



Minutes of a meeting of the Local Pension Board held virtually on Microsoft Teams, on Wednesday, 4 February 2026.

PRESENT

Mr. K. Crook CC (in the Chair)

Ms. H. Butler CC
Mr. A. Cross

Mr. M. Saroya
Mr. A. Stewart

35. Minutes.

The minutes of the meeting held on 29 October 2025 were taken as read, confirmed and signed.

36. Question Time.

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

37. Urgent Items.

There were no items for consideration.

38. 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.

39. Pension Fund Administration Report, October to December 2025 - Quarter Three.

The Chairman experienced some technical issues during the presentation of the report, and was unable to communicate during the meeting, but remained present online. The Board resolved that the Vice Chairman, Mr. Kevin Crook CC take the Chair.

RESOLVED:

That Mr. Kevin Crook be appointed as Chairman.

The Board considered a report of the Director of Corporate Resources which provided information on the main administrative action in the third quarter period from October to December 2025. The report covered governance areas, including administration of Fund benefits and the performance of the Pensions Section against its performance indicators. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from discussion, the following points were made.

- i. A Member commented that the new pension website appeared well designed, was continually improving, and more accessible for scheme members.
- ii. Members received the report's update on the McCloud remedy, noting the 116 outstanding cases and other red-rated areas. It was questioned whether contingency arrangements were in place and whether backlogs were having any effect on scheme members. Officers confirmed that additional staff had been recruited, and further appointments were planned. Whilst it would have a positive impact, the benefits would be realised in the longer term due to required training. It was explained that casework was being prioritised so that scheme members whose benefits were immediately affected, such as those leaving, retiring or in death cases, were dealt with first, Lower priority areas, such as preserved benefits, were being monitored.
- iii. A Member questioned whether ongoing Local Government Reorganisation presented any concerns for the onboarding process. Officers stated that reorganisation would inevitably affect staffing and workloads as responsibilities moved from the County Council to any future authority. The Pensions Section was mindful that this could increase demand and was planning for consistent resourcing throughout the year.
- iv. With reference to the breaches log, officers undertook to inform the Chairman of any significant developments with regards to South Leicester College contributions.
- v. A Member noted the report referenced resourcing challenges and questioned whether the Section had considered the use of agency staff. Officers reported the Section was experiencing extremely high workloads, with volumes continuing to increase. Officers confirmed that temporary agency support would be considered, but any decision would need to be balanced against the time required to train temporary staff, who might not remain with the service.

RESOLVED:

That the Pension Fund Administration Report for October December 2025, Quarter Three, be noted.

40. Pension Fund Key Performance Indicators.

The Board considered a report of the Director of Corporate Resources which presented proposed improvements to how workloads and key performance indicator data was presented in the quarterly administration report, whilst also aligning the data with the requirements of the Fund's annual report. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member expressed satisfaction with the proposed changes and highlighted the difficulty of assessing performance without historical data or comparisons with similar organisations. It was requested that insight into how the service's performance compared with other sources be provided, with a suggestion to review data from the previous 18 months to identify trends. Officers confirmed the Team would consider the suggestion, and explained that internal trends were monitored monthly, with two

years of data held for retirements and deaths. Furthermore, some new reporting areas would require time to generate meaningful information, but the feedback would be taken forward.

- ii. A Member queried the absence of disputes procedure cases in Appendix C to the report. Officers clarified that these were not reported in that format but were included regularly within the administration report under the Internal Dispute Resolution Procedures (IDRPs), with new cases reported each month.

RESOLVED:

That the proposed approach to reporting workloads and key performance data, as outlined in Appendices C and D of the report, be noted.

41. Pension Fund - Business Plan and Budget 2026/27.

The Board considered a report of the Director of Corporate Resources which provided information on the Pension Fund's Business Plan and Pension Fund budget for 2026/27. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member expressed concern regarding the Fund's management costs and queried whether alternative approaches to managing those costs had been considered. Officers reported that the Fund maintained a diversified range of investments, each with differing fee structures, and that such diversification was essential. It was noted that the Fit for the Future proposals were intended to reduce costs over time by increasing the proportion of assets managed by the Pool.
- ii. Officers further advised that the Fund undertook an annual review of its investment strategy with Hymans Robertson, during which asset allocation and the associated costs were assessed. As funding positions had improved across the sector, many funds had reduced their allocation to lower-cost equities in favour of private market investments, such as property, infrastructure, and credit, which were generally lower-risk but carried higher fees. The Fund, therefore, continually balanced risk, fees, and required returns as part of the review.
- iii. A Member asked whether the ongoing governance review would consider the roles of the Board, the Committee, and the Investment Sub-Committee (ISC). Officers confirmed that the Fund would be required to retain both a Committee and a Board, and that the ISC would also remain. While significant structural change was not anticipated, given the Fund's continued responsibility for setting strategic direction, it was noted that the role of the ISC might evolve as Central assumed greater responsibilities. Matters would be examined as part of the governance review to ensure an appropriate and effective governance structure was maintained.

RESOLVED:

That the Business Plans, Training Plan and Pension Fund budget for 2026/27 be noted.

42. Draft Funding Strategy Statement.

The Board considered a report of the Director of Corporate Resources which provided information on the results of the Fund's Funding Strategy Statement (FSS) consultation. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members were informed of a proposed change to the cessation approach, by introducing a funding "corridor" to reduce the likelihood of deficit payments when employers exited the Fund. The corridor applied an 85% probability at the lower band and increased the upper band from 90% to 95% to protect the Fund and retain some surplus should an employer leave in a positive funding position. It was confirmed that exit credits would still be paid to employers funded above 95%, using the established methodology within the FSS. Final FSS amendments would be drafted by early March 2026, with both the FSS and the Actuary's final valuation report being presented to the Pensions Committee in March 2026 for approval, setting employer rates for April 2026 to March 2029.
- ii. The Board's comments were sought on one consultation issue, as to whether the negative 3% cap on the secondary rate remained appropriate. Some employers had argued that the cap was overly prudent and should be increased to 4% or 5%. Officers and the Actuary believed the 3% cap continued to provide the necessary level of prudence. Only a small number of employers across four groups, academies, colleges, universities, and some town and parish councils, were affected.
- iii. In response to questions, Officers explained that the secondary rate related solely to past service and that increasing the cap would reduce employer contributions but would not affect scheme members or their benefits. It was further reported that the risk of lowering contributions now could lead to higher rates at the next valuation if markets underperformed. Maintaining stability in employer rates remained a key objective.
- iv. Board Members discussed the issue, acknowledging the recent improvement in funding levels to 140% but recognised the current position depended on achieving future investment returns of around 6%. Members noted the risk of significant market volatility and the potential for rapid drawdowns, which supported retaining a prudent approach. It was agreed, if further modelling was available, this alongside supporting information, would be circulated to the Board.

RESOLVED:

- a) That the Board noted the draft Funding Strategy Statement report, and the proposed amendments to the FSS, that would be considered by the Pension Committee in March 2026:
 - i. The expanded information on the corridor approach for cessations.
 - ii. That detail of the exit credit methodology is included.
 - iii. That the DfE guarantor is included in the assessment of an exit credit on a case-by-case basis.
 - iv. That a covenant review is taking place to review the minimum likelihood of success for the Universities.
 - v. That the Fund will retain one investment strategy.

- b) The Board also confirmed its comments on whether the negative 3% cap on the secondary rate was too prudent, and if it should be relaxed for certain employer groups, subject to review following the receipt of additional information.
- c) Members re-confirmed their agreement for the Vice Chair to preside over the meeting in the Chairman's absence.

43. Draft Investment Strategy Statement.

The Board considered a report of the Director of Corporate Resources which provided information on 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:

That the revised Investment Strategy Statement be noted.

44. Climate Related Disclosure Progress Update.

The Board considered a report of the Director of Corporate Resources, which provided an update on the latest Climate Related Financial Disclosure Report for the Leicestershire County Council Pension Fund and activities of the Fund since approval of the Net Zero Climate Strategy. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member questioned whether the climate-related disclosures had created additional costs and, if so, how significant those costs were, and referred to earlier comments that the investments had not negatively impacted performance. An officer explained that, in relation to whether performance could have differed without certain investments, the Fund's largest climate-aware allocation had been to the LGPS Central Multi Factor Climate Fund. This was effectively an equity fund and was inexpensive to operate, with management fees of less than 0.1% per year. The alternative would have been to retain the allocation within an all-world equity fund, which the climate fund essentially mirrored, and any savings in management fees would have been minimal.
- ii. Furthermore, other investments referenced in the discussion, such as forestry, had been made for diversification purposes rather than for climate-specific reasons. Those decisions had pre-dated the more recent ESG-driven investment landscape by nearly a decade. The officer emphasised that the Fund had taken a risk-aware approach, ensuring that decisions were not made solely for climate objectives.
- iii. With respect to the LGPS Central Multi Factor Climate Fund, an officer explained that its construction reduced the Fund's exposure to potential future tax changes that might target companies with high carbon emissions. The approach mitigated the financial risk that could arise if such companies were taxed more heavily in the future. Although the Fund's carbon intensity had decreased as a by-product, the primary consideration had been risk management. Those climate-related allocations represented some of the Fund's largest holdings.

- iv. The Member sought clarification, asking whether the concern related more to potential future costs arising from carbon emissions, rather than to the emissions themselves. The officer confirmed that this interpretation was correct.

RESOLVED:

That the Climate Related Financial Disclosure Report be noted.

45. Pension Fund Training Needs Self Assessment.

The Board considered a report of the Director of Corporate Resources, which provided an update on Training Needs Self Assessments 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 11' is filed with these minutes.

RESOLVED:

That Board noted that all Members should complete the training needs self-assessment if not yet completed by Friday 6 February.

46. Pension Fund Policy Report.

The Board considered a report of the Director of Corporate Resources which provided an annual update of the Pension Fund's current strategies and policies, covering any new policies that have been introduced or amendments that had been made. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the annual report of the Pension Fund's current strategies and policies be noted.

47. Record Keeping - Data Improvement.

The Board received a report of the Director of Corporate Resources, which provided information on plans to maintain and improve the quality of pensions data held during 2026-2027. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion, the following points were made:

- i. In response to a question, it was explained that records were retained for 100 years after leaving. Although the period of time appeared lengthy, questions were occasionally received from family members regarding dependent pensions, so the extended retention period ensured the organisation could respond appropriately. It was clarified that the period had been set locally but was believed to be consistent with the practices of other authorities.
- ii. It was further confirmed that the organisation retained the records it held. If a member transferred from the Leicestershire Fund to, for example, the Warwickshire Fund, a record was kept indicating that the organisation no longer had liability. The details held while the member was part of the Fund were also retained in case of future queries, such as a scheme member asking about pension benefits previously paid into the Leicestershire Fund. Those records were likewise retained for 100 years after leaving.

RESOLVED:

That the Board note all areas of the Record Keeping, Data Improvement report.

48. Risk Management and Internal Controls and Fit for the Future Update.

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

Arising from discussion, the following points were made:

- i. A Member focused on Risk 16, where it had been noted that the mitigated risk impact score appeared to have changed. The impact score was recorded as three on the initial assessment and two on the mitigated assessment. The point had been raised to query whether this reduction in impact was intentional or whether it required review. It was emphasised that this was not a significant issue but rather an observation for accuracy. Officers confirmed that the reduction in impact over time reflected the diminishing effect of the McCloud-related element of the risk. This explanation addressed the concern raised.
- ii. Appreciation was expressed for the detailed scrutiny applied to the risk register, and the observation was acknowledged as a valuable contribution.

RESOLVED:

That the report on Risk Management and Internal Controls and Fit for the Future update be noted.

10.00am to 11.36am
04 February 2026

CHAIRMAN