggested duration for investments.

The Council further restricts the list of acceptable counterparties from the base list provided by Link, and it is this restricted list that the CMS for the Fund is based on. The CMS will use a smaller list of allowable investments per the table below. Officers for the County Council and Pension Fund are familiar with the allowable list of investments and get regular updates from Link. Any updates that require amendments to investments made by the Fund will be actioned as soon as possible.

Investment	Level of security	Maximum period	Maximum sum invested
Money Market Funds: Low Volatility and constant NAV (2) Triple A rated fund	At least as high as acceptable credit rated banks.	Same day redemptions and subscriptions	£250m (max £50m in each MMF) Minimum use of two MMFs (1) with each MMF having a minimum size of £3bn GBP
Term deposits with credit-rated institutions with maturities up to 1 year (including both ring-fenced and non-ring-fenced banks)	Varied acceptable credit ratings, but high security	1 year; up to and including 365 days	£250m (3)
Term deposits with overseas banks domiciled within a single country	Varied acceptable credit ratings, but high security	1 year; up to and including 365 days	£100m (3)
Certificates of Deposit with credit rated institutions with maturities of up to 1 year	Varied acceptable credit ratings, but high security	1 year; up to and including 365 days	£250m
Term deposits with the Debt Management Office	UK Government backed	1 year; up to and including 365 days	£500m
UK Government Treasury Bills	UK Government backed	1 year; up to and including 365 days	£500m



Investment	Level of security	Maximum period	Maximum sum invested
Term Deposits with UK Local Authorities up to 1 year	LA's do not have credit ratings, but high security	1 year; up to and including 365 days	£50m

¹Limits can be extended higher temporarily by the Director of Corporate Resources and will need to be reported to the next meeting of the Local Pension Committee.

²Funds will be invested in constant or low volatility NAV MMFs. Constant NAV MMFs where the capital value of a unit will always be maintained at £1. These funds have to maintain at least 99.5% of their assets in government backed assets. Low volatility NAV MMFs are those where the MMFs are permitted to maintain the unit price at £1 as long as the net asset value does not deviate by more than 0.20% from this level.

³Limits for term deposits per counterparty as advised by the treasury advisor will be used up to a total for all term deposits of £350m

7. Risks

The Administering Authority will transfer the management of some risks to the Pool once all relevant legislation and legal arrangements are completed. In the meantime, it is appropriate to maintain the risks section for the ISS.

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. Officers, investment consultants and Central manage, measure, monitor and mitigate the risks as far as possible being taken in order that they remain consistent with the overall level of risk that is acceptable to the Committee. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The overall risk is that the Fund's assets are insufficient to meet its liabilities. The Funding Strategy Statement calculates the value of the Fund's assets and liabilities and with the triennial valuation sets out how any difference in value between assets and liabilities will be addressed.

The principal risks affecting the Fund are set out below. They are grouped into three areas, funding risks, asset risk, and other risk. The Fund's approach to managing these three types of risks is explained after each section.

7.1 Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost to the Fund of providing benefits.



- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and / or investment managers, possibly compounded by financial contagion, resulting in an increase in the cost of meeting the Fund's liabilities.

7.1.1 How the Fund manages funding risks

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set after considering expected future returns from the different asset classes and considers historic levels of volatility of each asset class and their correlation to each other.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. Management of some of the risks listed below will pass to Central as part of the of the responsibility to manage the operational aspects of the Fund.

The Committee seeks to understand the assumptions used in any analysis, so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

7.2 Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance (“ESG”) – The risk that ESG related factors incorporating climate risk may reduce the Fund's ability to generate the long-term returns.
- Manager underperformance – The failure by the investment managers to achieve the rate of investment return assumed in setting their mandates.

7.2.1 How the Fund manages asset risks



The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target without just cause. In future, rebalancing is the operational responsibility of the Pool.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark, and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

The Fund is currently and expects to be cashflow positive, in that contributions from employees and employers are greater than benefits being paid. The Fund invests across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term. Whilst the Fund has a growing proportion of less illiquid assets, the Fund has a large proportion of highly traded liquid assets that can be sold readily in normal market conditions so that the Fund can pay immediate liabilities if needed.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; a preference for the Fund is to hedge part of this foreign currency exposure. This currency risk is managed through a variable currency hedging programme designed to take account of both the risks involved with holding assets that are not denominated in sterling.

Details of the Fund's approach to managing ESG risks are set out later in this document within section 9.1.

The Committee has considered the risk of underperformance by any single investment manager; this risk is mitigated by appointing multiple investment managers and by having a large proportion of the Fund's equities managed on a passive basis. The Committee currently assess the investment managers' performance on a regular basis. In the future this will become assessment of Central's performance.

7.3 Other provider risk

- Transition risk - The risk of incurring costs in relation to the transition of assets between managers. This risk will transition to Central as they will be responsible for implementation decisions, the Fund would expect to be kept informed at each quarterly meeting of the committee. In future, where the Pool will have discretion to manage implementation of the SAA, they will carry out suitable due diligence.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending - The possibility of default and loss of economic rights to Fund assets.



7.3.1 How the Fund manages these other risks

The Committee expects officers to monitor and manage risks in these areas through a process of regular scrutiny of the Fund's investment managers and audit of the operations it conducts for the Fund. By April 2026, it is planned the Committee will have delegated such monitoring and oversight of risks to Central, how the Fund manages pooling related risks are set out below.

8. Pooling

The Fund is a participating scheme in the Central Pool. The objective of pooling is that pooled investments can expect to benefit from lower investment costs and the opportunity to access a wider range of alternative investments on a collective basis. As a local authority-owned and Financial Conduct Authority registered investment manager, the pool company Central is required to provide governance, transparency and reporting to give the Fund assurance that its investment instructions are being carried out appropriately.

Central currently consists of the LGPS funds administered by: Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands, and Worcestershire. **At present there is agreement from at least seven more LGPS Funds to join LGPS Central once relevant legal arrangements have been concluded.**

Collective investment management offers the potential for substantial savings in investment management fees, increased opportunities for investor engagement and access to a shared pool of knowledge and expertise.

The eight current administering authorities of the pension funds within the LGPS Central Pool are equal shareholders in LGPS Central Limited. Central has been established to manage investments on behalf of the Pool shareholders and received authorisation from the Financial Conduct Authority in January 2018. The Fund manages the risks arising from pooling via:

- A Shareholders Forum, comprising an elected member or senior officer from each partner funds act as the supervisory body of Central and fulfils the shareholders' role in ensuring that the company is managed efficiently and effectively.
- A Joint Committee, set up in accordance with the provisions of the Local Government Act 1972, is the forum for dealing with common investor issues and the collective monitoring of the performance of Central against its objectives.

Both Forums will undergo a review in order to best dispense the requirements of each body and ensure appropriate oversight.



The Committee will regularly monitor the pool's delivery of this strategy, and implementation of strategic asset allocation to ensure it seeks to meet the objectives and comply with the asset allocation set out. The Fund expects clear explanations of any non-compliance and will escalate issues through the appropriate channels.

9. Responsible Investing

9.1 Overview and background

The Local Government Pension Scheme (LGPS) Investment regulations (2026) set out that the Investment Strategy Statement must include the Fund's priorities and preferences regarding responsible investment (RI), including stewardship and exercise of voting rights.

The Fund's approach has been developed over several years and is grounded in financial materiality, in that Environmental, Social and Governance (ESG) factors can influence long term, risk adjusted returns. Member engagement was undertaken in 2025/26 and has further informed the focus of stewardship themes for 2025-2029.

Under pooling, the Fund does not implement investment decisions or select investment managers. LGPS Central (Central) is responsible for implementing the Fund's strategic asset allocation and for appointing and monitoring investment managers. The Fund sets the overall strategic framework and expects Central and external managers to reflect these within their investment processes and stewardship activities. In line with this RI encompasses both:

- Investment processes – where ESG risks and opportunities are considered by LGPS Central and underlying managers when implementing the Fund's investment strategy, and ongoing monitoring of investments.
- Stewardship – where LGPS Central and partners engage and vote on the Fund's behalf to ensure high standards of corporate governance and corporate responsibility to protect and enhance the value of the investments.

In combination these two matters are often referred to as 'Responsible Investment,' or 'RI' and this is the preferred terminology of the Fund

9.2 The Fund's approach to Responsible Investment

This approach aligns with the Fund's fiduciary duty to act in the best financial interests of members. ESG factors are considered where they are assessed as financially relevant to long-term risk adjusted returns. This is because environmental, social, and corporate governance issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time.

The Fund does not accept lower financial returns in order to pursue any ESG objectives.



The Fund supports the Principles for Responsible Investment (PRI) as the global standard for RI and acknowledges Central's signatory status. The six principles are available at: : <https://www.unpri.org/about-PRI/what-principles-for-responsible-investment>.

Investment process

The Fund supports Central's Responsible Investment & Engagement Framework and expects ESG integration across all asset classes.

The Fund has developed its RI approach in collaboration with Central and partner funds, consistent with Government expectations.

Central's RI Framework applies across all pooled assets, and the Fund's approach is aligned to it.

- Investment Managers should only be appointed by Central where they demonstrate RI considerations are an integral part of their decision making processes, and monitored accordingly.
- The Fund does not exclude investments to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.
- Divestment should only be undertaken where companies present a material investment risk as a result of their actions or inactions. It is recognised that the Fund does not have the ability to specify divestment of a company or sector, and any decisions are the responsibility of either Central, or underlying investment managers depending on the investment.
- Engagement is considered more effective than divestment in driving ESG improvements.
- The Fund does not apply personal, ethical, or moral judgements when making decisions on the SAA and ISS and instead remains focused on the primary objective of the Fund.

Stewardship Approach

The Fund believes that it will improve its effectiveness by acting collectively with other likeminded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with when acting alone. The Fund currently uses its membership of the Local Authority Pension Fund Forum, alongside Central to assist it in pursuing engagement activities.

To strengthen transparency and alignment following engagement with scheme members the Fund has identified a set of key stewardship themes that will guide expectations with Central, alongside reporting and communication with scheme

members. It is recognised that while these themes are presented separately, in practice these factors are deeply interconnected and should not be considered in isolation.

Where factors are financially material:			
Theme	 Good corporate governance	 Human Rights	 Climate risk and nature protection
Description	Companies that demonstrate high standards of corporate governance should be better positioned to handle the effects of future shocks and stresses and ultimately protect and enhance long-term shareholder value	The long-term legitimacy of sectors and markets depends on companies operating in ways that are acceptable to society. Strong corporate human rights risk management supports efficiency, resilience and long-term value.	Climate and nature related risks can materially affect financial performance. Companies with strong risk management practices are better equipped to handle physical and transition risks, including the added challenges posed by evolving and uncertain regulatory requirements.
Examples	Board effectiveness Accountability Market Standards Disclosure Investor Protections	Child Labour Modern Slavery Land and Housing Rights Occupational Health Conflict Affected High Risk Areas (CAHRA)	Risk and reporting Adaptation/Resilience Strategy Governance Nature impacts and dependencies assessments

Monitoring and Reporting

The processes to monitor and assess ESG related risks and opportunities includes the following:

- The Fund produces an annual RI plan with progress updated at each Committee meeting and ensures the Fund's RI progress. The plan is developed in conjunction with the specialist RI team at Central.
- LGPS Central reports on the appointment of investment managers, these are not appointed unless they have shown evidence that RI considerations are an integral part of their investment decision-making processes.
- Investment Manager (including LGPS Central) presentations to Committee demonstrate ESG and RI considerations and allow for monitoring and discussions around ESG integration on an ongoing basis.
- Committee monitor forward looking metrics that can help mitigate future risks and enhance long-term performance, for example through the annual Climate Risk Management Report.



- ESG related risks are included on the Fund's risk register as part of ongoing risk assessment and monitoring, including developments that continue in this area.
- Working with partners such as Central and the Local Authority Pension Fund Forum. Activities are reported on a quarterly basis.

9.3 The exercise of rights (including voting rights) attaching to investments

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The instruction of shareholder voting opportunities is an important part of responsible investment. The Fund delegates responsibility for voting to Central and the Fund's directly appointed investment managers. The majority of the Fund's listed equity holdings are managed by the former, with votes are cast in accordance with Central's Voting Principles, to which the Fund contributes during the annual review process.

For Fund assets managed by appointed external managers, votes must be cast in line with industry best practice as set out in the accepted governance codes. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The results of engagement and voting activities are reported to the Local Pensions Committee on a quarterly basis.

9.4 Climate Risk

This is one of many risks the Fund recognises. The Fund believes that climate change presents a material risk to financial markets. For this reason, the Fund takes an evidenced based approach to risks and opportunities posed by climate change. These can include:

- Physical risks – direct damage to assets, indirect impacts from supply chain effects arising from climate change – event driven or longer-term shifts.
- Transition risks – from the changes linked to the move towards a low-carbon economy, such as new policies, regulations or technologies. If companies fail to adjust they may become less profitable or sold off by market participants. These risks also encompass potential shifts in global regulatory frameworks as governments alter their stance on net-zero objectives.

As a diversified asset owner, the Fund is exposed to risks at a scale greater than a single company, sector of geography impacting broad market returns investment



portfolio. These risks are unpredictable and can depend on market sentiment. This is important for the Fund to consider given the scale this may impact the Fund on.

The Fund has developed a Strategy for setting out how it intends to manage both the risks and opportunities of climate change, and how it intends to integrate climate change into its broader strategy, asset management, and approach to engagement. The Strategy is available here:

<https://www.leicspensionfund.co.uk/investments/climate-change-and-investment-risks>

The Fund will consider the impact of climate change as part of strategic asset allocation and expects LGPS Central to consider these factors within individual investment decisions to support a more resilient portfolio that can withstand a wide range of future plausible scenarios, including more volatile or disruptive ones as considered as part of the 2025 triennial valuation.

As at the 2025 assessment of the Strategy interim 2030 primary targets, it was communicated that these had been achieved ahead of time. A review of this strategy will be scheduled during 2026 and due regard will be given to amendments required within the ISS.

Alongside the Strategy the Fund produces annual reports in line with recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), which set out recommendations for more effective climate-related disclosures that could promote more informed investment decisions, and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposure to climate risk. Based on the output of annual climate reporting, the Fund produces an annual Climate Stewardship Priority list and considers outcomes, alongside the latest triennial valuation climate scenario analysis as part of any SAA review.

10. Directions by the Secretary of State

The Secretary of State may issue directions if an administering authority fails to act in accordance with guidance, following consultation and having regard to relevant evidence. The Fund will comply with any such directions as required

Prepared by:
Declan Keegan

For and on behalf of the Local Pension Committee of the Leicestershire County Council Pension Fund.

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Leicestershire Local Government Pension Scheme Administration Strategy

February 2026

Sections

1. Administration Strategy
2. Communication
3. General Data Protection Regulations (GDPR)
4. Performance Targets
5. Service Level Agreements

This document details the Administration Strategy for the Leicestershire Local Government Pension Scheme.

Communication plays a vital role in successful administration so is included within the administration strategy.

It also details the Pension Section performance targets and service level agreement for the Scheme's employers.

Amendments to the previous version of the strategy have been made in response to the Government's LGPS Fit for the Future consultation reply in May 2025. The Fund's previous version was approved by Pensions Committee in March 2025.

Leicestershire County Council as the Administering Authority of the Leicestershire Pension Fund is responsible for setting policies, strategies and statements to ensure the Fund's obligations to its members, employees and stakeholders are met. These are available [online on the Leicestershire Pension Fund website](#).

SECTION 1

ADMINISTRATION

INTRODUCTION

An administration strategy, as allowed for by the Local Government Pension Scheme, is seen as one of the tools which can help in delivering a high-quality administration service to the scheme member and other interested parties. Delivery of a high-quality administration service is not the responsibility of one person or organisation but is rather the joint working of a number of different parties.

This is the pension administration strategy statement of the Leicestershire County Council Pension Fund (LCCPF), administered by Leicestershire County Council (the administering authority). Employers in the Leicestershire Pension Fund have previously been consulted on this document.

The strategy statement sets out the quality and performance standards expected of Leicestershire County Council in its role of administering authority and scheme employer, as well as all other scheme employers within the Leicestershire Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

BACKGROUND

The LGPS represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high-quality service delivery depends upon the relationship between the administering authority and scheme employers in the day-to-day administration of the scheme. Good quality administration can also help in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

The Fund comprises over 180 scheme employers with active contributing scheme members.

There were 40,983 active members, 32,602 preserved members, 35,677 pensioner and survivor members, totalling 109,262 in the Leicestershire Local Government Pension Fund at March 2025.

The efficient delivery of the benefits of the LGPS is dependent on sound administrative procedures being in place between several interested parties, including the administering authority and scheme employers.

IMPLEMENTATION

The strategy statement was first put in place 1 April 2016. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the Leicestershire Fund, as well as

details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Any enquiries in relation to this pension administration strategy statement should be sent to:

Ian Howe – Pension Manager

Leicestershire County Council Pension Fund

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Glenfield

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REGULATORY FRAMEWORK

The implementation of an Administration Strategy has regulatory backing in the form of the Local Government Pension Scheme Regulations 2013. These provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.

Regulation 59(1) enables an LGPS administering authority to prepare a document (“the pension administration strategy”) which contains such of the matters mentioned below as they consider appropriate: -

- Procedures for liaison and communication with their relevant employing authorities.
- The establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under the LGPS by-
 - (i) the setting of performance targets;
 - (ii) the making of agreements about levels of performance and associated matters; or
 - (iii) such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and the relevant employing authorities comply with the statutory requirements in

respect of those functions and with any agreement about levels of performance.

- Procedures for improving the communication by the administering authority and the relevant employing authorities to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to a relevant employing authority on account of that employer's unsatisfactory performance in carrying out its functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the Administration Regulations also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. The Fund will meet this requirement by having the latest version available on its website. Similarly, when the strategy is revised at any future time the administering authority must notify all its relevant employing authorities and the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, that the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate. A consultation took place with the Fund's employers prior to the publications of previous version and following feedback changes were incorporated. Regard must be had by both the administering authority and employing authorities to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the Administration Regulations allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises, the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day-to-day relationship between Leicestershire County Council as the administering authority and the employing authorities of the Leicestershire Pension Fund. It also sets out the circumstances under regulation 70 where additional costs are incurred as a result of the poor performance of a scheme employer, together with the steps that would be taken before any such action were taken.

Local Pension Board and Local Pension Committee

Governance of the Fund

Leicestershire County Council has delegated the responsibility for decisions relating to the Leicestershire Pension Fund to the Local Pension Committee in accordance with Section 101 of the 1972 Superannuation Act. The Members who sit on the Local Pension Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.

The Local Pension Board was established in accordance with Local Government Pension Scheme Regulations 2015. The responsibility of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS. Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator and, such other matters as the LGPS Regulations may specify. The Board maintains oversight of Administration of the Fund through quarterly reports on performance against its key performance indicators and can report any areas of concern for consideration by the Local Pension Committee.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement and this is replicated within the [Fund's Annual Report](#) which sets out in more detail governance of the Fund.

RESPONSIBILITIES AND PROCEDURES

Procedures for liaison and communication with employers

The delivery of a high-quality administration service is not the responsibility of just the administering authority but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

Where new employers join the Fund or existing employers require assistance understanding their role and responsibilities, guidance will be provided.

This strategy statement has been developed following consultation with scheme employers and other interested parties. It takes account of scheme employers' current pension knowledge, perception of current administration

standards and specific training needs to ensure the level of service can be delivered to the required standard.

Establishing levels of performance

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Leicestershire Pension Fund should agree levels of performance between itself and the scheme employers which are set out in the service level agreement included in this strategy statement.

Quality

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and scheme employers will, as a minimum, comply with overriding legislation, including Pensions Act, Freedom of Information, GDPR, Age and Disability Discrimination, Finance Act.

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Where agreed, the administering authority and scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Internal standards

The administering authority and scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- monthly data will be submitted by employers to the Pension Fund using I-Connect;
- information to be legible and accurate;
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately trained member of staff;
- information provided to be authorised by an agreed signatory; and
- actions carried out, or information provided, detailed within the sections and timescales set out in this document.

Timeliness and accuracy

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out several requirements for the administering authority or scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been proposed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the Leicestershire Pension Fund are attached to this strategy.

For the avoidance of doubt “accuracy” in this Strategy is defined as when we have received a completed form with no gaps in mandatory areas and with no information which is either contradictory within the document or which we need to query.

The timeliness relates to a date of event being either the date the member started or left the LCCPF or any other material change that affects a scheme member’s pension record.

Procedures for ensuring compliance with statutory requirements and levels of performance

Ensuring compliance is the responsibility of the administering authority and scheme employers. We will work closely with all scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness is continually improved. Various means will be employed, in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Audit

The Leicestershire Pension Fund will be subject to annual audit of its processes and internal controls. The Leicestershire Pension Fund and scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by Leicestershire County Council and where appropriate duly implemented (following discussions with scheme employers where necessary).

Findings and any recommendations made by Internal Audit are reported to the Local Pension Board for openness and transparency.

Performance monitoring

The Employing Authority may monitor performance against specific tasks set out in the service level agreement and return the information to the Leicestershire County Council Pension Section on an agreed basis.

Leicestershire County Council will monitor its own performance of the administering authority in carrying out its responsibilities in relation to the scheme.

Improving employer performance (where necessary)

The Pension Section will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the opportunity for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

Where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, the following sets out the steps we will take in dealing with the situation in the first instance;

- LCC Pensions will contact and/or meet with the employer to discuss the area(s) of poor performance and how they can be addressed.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, LCC Pensions will issue a formal written notice to the employer setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
- LCC Pensions will clearly set out the calculations of any loss or additional costs resulting to the LCCPF/Administering authority, taking account of time and resources in resolving the specific area of poor performance; and
- LCCPF make a claim against the scheme employer, setting out the reasons for doing so, in accordance with the Regulations.

CIRCUMSTANCES WHERE THE ADMINISTERING AUTHORITY MAY LEVY COSTS ASSOCIATED WITH THE EMPLOYING AUTHORITIES

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs, they must give written notice stating: -

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

CIRCUMSTANCES WHERE COSTS MIGHT BE RECOVERED

Any additional costs to the Leicestershire Pension Fund in the administration of the LGPS that are incurred as a direct result of poor performance, or where an employer requests a specific area of work outside the standard provided by the administering authority, will be recovered from the scheme employer or third-party service provider, depending on the party which is responsible. The circumstances where such additional costs will be recovered from the employing authority are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- failure to deduct and pay over correct employee and employer contributions to the Leicestershire Fund within the stated timescales;
- failure of a new Fund employer meeting its statutory duty when joining the Fund – for example unnecessary delays in completing an admission agreement, bond or other security as required by the Fund;

- instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body.
- where a specific area of work is requested by an employer, outside of the standard provided, causing a significant increase in pensions administration, e.g., where an employer decides to move all its scheme members into another Fund, creating a full bulk transfer of staff.
- all actuarial costs incurred by the Fund, for any work initiated by an employer, e.g., a bulk transfer of staff, a cessation valuation etc.
- where the employer, or their external auditors request significant amounts of additional information for the auditors of the employers' accounts.

CALCULATION OF COSTS INCURRED

For a persistent failure to resolve an isolated case satisfactorily or where an employer continues to fail to meet its statutory duty, the Fund will recharge costs from the point in time at which we write (either letter or email) to the scheme employer, until the case is resolved, at a rate of £100 for each hour an officer spends trying to resolve the matter.

For persistent and ongoing failure to meet targets, following the intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £100 per hour spent, from the point in time that we write (letter or email), until performance improves.

Where the performance of the scheme employer results in fines or additional costs being levied against the Fund will recharge the full costs it has incurred to the relevant employer.

Costs for a specific area of work requested by an employer, outside of the standard provided, causing a significant increase in pensions administration will be charged at £50 per hour. Officers will aim to inform the employer in advance of the work commencing and try to minimise the cost wherever possible. Any external system costs associated, will be recharged to the employer in full.

All actuarial costs incurred by the Fund for work initiated by an employer will be recharged to the employer in full.

Data Monitoring and Improvement

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

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

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

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

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

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

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

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

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

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

The Leicestershire Fund provides an online service where all members can run their own pension retirement estimates at any time. Therefore, all member

records are included in the annual data checks. At retirement (or estimate before retirement) a more detailed data check is carried out by officers.

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

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

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

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

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

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

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

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

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

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

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

REVIEW PROCESS

We will review our administration strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every two years.

CONSULTATION

In preparing the administration strategy the Pension Section consulted with the relevant employing authorities and other persons considered appropriate.

The relevant employing authorities must be notified in writing of the final changes and where a copy of the revised strategy may be obtained.

SECTION 2

COMMUNICATION

INTRODUCTION

Clear and easy to follow communication is critical for the success of the Administration Strategy.

The Fund liaises with over 180 employers and approximately 110,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with several other interested parties. This statement provides an overview of how we communicate and how we measure whether our communications are successful.

COMMUNICATION HAS FORMED PART OF THE ADMINISTRATION STRATEGY SINCE 1 APRIL 2016. **REGULATORY FRAMEWORK**

The policy for communication is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulations 2013. The provision requires us to:

“prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members;*
- (b) representatives of Members;*
- (c) prospective Members;*
- (d) employing Authorities.”*

In addition, it specifies that the statement must include information relating to:

- “(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;*
- (b) the format, frequency and method of distributing such information or publicity;*
- (c) the promotion of the Scheme to prospective members and their employing authorities.”*

Responsibilities and Resources

Within the County Council's Pensions Section, the responsibility for communication material is performed by the Pension Manager with the assistance of Fund Officers.

The team write and design all communications including any web based or electronic material. They are also responsible for arranging all forums, workshops and meetings covered within this statement. Though we write all communication within the section, design work is carried out by the Council's publications team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

Printing is carried out internally by the Council's Central Print Department or externally where this is more cost effective.

COMMUNICATION WITH KEY AUDIENCE GROUPS

Our audience

We communicate with several stakeholders. For the purposes of this communication policy, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members and their employing authorities;
- Local Pension Board and Committee Representatives; and
- other stakeholders.

In addition, there are several other stakeholders with whom we communicate on a regular basis, such as Revenues and Customs, MHCLG, The Pensions Regulator, The Prudential (The Fund's Additional Voluntary Contribution provider), and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

The Fund also consults and/or engages with relevant stakeholders on changes to policies and strategies that affect the Fund, employers or other stakeholders. Whilst for some policies consultation is a statutory requirement, there are others where the Fund chooses to do so.

General communication

General day to day communication is via multiple sources. These include letter, phone call, e-mail, online, and our , scheme member website: <https://www.leicspensionfund.co.uk/>

We also encourage scheme members to use the [national LGPS member website](#).

Employers can access information to assist them [via our website](#).

Large scale communications, such as annual statements, P60s and pension payslips will be provided electronically whenever possible. Members and pensioners can request exemption from this upon written/telephone request, and give instruction that communications continue to be paper based. It is therefore the default that annual benefit statements can be found on-line with a modeller for scheme members to run their own estimates. The Pensions Online system can be found at: <https://www.leicspensionfund.co.uk/>

Branding

As the Pension Fund is administered by Leicestershire County Council, literature and communications will conform with the branding of the Council.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically.

POLICY ON COMMUNICATION WITH ACTIVE, DEFERRED AND PENSIONER MEMBERS

Our objectives regarding communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- to better educate and explain to members the benefits of the LGPS.
- resolve questions first time to reduce repeat returns, and reduce complaints
- for our employers to be confident in understanding the benefits of the LGPS.
-
- to improve the take up of the LGPS by employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

Type	Media	Frequency	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
New Joiner information	Pensions website (registration for Member Self-Service account required)	On commencing employment	On-line (paper copies available on request)	New employees
Pension Fund Report and Accounts	Pensions website	Annually	On-line (paper copies available on request)	All
Annual Benefit Illustrations	Generally on-line but paper still available	Annually	On-line or posted to home address.	Active and Deferred
Information about the Scheme	Pensions website	n/a	n/a	All
Information about fund investments	Pensions website	n/a	On-line (paper copies available on request)	All
Climate Reports	Pensions website	Annually	On-line (paper copies available on request)	All
Net Zero Climate Strategy	Pensions website	Every three years	On-line (paper copies available on request)	All

Type	Media	Frequency	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Online education sessions and presentations	Online	On request by employers/member group (subject to available resource)	On request	Actives and employers
Helpdesk	Phone and email	Daily	Phone calls and email replies to Members queries	All
Pension Dashboards	Online	On request by member	On-line	Active and deferred

Explanation of communications

New Joiner Information - A 'Welcome' letter is initially sent to members with instructions to register for an online account. Forms requiring completion and an overview of the LGPS are provided online but paper copies are available upon request.

Climate Reports and Net Zero Climate Strategy – Detail of the Fund's exposure to climate risk and opportunities and how the Fund is managing this risk, as well as progress towards Net Zero Climate Strategy targets. The Fund will look to consult and/or engage as part of significant reviews on the Net Zero Climate Strategy.

Information about Fund Investments – Recognising scheme members have increasing interest in its investments the Fund maintains updates on how it invests, including its role as a responsible investor.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Annual Benefit Illustrations – For active members these include the current value of benefits. The associated death benefits are also shown and whether the member has nominated person(s) to receive the lump sum death grant. In relation to deferred members, the benefit statement includes the current value of the benefit.

Website – The LCC has a designated Leicestershire County Council Pensions information website: <https://www.leicspensionfund.co.uk/>. Members and pensioners have access to online pension accounts to view and print annual statements, P60s, payslips. Members can also run their own estimates on-line.

This is complemented by a national Local Government Pension Scheme website freely available <https://www.lgpsmember.org>, which will provide scheme specific information, frequently asked questions and answers, links to related sites etc.

On-line education sessions and presentations – These are sessions that are available on request for groups of members. For example, where an employer is going through a restructuring or review, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights or a general overview of the scheme is requested.

Helpdesk – this was introduced by the Pension Section in 2021 to assist scheme members with their calls and email enquiries. It is designed to try and enable the first person receiving the call or email to be able to resolve it without the need to refer the scheme member to other Pension colleagues, thereby improving the customer experience and generate efficiency.

Pension Dashboards - From October 2025 the Pension Fund must comply with pension legislation for Pension Dashboards.

Pension Dashboards will enable UK residents to trace their missing pensions.

A person who registers on the Pension Dashboard website, that has a matching pension in the Leicestershire LG Fund, will trigger a unique identifier. This will enable pension information to be passed from the Fund to the Dashboard.

The Leicestershire Fund uses four matching criteria

- **National Insurance number**
- **Surname**
- **Date of Birth**
- **Postcode.**

A person that has partial match with the Fund (i.e. some of the matching criteria match) will be prompted to contact the Pension Section. Colleagues will verify the person, before data is passed to the Dashboard.

Additional Voluntary Contributions paid through the Fund's AVC (The Prudential) are included in the pension data passed to the Dashboard.

There is a reliance on the member, their employer, and the Fund to ensure a member's data is as accurate as possible.

Member's that change their name or move house, should inform the Pension Section so the latest information is recorded.

Administration Charges - The Pension Section can charge scheme members for certain divorce work, reinstatement work and multiple member estimates. The charge is to cover administration time spent on these cases. The Pension Regulator Code of Practise 14 Governance and Administration of Public Service proposed that it is permissible under Disclosure Regulation that additional information can be made available at a charge.

Work Item	Charge
Divorce – Initial CETV	No charge
Divorce – Additional CETV within 12 months	As required, charged at £150 plus VAT
Divorce – Provision of other information	As required, charged between £150 and £725 plus VAT
Divorce – Receipt of pension sharing order or consent order and to establish a new or prospective pensioner record	As required, charged at £475 plus VAT
Divorce – Assuming all documents are in place, settle a transfer out	As required, charged at £250 plus VAT
Estimate - Additional Member Initiated Estimate (within 12 months)	Annual Benefit Statement – no charge One additional written estimate within 12 months – no charge On-line estimates – no charge Additional estimates charged at £100 each plus VAT
Reinstatement of Benefits (and/or associated work) – Where a member has transferred out to an alternative Pension arrangement and work is required to determine any potential loss of benefits	£475 plus VAT – per case

The charges may be amended each year in line with inflationary changes.

POLICY ON PROMOTION OF THE SCHEME TO PROSPECTIVE MEMBERS AND THEIR EMPLOYING AUTHORITIES

Our objectives regarding communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.

The County Council's Pension Section does not have direct access to prospective members, so Officers work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
New Joiner Information	Pensions website (registration for Member Self-Service account required)	On commencing employment	On-line (Paper copies available on request)	New employees

POLICY ON COMMUNICATION WITH EMPLOYING AUTHORITIES

Our objectives regarding communication with employers are:

- to strengthen relationships.
- to assist employers, understand their role and responsibilities.
- to assist employers in understanding costs/funding issues.
- to work together to maintain timely and accurate data.
- to provide a secure way to transfer data to the Fund on a monthly basis.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Employers Information	Pensions website	At joining and updated as necessary	https://www.leicspensionfund.co.uk/	Main contact for all employers
Bulletins	Electronic (e-mail)	When required	E-mail	All contacts for all employers
Valuation meeting	Virtual	Tri-Annually	Invitations by e-mail/post	All contacts for all employers
Pension Fund Report and Accounts	Pensions website	Annually	E-mail	Main contact for all employers
Meeting with Managers	Virtual	On request	E-mail	Senior management involved in funding and HR issues.
I-Connect	On-line secure website	Monthly data submissions	On-line secure transfer of data – I-Connect	Main data submission route for all current and new employers

Explanation of communications

Employers Information – Employer information is available on the employer's area of the Fund website.

Bulletins – A technical briefing that will include recent changes to the scheme, the way the Pension Section is run and other relevant information to keep employers fully up to date.

Valuation meeting – Part of the Annual General Meeting includes a section for employers with several speakers covering topical LGPS issues.

Pension Fund Report and Accounts – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

Manager meeting – Gives employers the opportunity to discuss their involvement in the scheme with Pension staff.

I-Connect – Provides a secure route for employers to submit their monthly pension data to the Pension Section. There are two solutions available depending on the size of scheme membership at the employer.

POLICY ON COMMUNICATION WITH LOCAL PENSION BOARD AND LOCAL PENSION COMMITTEE REPRESENTATIVES

Employee and Employer representatives sit on both the Local Pension Board and Local Pension Committee.

Our objectives regarding communication with Board and Committee representatives;

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme

Our objectives will be met by providing the following communications:

Method	Media	Frequency	Method of Distribution	Audience Group
Virtual or face-to-face education sessions	Virtual or face-to-face	When Local Pension Board and Local Pension Committee meet and as and when required	Virtual or face-to-face with Fund Officers	All members of the Pension Board and Committee
Local Pension Board and Local Pension Committee Meetings	Meeting	Quarterly or as required	Attendees of the Board and Committee	All

Explanation of communications

Training Sessions – that provide a broad overview of the main provisions of the LGPS, and elected member's responsibilities within it.

Local Pension Committee – The meeting consists of 10 Employer Representatives and 3 Employee Representatives and has responsibility for the management of the Pension Fund.

Local Pension Board The meeting consists of equal number of Employer and Employee Representatives and is broadly focused on helping the Scheme Manager (the Administering Authority) manage pension scheme administration.

POLICY ON COMMUNICATION WITH OTHER STAKEHOLDERS/INTERESTED PARTIES

Our objectives regarding communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's AVC scheme

Our objectives will be met by providing the following communications:

Method	Media	Frequenc y	Method of Distributio n	Audience Group
Pension Fund valuation reports	On-line or email	Every three years	On-line or email	MHCLG, DfE, Revenues and Customs (HMRC)/all scheme employers
Member AVC details (joiners, leavers, deaths, retirements)	Form via secure email	At each member event (usually weekly)	Secure email	Prudential (the Fund's AVC provider)
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, Money Helper/the Pensions Ombudsman
TPRs annual return	On-line	Annually	On-line submission	The Pensions Regulator
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	MHCLG/HMRC/the Pensions Regulator

Explanation of communications

Pension Fund Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date.

Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute.

The Pension Regulators Annual Return – a formal annual submission of Fund information to the Regulator

Completion of questionnaires – various questionnaires that may be received, requesting specific information in relation to the structure of the LGPS or the make-up of the Fund.

SECTION 3**GENERAL DATA PROTECTION REGULATIONS (GDPR)**

In May 2018 the General Data Protection Regulations (GDPR) came into force.

The Pension Section followed Leicestershire County Council's corporate plan in dealing with this. The regulations are designed to protect scheme member's data.

The Pension Section and employers are both deemed data controllers so there is no requirement for a data sharing agreement to be in place; i.e., there is no legal requirement for employers to have a data sharing agreement.

There is a requirement for two statements to be available and these are;

- Memorandum of understanding for employers
- Fair processing notice

These are available on our website

<https://www.leicspensionfund.co.uk/privacy-policy>

The Pension Section has incorporated GDPR into information provided to new scheme members on the pension scheme membership form and welcome letter. Employers should inform all new employees that their personal data is shared with Leicestershire County Council Pension Section, for the County Council to meet its statutory responsibility of administering the Leicestershire Local Government Pension Scheme.

SECTION 4**PERFORMANCE TARGETS**

To measure the success of our communications with active, deferred and pensioner members, we will use the following key performance indicators:

Timeliness

We will aim to meet the following target delivery timescales:

Communication	Audience	Target delivery period
Benefit Statements as at 31 March	Active members	31 August each year
Pension Saving Statements as at 31 March	Active members who breach the Annual Allowance pension growth tax threshold	6 October each year
Issue of retirement benefits	Active members retiring	92% of retirement benefits to be issued within 10 working days of receiving all the necessary information.
Payment of pension benefits	Active members retiring	95% paid within 10 working days of receiving election.
Notification of death related benefits	Dependants of scheme members	90% within 10 days of death notification paperwork.

Customer experience

Feedback media	Perspective	Target
Questionnaire issued (paper or on-line version option available)	Establish members understanding of information provided – rated at least mainly ok or clear	95%
Questionnaire issued (paper or on-line version option available)	Experience of dealing with Section – rated at least good or excellent	95%
Questionnaire issued (paper or on-line version option available)	Establish members thoughts on the amount of info provided – rated as about right	92%
Questionnaire issued (paper or on-line version option available)	Establish the way members are treated – rated as polite or extremely polite	97%

Email survey	Rated as understandable (good or above)	95%
Email survey	Detail of content (good or above)	92%
Email survey	Timeliness of response (good or above)	92%

REVIEW PROCESS

We review the performance targets annually.

SECTION 5

SERVICE LEVEL AGREEMENTS

BY THE ADMINISTERING AUTHORITY

Function / Task	Performance target
LIAISON AND COMMUNICATION	
Publish and keep under review the Leicestershire Pension Fund administration strategy	Within one month of any changes being agreed with scheme employers
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the related Board
Deliver training sessions for scheme employers	Upon request from scheme employers, or as required
Notify scheme employers and scheme members of changes to the scheme rules	Within 30 working days of the change(s) coming into effect
Notify scheme employer of issues relating to scheme employer's poor performance (including arranging meeting if required)	Within 10 working days of performance issue becoming apparent
Notify scheme employer of decision to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed

Function / Task	Performance target
Issue annual benefit statements to active members as at 31 March each year	By the following 31 August
Issue pension saving statements to active members who breach the Annual Allowance pension growth tax threshold as at 31 March each year	By the following 6 October
Issue annual benefit statements to deferred benefit members as at 31 March each year	By the following 31 August
AVC provider to issue annual benefit statements to AVC payers as at 31 March each year	By the following 31 March

FUND ADMINISTRATION	
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary (but in any event no later than 31 March following the valuation date)
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the Leicestershire Pension Fund	Upon each cessation or occasion where a scheme employer ceases participation on the Leicestershire Pension Fund
Arrange for the setting up of separate admission agreement funds, where required (including the allocation of assets and notification to the Secretary of State)	Within 3 months of agreement to set up such funds
All new prospective admitted bodies to undertake, to the satisfaction of the Leicestershire Pension Fund, a risk assessment of the level or bond required in order to protect other scheme employers participating in the pension fund	To be completed before the body can be admitted to the Leicestershire Pension Fund
All admitted bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund	Annually, or such other period as may be agreed with the administering authority
Publish, and keep under review, the fund's governance policy statement	Within 30 working days of policy being agreed by the relevant Board

Publish and keep under review the Pension Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish and keep under review the Pension Fund's investment strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish the Pension Fund annual report and any report from the auditor	By 31 December following the year end
SCHEME ADMINISTRATION	
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	1 month from receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 days from receipt of all necessary information
Provide transfer-in quote to scheme member	1 month from receipt of all necessary information
Confirm transfer-in payment and membership change to scheme member	10 days from receipt of all necessary information

Arrange for the transfer of scheme member additional voluntary contributions into in-house arrangement	10 days from receipt of all necessary information
Calculate cost of additional pension contributions, and notify scheme member	1 month from receipt of all necessary information
Notify scheme employer of scheme member's election to pay/cease/amend additional pension contributions and/or additional voluntary contributions	10 days from receipt of all necessary information
Provide requested estimates of benefits to employees as requested, where this cannot be provided through Member Self-Service or the employee is planning to retire in the next 12 months	8-10 weeks from receiving the request.
Provide estimates of any additional fund costs to employers in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency as requested.	4 weeks from receipt of all necessary information
Notify leavers of deferred benefit entitlements	Within 2 months of receipt of all necessary information
Notify leavers of refund or cash transfer sum entitlements	Within 3 months of leaving
Payment of Cash Transfer Sum	10 working days of receipt of all necessary information (statutory deadline: 3 months from date of election)
Provide details of estimated Transfers Out	Within 1 month of receipt of all necessary information (statutory deadline: 3 months from date of request)
Payment of Transfers Out	10 working days of receipt of all necessary information (statutory deadline: 6 months from "guarantee date", i.e. calculation date used in initial quotation)
Notify retiring employees of options, enclosing appropriate forms	10 working days of receipt of all necessary information KPI

Payment of retirement Lump Sum and pension	Lump sum -10 working days of receipt of all necessary information after retirement Pension – Paid in the next available pay run, thereafter the last banking day of each month KPI
Death notifications – issue initial letter requesting certificates	5 working days following notification of death
Notification of survivor benefits	10 working days of receipt of all necessary information KPI
Appoint stage 2 “appointed person” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “appointed person”
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
Publish and keep under review the Leicestershire Pension Fund policy on the abatement of pension on re-employment	Notify scheme employers and publish policy within one month of any changes or revisions to the policy
Load employer’s monthly data received via I-Connect	Within 1 month of receiving all the necessary information.
Promote the use of Member Self-Service	Increase Member Self-Service by 650 scheme members per month

BY THE SCHEME EMPLOYER

Function / Task	Performance Target
LIAISON AND COMMUNICATION	
Formulate and publish policies in relation to all areas where the employing authority may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the Leicestershire Pension Fund	Within 30 working days of policy being formally agreed by the employer.
Remit payment and provide schedule breakdown of total employer/employee contributions	Paid by BACs by 22nd of the month after deduction is taken. In the event of a late payment, the Pensions Manager may consider charging interest.
Respond to enquiries from administering authority	10 working days from receipt of enquiry
Provide year end information required by the Leicestershire Pension Fund for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund	By 30 th April following the year end, due to the earlier closure of the accounts.
Ensure payment of additional costs to the Leicestershire Pension Fund associated with the poor performance of the scheme employer	Within 30 working days of receipt of invoice from the Leicestershire fund
Distribute any information provided by Leicestershire Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt
Notification to the Leicestershire Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g., restructurings/pay reviews/employer going to cease/ contracting out of services).	No later than 10 working days after material change / formal employer agreement on assumption related areas
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment or change in contractual conditions

Function / Task	Performance Target
Inform LCCPF of all cases where a prospective new employer or admitted body may join the fund	Notify LCCPF at least 3 months <u>before</u> the date of transfer
FUND ADMINISTRATION	
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the Leicestershire Pension fund / within timescales specified in each case

EMPLOYER ADMINISTRATION	
New Starter Make all necessary decisions in relation to new scheme members in the LGPS (whether full or part time, pensionable pay, appropriate contribution rate band, etc)	10 working days of scheme member joining
New Starter Provide administering authority with scheme member details on appropriate form/via electronic interface. Issue starter form to new employee.	10 working days of scheme member joining/from month end of joining
Pension Contributions Arrange for the correct deduction of employee contributions from a scheme members pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in or change in circumstances
Pension Contributions Ensure correct employee contribution rate is applied and arrange for reassessment of employee contribution rate in line with employer's policy	Immediately upon commencing scheme membership, reviewed as per policy
Pension Contributions Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate

<p>Pension Contributions Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty</p>	Immediately, following receipt of election from scheme member to make the necessary pension contributions
<p>Pension Contributions Commence/amend/cease deductions of additional regular contributions</p>	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member
<p>Pension Contributions Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)</p>	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19 th of the month after deduction is taken.
<p>Pension Contributions Refund any employee contributions when employees opt out of the pension scheme before 3 months</p>	Month following month of opt out
<p>Pension Contributions Cease deduction of employee contributions where a scheme member opts to leave the scheme</p>	Month following month of election, or such later date specified by the scheme member
<p>End of year Send a completed end of year detailed contribution spreadsheet used for valuation purposes and for individual scheme members annual benefit statements, annual allowance and lifetime allowance calculations, in a format agreed with the Leicestershire Pension Fund</p>	By 30 th April following the year end, due to the earlier closure of the accounts.
<p>Leavers Determine reason for leaving and provide notification to administering authority of scheme leavers</p>	Within 30 days of leaving
<p>Retirement Determine reason for retirement and provide notification to administering authority of retiree</p>	Within 10 working days of notification of intention to retire
<p>Estimates Initiate any estimates, (other than ill health), that generate a capital cost.</p>	Within their own internal agreed working timescale

<p>Final Pay Provide CARE and final pay information for each scheme member who requires an estimate, leaves/retires/dies and forward to Leicestershire Pension Fund on appropriate form/via electronic interface</p>	<p>Within 10 working days following date of estimate request/leaving/retirement/death</p>
<p>Employer appointments Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with Leicestershire Pension Fund</p>	<p>Within one month of commencing participation in the scheme or date of resignation of existing medical adviser</p>
<p>Employer appointments Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority</p>	<p>Within 30 working days following the resignation of the current “appointed person”</p>
<p>I-Connect – Monthly Posting* Submit pension data via the secure I-Connect employer self-service module</p>	<p>By the end of the following month</p>



Appendix C

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND TRAINING STRATEGY

Introduction

1. This strategy sets out the Pension Fund's approach to training and development. It is also intended to demonstrate the Local Pension Committee's (the "Committee"), the Local Pension Board's (the "Board"), and Officers' commitment to effective management, strategic decision making and good governance by ensuring that duty holders have the requisite knowledge and skills to discharge the responsibilities allocated to them.
2. This strategy, and regular training, is deemed necessary due to:
 - the variety of duties owed by members and officers in connection with the operation of the Fund.
 - the complexity of pension and investment issues.
 - inevitable changes in the membership due to the election cycles.
 - The fact of the Fund being treated by investment managers as a professional client and requirement to comply with the Markets in Financial Instruments Directive II (the implications of this are explained in the footnotes¹).
 - the potential consequences of not administering the Fund in an appropriate manner.
 - The Fund's approach to responsible investment.
3. In addition, the Terms of Reference for the Committee and Board state that members 'must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training,' alongside other expectations of them.
4. This strategy complies with the requirement to set a Training Strategy in line with requirements currently in force².

¹ Where the Fund is categorised and treated by investment managers as a *professional client* for the purposes of the Markets in Financial Instruments Directive II (MiFID II), this means the Fund is expected to possess a higher level of knowledge, experience and understanding than a retail client, and therefore receives a lower level of regulatory protection. Investment managers and advisers are not required to provide the same level of detailed explanations, risk warnings or suitability assessments that would be mandatory for a retail client. This places an increased responsibility on Committee and Board members to maintain an appropriate level of knowledge and training so they can properly understand, scrutinise and challenge investment advice and recommendations.

² the Local Government Pension Scheme (Amendment) Regulations 2026, section 248A of the Pensions Act 2004, the knowledge and understanding requirements set out in the Pensions Regulator's Code of Practice 2024, and the guidance issued by the Secretary of State under the Local Government Pension Scheme (Amendment) Regulations 2026.



5. This strategy applies to all members and substitute members of the Committee, Board, and officers involved in the management of the Fund.

Core Knowledge Areas

6. The Fund focuses on the following nine core technical areas where appropriate knowledge and understanding should be achieved and maintained on an individual basis, in line with the draft guidance issued by the Secretary of State:
 - a. Pensions legislation and guidance
 - b. Pensions governance
 - c. Funding strategy and actuarial methods
 - d. Pensions administration and communications
 - e. Pensions financial strategy, management, accounting, reporting and audit standards
 - f. Investment objectives, strategic asset allocation, pooling performance management
 - g. Risk Management
 - h. Pension services procurement, contract management and relationship management.
 - i. Key skills and behaviours
7. The Fund maintains a detailed list of topics within each area which Committee and Board members are assessed upon annually.

Local Pension Committee and Local Pension Board Requirements

8. The Committee and Board, members are not expected to become technical experts and levels of knowledge will vary depending on experience and time served. Ultimately, the aim is that the breadth of knowledge and understanding achieved should be sufficient to allow members to understand fully any advice they are given, to challenge that advice if it seems sensible to do so and to enter fully into all decision-making processes.
9. Regulations set out that both Committee and Board members have a personal responsibility to have an appropriate level of knowledge and understanding for the purposes of enabling them to exercise properly their function in assisting the Administering Authority in ensuring the effective and efficient governance and administration of the LGPS.



Local Pension Board

10. In practice this means Board members must be conversant with the role of the scheme, and any document recording policy about the administration of the scheme. Board members also have a role in supporting the Administering Authority in securing compliance with LGPS Regulations, other legislation, and the requirements of the Pensions Regulator, and must therefore have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed, such as areas set out within the Pension Board Terms of Reference.

Local Pension Committee

11. The Administering Authority has ultimate responsibility for managing the LGPS, including its investment strategy and administration. Key decision making has been delegated to the Local Pension Committee.
12. Committee members are required to have individual responsibility for knowledge and understanding to enable them and therefore the Committee as a whole to properly exercise their delegated responsibility on behalf of the Administering Authority.

i. On Appointment to Board and Committee

13. Upon formal appointment to Board or Committee (within three months of joining or before their first meeting, whichever is sooner) members must:
- make themselves familiar with the information pack and any relevant documents provided to them;
 - undertake induction training with officers before taking up their role.
 - be provided access to LGPS Online Learning Academy which contains LGPS specific learning modules which reflect the core knowledge areas set out above and complete recommended modules as set out by Officers and complete all set modules within 6 months of appointment.

ii. Ongoing Commitment to Training



14. An assessment of the training needs of the members of Committee and Pension Board and relevant officers will be undertaken annually to inform the development of a programme of training, and progress will be reported to Committee and Board. In line with this assessment, individual training plans will be developed.
15. Training needs analysis will allow officers to provide training plans depending on level of experience. A rolling training plan will be developed, which will take into account individual training needs, topical issues, such as when decisions are required in relation to complex issues, or in new areas not previously considered, as well as general awareness.
16. Training will be provided in a variety of ways, using methods including:
- In-house training sessions provided by officers or external providers, either before, during or after meetings.
 - Group training sessions, including group Hymans LGPS Online Learning Academy (LOLA) sessions.
 - Individual completion of the on-demand Hymans LOLA modules.
 - External training opportunities through conferences, webinars and seminars such as those organised by the Local Government Association and LGPS Central.
 - Circulation of reading material, including Committee and Board report and minutes.
 - The Fund's Information Pack which contains relevant Fund policies and documents.
17. At a minimum, within 6 months of appointment, or a refresh of e-learning, all members are expected to complete all LOLA modules within the Training Plan. Requirements of timescales of completion in year are reported annually. The Fund recognises different training styles of members and therefore provides for flexibility in approaches taken to completion.
18. Board and Committee members have expressed a preference for joint training sessions with officers using the LOLA. This is reflected in the training plan but if members are not able to attend these sessions, then individual completion of the modules will be required.

iii. Other External Training Opportunities

19. A number of external training opportunities take place across the year. Further information will be provided to Committee members when opportunities become available, as well as any other suitable events. Further details of these will be circulated by officers and will be paid for by the Pension Fund.



Local Pension Committee and Local Pension Board Substitutes

20. The Administering Authority recognises there is a risk from having substitute members who may not have the same level of knowledge and access to training as substantive Board and Committee members. To reduce this, all substitute members must:
- a. undertake induction training;
 - b. make themselves familiar with the information pack and any relevant documents provided to them;
21. While the Administering Authority cannot dictate appointing bodies (for employer representatives) substitution rules, it will communicate the importance of providing consistent substitutes where available.

Fund Officer Requirements

22. It is important that Officers in the Fund have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits.
23. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. The Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.
24. Alongside access to the Hymans LOLA system, officers will attend relevant training events and seminars during the year to ensure they remain up to date with latest requirements. In addition, officers are also required to keep up to date with relevant issues affecting the Fund.

Cost

25. Where there is a cost involved in providing the training this will be met directly by the Fund.

Key Risks

26. The key risks to the delivery of this policy are outlined below. Officers in conjunction with the Chairmen of the Committee and Board, will monitor these and other key risks and consider how to respond to them.
- Changes to Board or Committee membership.



- Poor attendance and/or lack of engagement at training and/or formal meetings by members and/or officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.
- The requirements placed on members may create difficulties for them.

Monitoring and Reporting

27. To identify whether the objectives of the strategy are being met, fund officers will maintain a training log to record training attended by members and officers. Members must notify officers of any training they have completed outside of the Fund, in order that the log be kept up to date.
28. Members who attend external events will be required to report back to the Committee/Board (as relevant) to share their knowledge with other members.
29. As part of Fund governance processes the Fund will demonstrate the steps taken to ensure the knowledge and understanding requirements placed on its members are being complied with to support decisions being discussed or taken during meetings. This is particularly important for key strategic decisions and when voting is taking place.
30. Reporting against this strategy will be presented to the Fund Committee and Pension Board as part of the Fund Annual Report and Accounts. This will report successful completion of training using the following criteria, as well as training undertaken during the year:
 - a. Completion of mandatory induction training.
 - b. Completion of the LOLA modules mandatory training within six months of appointment.
 - c. Fulfilment of the Committee and/or Board's respective Terms of Reference.
 - d. Compliance with all applicable legislation and regulation.
31. The Chair of the Local Pension Board and Committee will be kept updated on Members progress against the strategy.
32. Failure to complete the required training is in breach of the Training Strategy and Terms of References. Membership of the Committee or Board may be terminated prior to the end of the term of office if they are no longer able to



demonstrate they have the capacity to attend and prepare for meetings, or participate in the required training.

33. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of professional development. These objectives are monitored as part of each individual's annual appraisal.
34. The Fund will make available all training needs assessment and all records monitoring knowledge and understanding to persons carrying out an independent governance review.

Approved by the Pensions Committee

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Leicestershire Pension Fund Conflict of Interest Policy

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Introduction

1. This is the Conflict of Interest Policy (“the Policy”) of the Leicestershire Pension Fund (‘the Fund’), which is managed by Leicestershire County Council (the ‘Administering Authority’). The Policy details how actual and potential conflicts of interest will be identified and managed by those involved in the management and governance of the Fund, whether directly, or in an advisory capacity.
2. Conflicts of interest have always existed for those with LGPS administering authority responsibilities. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as members of the Fund (existing employees and/or retired employees), as an Elected Member of an Employer participating in the LGPS, or as an adviser to more than one LGPS administering authority. Furthermore, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role in managing or advising on LGPS funds.
3. Overlapping responsibilities do not automatically prevent individuals from contributing effectively to Fund governance. However, all conflicts must be openly recognised, recorded and managed to ensure decisions are taken solely in the interests of the Fund and in accordance with the Administering Authority’s fiduciary duties. A conflict of interest occurs when an individual’s personal, financial, or other interests could improperly influence, or be perceived to influence, their impartiality in carrying out their duties for the Pension Fund. This may arise when responsibilities to the Fund overlap with other roles, relationships, or interests, potentially affecting judgement or actions.
4. It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the Fund beneficiaries and participating Employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. In accordance with good practice, however, it is essential that such conflicts are recorded and managed appropriately.
5. This Policy is required by the Local Government Pension Scheme (Amendment) Regulations 2026 (as drafted). The 2026 Regulations explain that a conflict of interests policy is a document setting out the authorities approach to identifying, monitoring and managing actual, potential and received conflicts of interest in relation to the Scheme.

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

7. This Policy should be read in conjunction with other Leicestershire County Council Constitutional documents, including the Members' and Officers' Codes of Conduct (*see paragraph 11 below*) and terms of reference for both the Local Pension Board and Pension Committee. It is recognised that these documents already impose on elected members, co-opted members and officers' requirements regarding the registration of interests and the declaration of potential conflicts. This Policy is intended to strengthen these existing processes, recognising the specific conflicts that can arise in respect of Pension Fund matters.

[Note: This policy has been developed in regard to the [Public Service Pension Act 2013 Section 5](#), [The Local Government Pension Scheme Regulations 2013 regulation 108 and 109](#), the [Pensions Act 2004 Section 90A, Section 13](#), [CIPFA Investment Pooling Governance Principals for LGPS Administering Authorities Guidance](#), the [Localism Act 2011](#), [Leicestershire County Council's Members' Code of Conduct](#), [Employee Code of Conduct](#), and [The Pensions Regulator General Code of Practice March 2024 and](#) Local Government Pension Scheme (Amendment) Regulations 2026 (as drafted). Further information on the legislative background and related guidance is attached as [Appendix 4.](#)]

To whom this Policy Applies

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

9. This Conflicts of Interest Policy applies to:
 - 7.1 **Pension Committee and Local Pension Board Members:** All members of the Pension Committee, Investment Subcommittee and the Local Pension Board, including any independent persons appointed to the Committee scheme members and employer representatives, whether

voting members or not.

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

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

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

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

- 7.4 **LGPS Central:** All those providing support to the Fund, whether advising the Local Pension Committee or Fund officers in relation to their role.

[Note:

- *In this Policy, reference to advisers includes all advisers, suppliers and other parties contracted to provide advice and services to Leicestershire Pension Fund in relation to Pension Fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians, asset pool operators and AVC providers.*
- *Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Fund rather than the firm as a whole.]*

Leicestershire Pension Fund's General Requirements

10. In accepting any role covered by this Policy, the individuals concerned agree that they must:
- declare any actual or potential conflict of interest they may have which is material to the operation of the Fund;
 - be open and candid with the Fund on any conflicts of interest they may have;
 - co-operate with Fund Administrators on the appropriate management of such conflicts;
 - adopt practical solutions to managing those conflicts (including recusing the conflicted person where appropriate); and
 - plan ahead and agree with the Fund how they will manage any conflicts of interest which arise in future.
 - Provide, on request, information in relation to how they manage actual or potential conflicts of interest relating to the provision of advice or services to the Fund.

The Nolan Principles

11. Such individuals must at all times have regard to the following seven Principles of Public Life (i.e. the 'Nolan Principals') which are integral to the successful implementation of this Policy. These principals are:-
- Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership

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

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

Other Specific Requirements

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

- 11.1 **Pension Committee and Local Pension Board Members** (see 7.1 above)
Elected and co-opted Members of the Pension Committee and Local Pensions Board are required to adhere to [the Leicestershire County Council's Members' Code of Conduct](#) which includes additional requirements in relation to disclosable pecuniary interests, personal interests and interests which might lead to bias.
- 11.2 **Officers** (see 7.2 above)
Officers of Leicestershire County Council are required to adhere to [the Leicestershire County Council Employee Guide to the Code of Conduct](#) which includes requirements in relation to personal, business, financial and other interests.
- 11.3 **External advisers** (see 7.3 above)
The Fund appoints its own external advisers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers. This will be managed in the usual way through compliance with the County Council's Contract Procedure Rules as set out in [Part 4G of the Constitution](#).
- 11.4 **External advisers' Professional Standards**
External advisers are required to meet professional standards relating to the management of conflicts of interest. For example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.
- 11.5 **LGPS Central**The LGPS Central Pool ("LGPS Central") are bound by the rules contained the FCA Handbook (which covers conflicts of interests) published by Financial Conduct Authority and their own Conflict of Interest Policy.

What is a Conflict or Potential Conflict?

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

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

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

[Note:

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

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

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

- Contribution setting for the administering authority and other employers.
 - Cross charging for services or shared resourcing between the Administering Authority and the Fund and ensuring the service quality is appropriate for the Fund.
 - The dual role of Leicestershire County Council Pension Fund as owner and client of LGPS Central.
 - Roles in relation to working with local authorities and local growth priorities.
 - Investment decisions about local infrastructure and local investment.
 - How the Fund appropriately responds to Council decisions or policies on global issues such as climate change.
 - Other roles within the Council being carried out by elected and/or co-opted Members or officers which may result in a conflict either in the time available to dedicate to the Fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or the Cabinet should be disclosed
15. It should be noted that the [Public Service Pensions Act 2013](#) is clear that a person **will not** have a financial or other interest merely by virtue of their membership of the Fund or any connected scheme.
16. Examples of potential conflicts for all those involved in managing the Fund, are included [in Appendix 1](#). In this Policy the following expressions have the meaning set out opposite:-

Actual conflict	where an individual's duty to the Fund is directly at odds with another interest.
Potential conflict	a situation that may develop into an actual conflict.
Perceived conflict	where a reasonable observer could believe a conflict exists, even if none does in fact.

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

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

Procedure for registering and declaring interests and participating in meetings

Officers and Pension Committee and Local Pension Board Members

Step 1 - Initial identification and registration of interests.

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

Step 2 – Declaration at and participation in Meetings

20. At the beginning of any Pension Committee, Local Pension Board or other formal meeting where Pension Fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any interests and potential conflicts relating to matters which are to be considered at that meeting. All interests declared will be detailed in the minutes of the meeting.
21. Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Monitoring Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. Options for managing a potential conflict of interest from becoming an actual conflict of interest include:
- The individual concerned abstaining from discussion, decision making or providing advice relating to the relevant issue and abstention from any vote taken on the matter at the meeting.

- The individual being excluded from the meeting(s) and any related correspondence or material in connection to the relevant issue.
22. Ways in which conflicts of interest will be managed for Members of the Committee and Board at a meeting are detailed in [Leicestershire County Council's Code of Conduct for Members](#).
23. The Chairman, in consultation with the Monitoring Officer (or their representative at the meeting), will advise the individual whether they need to leave the meeting during the discussion on the relevant matter or to withdraw from voting or providing advice on the matter.
24. There may be circumstances where a representative of more than one employer or an employee representative wishes to provide a specific point of view on behalf of an employer (or group of employers) or employee (or group of employees, or union), that they are not recognised as representing by virtue of their Membership. In such cases the Fund requires that any individual wishing to so speak must state this clearly, for example, at a Board or Committee meeting, and that this is recorded in the minutes.

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

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

Step 4 - Periodic review of potential and actual conflicts

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

External Advisers

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

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

LGPS Central

28. The points set out in paragraph 25 are relevant to LGPS Central. In addition, recognising the potential conflicts unique to pooling, specific governance arrangements have been established with LGPS Central and other partner funds reflecting each partner authority's role as business owner and client of LGPS Central. These are managed through the following forums.
- The **Shareholder Forum** – The purpose is to oversee operation and performance of LGPS Central and to represent the ownership rights and interests of the shareholding Councils. The Forum is independent of LGPS Central and its meetings are separate from Company Meetings and is enshrined within the Shareholders' Agreement.
 - The **Joint Committee** – A public forum for councils to provide oversight of the delivery of the objectives of the Pool, the delivery of client services, the delivery against its Business Case and to deal with common investor issues.
29. LGPS Central will be responsible for implementing the Fund's Investment Strategy Statement and Strategic Asset Allocation, as well as provide principal advice on them. It is recognised that potential conflicts could arise where for example, the responsible investment policies differ from the consolidated position of the pool or individual administering authorities.
30. While it is recognised that Central would not gain financially and administering authorities could take independent advice in exceptional circumstances, it does not mean pool advice would meet AAs' own specific requirements, or that sub-

funds available may meet an AA's investment objectives, for example. To manage these potential conflicts the Senior LGPS Officer and Fund officers will support:

- Full transparency and ensure clear roles and responsibilities are defined with LGPS Central and any investment advisors or independent person.
- The Fund will monitor investment advisor and/or manager performance against defined, appropriate goals and targets.
- Where the Fund is concerned if there is a material conflict of interest which poses an unacceptable level of risk to its fiduciary duty and ability to carry out its role, the Fund will seek proper advice.
- Clear definition of local investment priorities and responsibilities with interacting with local authorities in line with government guidance.
- Ensure LGPS Central has an appropriate conflict of interest policy in place.
- The Local Pensions Committee and Board will receive regular updates on the work of LGPS Central to enable Members to oversee and scrutinise its operations as set out in the respective Terms of Reference

How will conflicts be managed and who is responsible?

31. It is the responsibility of each individual covered by this Policy to ensure all obligations in this Policy are met, to identify any potential instances where their personal, financial, business or other interests might come into conflict with their Pension Fund duties and to ensure these are registered and declared in accordance with the procedures above.
32. Any individual who considers that they or another member of the Committee or Board, Officer or Advisor has a potential, or actual, conflict of interest which relates to an item of business at a meeting must advise the Chairman and the Monitoring Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. Further detail is set out within [Step 2 - Declaration at and Participation in Meetings.](#)
33. Where any individual considers that they or another individual has a potential, or actual, conflict of interest outside any meeting situation they must notify the Monitoring Officer at the earliest opportunity.
34. Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is

satisfactory, it shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest.

35. As outlined in paragraph 2 and 3, it is generally accepted that individuals subject to this Policy hold a variety of other roles such as members of the scheme, Elected Member of an Employer participating in the LGPS, or as an adviser to more than one LGPS administering authority. However, this does not necessarily preclude those involved in managing or advising the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest.
36. Where a conflict cannot be effectively managed, the Monitoring Officer may recommend that the individual cease involvement in the relevant decision or, in exceptional cases, step down from their role.

Monitoring and Reporting

37. The Fund's Register of Conflicts of Interest, an example attached as [Appendix 3](#), will be held and maintained by the Monitoring Officer.
38. To identify whether the objectives of this Policy are being met, the Fund will review the register on an annual basis and consider whether there have been any potential or actual conflicts that were not declared at the earliest opportunity.
39. The Fund must be satisfied that conflicts of interest are appropriately managed and for this purposes, the County Council's Monitoring Officer is the designated individual for overseeing the application of this Policy and that the procedures outlined within it are adhered to. Any person who thinks they may have a potential or actual conflict of interest should seek the advice of the Monitoring Officer at the earliest possible opportunity.
40. Reports to the Board and Committee reports will also record any conflicts of interest of the administering authority in accordance with this policy.
41. The Fund will further report on these matters through the Annual Governance Statement that is considered by the Local Pension Board and agreed by the Pension Committee.

Key Risks

42. The key risks to the delivery of this Policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed.
- insufficient training or poor understanding in relation to individuals' roles on Pension Fund matters;
 - failure to communicate the requirements of this Policy;
 - absence of the individual allocated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy;
 - failure by a Chairman to take appropriate action when a conflict is highlighted at a meeting; and
 - failure by a Member to make a declaration of interest resulting in an actual conflict of interest.
43. These risks are mitigated through induction training of all new members on the Local Pension Committee and Board, and consideration within the Fund's regular training programme, consideration as part of the Fund's approach to risk management and internal legal and external support to the Fund as needed.
44. The Pensions Committee, Local Pension Board, Officers and the Administering Authority's Monitoring Officer will monitor these and other key risks and consider how to respond to them.

Approval and Review

45. The Conflicts of Interest Policy was approved by the Pension Committee on **March 2025** It will be formally reviewed and updated at least once every three years, or sooner if the conflict management arrangements or other matters included within it, in the opinion of the Monitoring Officer, merit reconsideration.
46. For further information about anything in or related to this Conflict of Interest Policy, please contact:

Democratic Services

Democracy@leics.gov.uk

0116 305 2583

Appendix 1 – Examples of Conflicts of Interest

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

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

conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee or Local Pensions Board.

- A Fund Officer applying to the pool operator for employment may give misleading advice to the Committee to further the aims of a prospective employer.
- The dual role of the administering authority as a shareholder of LGPS Central, and client.
- The dual role of LGPS Central as strategic adviser and role in implementing the investment strategy (i.e. manager appointment).
- An officer appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- The Pension Committee Chairman or Officer serving on the LGPS Central meetings may be required to consider a matter that would disproportionately benefit or disadvantage Leicestershire Pension Fund.
- There may be situations where a Pension Committee member or an Officer:
 - Holds personal investments with a Manager which the Fund is also invested in, or has the option of investing in;
 - Uses a Fund Advisor or Manager to advise on their own personal investments;
 - Holds stocks/shares which overlap with Fund investments

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

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

Appendix 2 - Declaration of Interest Form

I, [insert full name], am:

(Tick as Appropriate)

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

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

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

A) Relating to me

B) Relating to your spouse's or civil partner

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

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

Undertaking

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

Signed _____ Date _____

Name (CAPITAL LETTERS) _____

Appendix 3 – Register of Potential and Actual Conflicts of Interest

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

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

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

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

Appendix 4 – Legislative and related context

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

The Local Government Pension Scheme (Amendment) Regulations 2026

[subject to receiving royal assent]

The General Code

The Pensions Regulator’s General Code of Practice (effective from 28 March 2024) sets out comprehensive requirements for managing conflicts of interest in pension schemes. It requires governing bodies and scheme managers to establish an effective system of governance, including internal controls proportionate to the scheme’s complexity (Pensions Act 2004, Sections 249A and 249B). Conflicts, whether actual or potential, must be identified, recorded, and managed through a written policy and a register of interests reviewed at every meeting. Stakeholders, including advisers and service providers, must declare conflicts at appointment and as they arise, and contracts must require them to operate their own conflicts policies.

The Public Service Pensions Act 2013

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

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

The Local Government Pension Scheme Regulations 2013

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

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

The Pensions Act 2004

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

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

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

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately. This Conflict of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance

Advisers' Professional Standards

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

www.actuaries.org.uk/regulation/pages/conflicts_of_interest

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

Appendix 5 – Leicestershire Pension Fund Governing Policies

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

- The **Funding Strategy Statement** sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund's Actuary and is opened to consultation with all Fund employers and the Pensions Board prior to formal approval by the Pension Committee. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.
- The **Administration and Communication Strategy** sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. Where a scheme employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy provides for that cost to be recovered from the employer. Major changes are consulted with Fund Employers and the Local Pension Board before it is formally approved by the Pension Committee.
- The **Investment Strategy Statement** sets out the Fund's objectives with the aim to maximise returns whilst maintaining an acceptable level of risk and addresses areas of governance, management, asset allocation, pooling and responsible investment. The Investment Strategy Statement is written independently from any positions the County Council may hold to ensure the Fund meets its fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Decisions affecting the Funds strategy are taken by the Pension Committee with appropriate advice from the Fund's advisors.
- The Risk Register will consider any key conflicts where material to the running of the Fund.

- Furthermore, the Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's **Budget and Business Plan** are managed independently from Leicestershire County Council. The LGPS Senior Officer reviews the budget independently taking into account the full need of the service. The Budget and Business Plan is then considered by the Board before seeking approval by the Committee. Any spending controls in place for the County Council do not apply to the Fund, though the Fund is mindful of the need to manage costs to minimise the financial burden on scheme employers.
- *The **Net Zero Climate Strategy** (NZCS) sets out the Fund's target to become net zero by 2050, with an ambition for sooner. The NZCS is independent of the Administering Authorities own net zero targets and strategy, and aligns with the Fund fiduciary duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Decisions affecting the NZCS are taken by the Pension Committee with appropriate advice from the Fund's advisors.*

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Fund Policy on Employer Risk

This document should be read in conjunction with the Fund's latest Funding Strategy Statement

Introduction

Employers have a duty to make payments of employee and employer contributions to the Pension Fund.

This income is invested in the Pension Fund and used to pay retired members pension benefits.

One identified Fund risk is employers being unable to make payment of their employer contributions. By managing employer risk, this increases the likelihood employers will make payment of all monies owed. It also puts the Fund in a better position to request additional security in the event an employer becomes bankrupt.

Valuation

Every three years at the triennial valuation each scheme employer is assessed, and employer contribution rates set for the next three years. The rates are made up of primary and secondary contributions, the primary rate is paying for new accruals. The secondary rate is paying for past service.

As part of the triennial valuation the Fund assesses the risk of the employers and this is incorporated into the assessment.

The Fund's approach to managing employer risk is detailed within this policy document.

The Fund will always try to avoid the situation where an employer cannot meet its Fund financial requirements. If an employer becomes bankrupt and there is no guarantor or security that the Fund can refer, the employer's deficit then becomes spread across the other Fund employers. Fund Officers will always try to avoid this scenario occurring.

Employer Groups

The Fund had six employer groups at the 2025 valuation. These are detailed in the Fund's Funding Strategy Statement (FSS)

- Stabilised Employers (tax raising bodies - Local Authorities, Police and Fire)
- Colleges and Academies

- Universities
- Resolution Bodies (sometimes referred to as Designating employers). These are bodies that must pass a “resolution” to allow their staff to join the LGPS – these are Town and Parish Councils.
- Transferee Admission Bodies. These are usually private contractors that are providing a contracted service following an outsourcing of work from one of the Fund’s employers. The transferring employer acts as guarantor.
- Community Admission Bodies. These tend to be employers that have joined the Fund historically without a guarantor.

Risk scoring

At valuations Officers will consider the employers that pose the highest risk to the Fund. These are likely to be the largest employers that do not have tax raising powers. These tend to be certain employers in the Education Sector.

The risks will be assessed in two steps:

1. Risks associated with the type of organisation
2. Risks relating to the specific organisation

For employers that fall into a group that Officers deem a greater risk to the Fund, the more specific risk review of the organisation will take place.

This recognises some risk are inherent to the employer type and others on how the employer behaves.

The types of items considered include:

1. Is the employer a tax raising body
2. Does the employer have an external guarantor (e.g. Academies and Colleges are under written by the DfE guarantee)
3. Does the employer have a guarantor (e.g. Transferee Admission Bodies have the transferring employer as the guarantor)
4. Does the employer have additional security in place in terms of a bond or Company guarantee
5. Review the employer’s previous years and forecast balance sheets
6. Review the employer’s previous years and forecast profit and lost
7. Review the employer’s capital business plan
8. Review other financial information available e.g. independent assessments of financial health, credit rating agency, Education and Skills Funding Agency
9. Review the employer’s external auditor report

10. Consider other information the employer is able to provide to assist Officers understand their risk

The above is not an exhaustive list and may change.

Officers will group employers into either a High, Medium or Lower risk scoring group.

The groups will then be assessed by the Actuary and Officers to establish their individual funding target, deficit recovery period and if greater security maybe needed.

Employers will be aware that it is in their interest to provide the information requested, as this will assist Officers and allow them to make a more informed judgement of an employer's risk. Without the information provided it's likely Officers will take a more prudent view and assess an employer as a greater risk.

Fund Officers will make the ultimate decision on the group an employer falls.

A third-party covenant expert may be used to assist with assessing risk. This is designed to provide independence from the Fund and employer, helping to establish a fair and transparent approach.

The Fund may use the third-party covenant result to reassess calculation of employer rates, e.g. the minimum likelihood of success.

Generally, the stronger the covenant the lower the minimum likelihood of success (within the boundaries set). The employer funding level may also be considered, and additional security may be sought.

Tailored Employer Investment Strategies

The Fund is aware of requests nationally from some employers to seek bespoke investment strategies specifically tailored for their needs. There are also employers who have requested partial terminations of their liabilities relating to their deferred and pensioner members, as they seek to lock in a favourably low value for those liabilities.

In general, the Fund is not in favour of these policies, but may consider partial terminations in exceptional circumstances. Tailoring strategies for individual employers would require a significant amount of time and cost for administering authorities whilst partial terminations of the nature described above increases the risk that extra costs could fall to other employers in the event that the value of those liabilities were to rise in the future.

Admission Agreements – Transferee Admission Body (TAB)

When a Fund employer outsources staff, the contractor that takes on the work must ensure they retain the pension arrangements for this staff. This is almost always via

a legal Admission Agreement between the Fund, the outsourcing employer and the contractor.

Once the admission agreement is signed by all parties, this permits the contractor to become an employer within the Leicestershire Fund, thereby allowing the staff that transferred over to remain in the Leicestershire Fund.

The contractor is then classed as a Transferee Admission Body (TAB) in the Leicestershire Fund.

Once the agreement is signed by all parties the TAB must follow all the requirements of the Fund as detailed in the agreement, including payment of employee and employer contributions. The first payment must be made within 2 months of completion of the admission agreement, and then every month thereafter.

In 2019 the Fund implemented pass-through admissions, and these are the Fund's preferred admissions. In these cases, the risk is mitigated as any surplus or deficit moves back to the outsourcing employer at contract end. It also negates the need for a full bond.

The Fund is aware of Government's Access and Protection consultation (December 2025) on New Fair Deal that may bring changes to the way employers are brought into the scheme following outsourcing exercises. This area will be reviewed to account for any changes, should they be required.

Guarantors, Bonds or Other Security

Wherever possible Officers will require additional security from employers.

If an employer falls into financial difficulty the Fund is then able to call upon the additional security first. This acts as security to the Fund, thereby reducing any deficit being spread across other Fund employers.

Guarantors

If a Fund employer outsources work to an external contractor (a Transferee Admission Body) the outsourcing employer automatically acts as guarantor. Therefore, if the Transferee Admission Body is unable to meet its Fund financial commitments the Fund will request this from the outsourcing employer.

All outsourcing contracts of this nature are legally bound by the Fund's Admission Agreement.

Bonds

Under pass-through admissions, during the outsourcing of work to an external contractor Officers assess the "capital cost value". This is the amount of money the Transferee Admission Body would have to pay the Fund if all the staff aged 55 (age 57 from 2028 for non-protected members) or over, were made redundant and thereby entitled to immediate payment of pension benefits.

The contractor sets up a bond with a bond company of their choice for the sum of the capital cost value. Bond Companies usually do not allow a bond period for more than a three-year. If the contractor becomes bankrupt the Fund can call upon the bond for the value secured.

The Fund has a legally binding Bond document that this used in these cases.

Officers review the value of the capital cost at regular intervals. The period of review is usually determined by the contract length (or contract extensions), the ages of the staff employed at the contractor, and when staff reach age 55 (57 from 2028). However, Officers will review all bonds at least every three years as part of the valuation cycle.

If Officers determine that a change to the Bond value is required, they will liaise with the TAB directly at that time.

For pre-passthrough admissions (pre 2019), the Fund usually requires a full bond which is greater than the capital cost bond. This is because the risk associated with these cases can be higher.

Officers have purchased a system for tracking, recording and monitoring bond values and the dates these expire, cessation termination repayments and various other risk areas. The system will also include the risk score for each employer.

Other Securities

Whilst the Fund prefers bonds as the standard route for security, it will consider other forms of security that an employer can offer. These may include Parent Company Guarantees or security over assets e.g. property or land or setting aside money in an escrow account).

In this case a legally binding document will be provided by the Fund.

Community Admission Bodies (CABs)

The Fund has a small number of CABs. These tend to be the older historic admissions without guarantors.

The Pension Manager assesses the risk of these employers on a “case by case” basis and actively works with these employers to manage and reduce their risk wherever possible.

Employer Flexibilities – September 2020

On the 23 September 2020 Regulations regarding employer risk came into force. These Regulations are named - Local Government Pension Scheme (Amendment) (Number 2) Regulations.

These Regulations effectively fall into three areas, review of employer contributions, spreading exit payments and deferred debt agreements.

The Fund’s policy on how it deals with these are detailed in the Fund’s Funding Strategy Statement (FSS).

Ill Health Insurance

Many of the smaller Fund employers have the ill health insurance policy in place and the Fund requires all new Transferee Admission Bodies to do so.

Employers with ill health insurance pay 1% less employer contributions, as set out in the Fund’s triennial valuation report. Instead, the 1% is paid by the employer to Legal and General as an insurance against ill health retirement costs for the most severe of cases.

If a severe ill health case occurs, the employer can then offset the Fund's ill health cost against the insurance company.

One single ill health retirement can generate costs to an employer that can cause them serious financial hardship. Costs of over £500,000 for a single case have been recorded in the Leicestershire scheme.

Larger employers may choose not to pay the ill health insurance, instead paying the cost themselves or deferring the cost and having this incorporated into the calculation of future employer contribution rates at the next valuation.

Investment Portfolios per employer group

The Fund does not have specific investment portfolios for the different groups of Fund employers.

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