



*Meeting:* **Local Pension Board**

*Date/Time:* **Wednesday, 4 February 2026 at 10.00 am**

*Location:* **Microsoft Teams**

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

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

### **AGENDA**

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 29 October 2025.		(Pages 3 - 6)
2. Question Time.		
3. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
4. Declarations of interest in respect of items on the agenda.		
5. Pension Fund Administration Report, October to December 2025 - Quarter Three.	Director of Corporate Resources	(Pages 7 - 32)
6. Pension Fund Key Performance Indicators.	Director of Corporate Resources	(Pages 33 - 52)
7. Pension Fund - Business Plan and Budget 2026/27.	Director of Corporate Resources	(Pages 53 - 84)



8.	Draft Funding Strategy Statement.	Director of Corporate Resources	(Pages 85 - 156)
9.	Draft Investment Strategy Statement.	Director of Corporate Resources	(Pages 157 - 186)
10.	Climate Related Disclosure Progress Update.	Director of Corporate Resources	(Pages 187 - 194)
11.	Pension Fund Training Needs Self Assessment.	Director of Corporate Resources	(Pages 195 - 204)
12.	Pension Fund Policy Report.	Director of Corporate Resources	(Pages 205 - 298)
13.	Record Keeping - Data Improvement.	Director of Corporate Resources	(Pages 299 - 306)
14.	Risk Management and Internal Controls and Fit for the Future Update.	Director of Corporate Resources	(Pages 307 - 318)
15.	Any other items which the Chairman has decided to take as urgent.		

**TO:**

Employer representatives

Mr. K. Crook CC  
Ms. H. Butler CC  
Cllr. E. Cutkelvin

Employee representatives

Mr. A Cross  
Mr. M. Saroya  
Mr. A. Stewart



Minutes of a meeting of the Local Pension Board held at County Hall, Glenfield on Wednesday, 29 October 2025.

PRESENT

Mr. M. Singh Saroya (in the Chair)

Cllr. Elly Cutkelvin  
Mrs. R. Gilbert  
Mr. A. Cross

Mr. P. Morris CC  
Mr. M. Squires CC

In Attendance

Mr. A. Stewart

26. Appointment of Vice Chairman.

With the agreement of Members present, the Chairman took the following agenda item first.

It was moved by Mr. Morris, and seconded by Mr. Squires:

“That Mr. Kevin Crook be elected Vice Chairman for the period until the next Annual Meeting of Council”.

RESOLVED:

That Mr. Kevin Crook be elected Vice Chairman for the period until the next Annual Meeting of the County Council in 2026.

27. Minutes.

The minutes of the meeting held on 3 September 2025 were taken as read, confirmed and signed.

28. Question Time.

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

29. Urgent Items.

There were no items for consideration.

30. Declarations of Interest.

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

No declarations were made.

31. Pension Fund Administration Report, July to September 2025 - Quarter Two

The Board considered a report of the Director of Corporate Resources, which provided information of the main administrative actions in the second quarter period from July to September 2025, and covered governance areas including administration of the Fund benefits and the performance of the Pensions Section against its performance indicators. 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 requested that acronyms not be used in reports to avoid confusion when referring to either Leicester City Council, and Leicestershire County Council.
- ii. Officers reported that they were on track regarding the implementation of the McCloud remedy for retirements. The initial deadline was to include McCloud-related data in benefit statements issued on 31 August 2025 for active and deferred members, which was achieved. Since November 2023, standard processes had incorporated McCloud requirements, so any new retirements were assessed accordingly.
- iii. Remaining work involved retrospective cases, namely members whose benefits were calculated before the regulations came into effect in October 2023 and had left employment from April 2015, which were currently being addressed. It was added that the work would be challenging but had been resourced appropriately, and the Board would be informed of work progress as the August 2026 deadline approached.
- iv. Members received assurances that the timeline for work on the Pension Fund's new websites were on course for completion by 30 November.
- v. A member asked why the percentage of death benefit payments made within 10 days was lower than other retirement and pension payments. It was explained that death benefit cases were more complex, requiring additional checks and information, unlike straightforward retirement cases.
- vi. In response to a query as to why average days were not showing for retirement benefit notification and pension payments, it was reported the figures had been removed recently as they were not helpful for assessing target achievement due to inconsistencies in other areas which had made the data misleading. Reporting practices were being reviewed, and KPI data reporting would be revisited.

RESOLVED:

That the Pension Fund administration report for July to September 2025 (quarter two) be noted.

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

The Board considered a report of the Director of Corporate Resources, which provided information of the indicative whole fund valuations results and the proposed changes to the Fund's Funding Strategy Statement (FSS) appended to the report. 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 questioned that, given the ageing workforce, if there was any proactive effort by Leicestershire County Council to promote pension membership among younger employees, to ensure long-term sustainability, particularly with upcoming local government reorganisation. Officers responded that the Local Government Pension Scheme (LGPS) operated as an early auto-enrolment scheme, so new employees were automatically enrolled under the regulations, ensuring a steady flow of new members. While some people would opt out, they were re-enrolled every three years under legislation. Recent government consultation focused on monitoring opt-outs and potentially introducing a national opt-out process, and no issues were foreseen with future membership.
- ii. Regarding early retirements, if members left before normal retirement age voluntarily, their benefits were actuarially reduced, making it cost-neutral for the fund. Redundancies or efficiency exits generated a capital cost, which employers covered. Ill-health retirements and other factors were accounted for in the valuation process and monitored quarterly. While local government reorganisation could increase redundancies, employers were responsible for any shortfall payments, so the fund remained protected. Employers also had a duty to inform new recruits about the scheme, and the Pension Team ensured members were set up and supported through self-service tools.

RESOLVED:

That the Board noted:

- a) The Whole Fund Valuation Rate of 140%;
- b) The draft Funding Strategy Statement (FSS); and
- c) That employer consultation on the FSS would commence in November 2025, once indicative employer rates were available.

33. Risk Management and Internal Controls

The Board considered a report of the Director of Corporate Resources, the purpose of which was to provide information on any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulators' Code of Practice. 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 urged Board Members to take up the training organised and recommended by officers. Members were requested to note the requirement to

complete all of the online Hymans Aspire module training within six months of being appointed to the Board.

- ii. Members would receive and be asked to complete a training needs assessment in order to identify any areas of training required. A Member requested that the training be targeted and focussed for the requirement of Board Members.

RESOLVED:

That the Risk Management and Internal Controls report be noted.

34. Dates of Future Meetings.

RESOLVED:

That it be noted that future meetings of the Board would be held at 10.00am on the following dates:

4 February 2026  
29 April 2026  
29 July 2026  
14 October 2026

Members were also asked to note the Fund's Annual General Meeting on 15 December 2025, which would be open to all scheme members (existing, deferred and retired) to attend.

10.00am to 10.43am  
29 October 2025

CHAIRMAN



**LOCAL PENSION BOARD – 4 FEBRUARY 2026**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PENSION FUND ADMINISTRATION REPORT**

**OCTOBER to DECEMBER 2025 - QUARTER THREE**

**Purpose of the Report**

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

**Background**

2. The Pensions Section is responsible for the administration of Local Government Pension Scheme benefits of the Leicestershire Pension Fund's 109,262 members.

**Performance Indicators**

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

**Performance of Pensions Section**

4. The results for the quarter October to December 2025 are reported in Appendix A.
5. The existing reporting approach will continue for 2025-2026 and the plan is to implement the new reporting changes from 1 April 2026.

## **Governance – Service Delivery**

### **General Workloads**

6. The tables show the volumes in each work area during the months October to December 2025.
7. The Pensions Manager has included a RAG rating to each work area to highlight which areas are below target, close to target, or good or better than target.
8. The rating compares the cases that can be processed to the maximum target number of cases at month end. The maximum target is the desired number of cases not to be exceeded. This is designed to assist Officers to identify the work areas that require the greatest immediate attention.

<b>Target</b>	<b>Rating</b>
Below target	▼
Close to target	►
Good or better than target	▲

### **October 2025**

<b>Area</b>	<b>Cases Completed</b>	<b>Cases Ready for Processing</b>	<b>Maximum target number of cases that can be processed at month end</b>	<b>Rating</b>
Preserved Benefits	51	1341	1,000	▼
Aggregations	177	1580	1,000	▼
Transfers in	102	118	200	▲
Retirement Options	279	136	300	▲
Retirements Paid	252	62	300	▲
Deaths	124	69	200	▲
Pension Estimates	74	60	250	▲
Transfers out (excluding interfunds out) *	13	65	75	▲
Refunds	59	31	204	▲

New starters set up**	632	N/A	N/A	
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**November 2025**

Area	Cases Completed	Cases Ready for Processing	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	145	1235	1,000	▼
Aggregations	78	1553	1,000	▼
Transfers in	42	130	200	▲
Retirement Options	203	174	350	▲
Retirements Paid	203	51	350	▲
Deaths	106	58	200	▲
Pension Estimates	128	48	250	▲
Transfers out (excluding interfunds out) *	33	62	100	▲
Refunds	60	31	400	▲
New starters set up**	768	N/A	N/A	N/A

**December 2025**

Area	Cases Completed	Cases Ready for Processing	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	47	1345	1,000	▼
Aggregations	132	1494	1,000	▼
Transfers in	22	164	200	▲

Retirement Options	195	109	300	▲
Retirements Paid	200	28	300	▲
Deaths	117	56	200	▲
Pension Estimates	68	54	250	▲
Transfers out (excluding interfunds out) *	23	64	100	▲
Refunds	68	42	400	▲
New starters set up**	947	N/A	N/A	N/A

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

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

9. The two areas with a red rating (preserved benefits and aggregations) continue to be closely monitored. Processing these cases continues to be impacted by McCloud remedy complexity and recently, resource has been moved away from these areas to address other issues such as contribution balancing and employer onboarding (see 'Year End 2025-26' in this report). In addition, since January increased resource has been added to the helpdesk following the launch of the new website.
10. Two new apprentices will be recruited shortly and whilst they will primarily be used to assist with the year-end issues described above this should allow some resource to be allocated to the red-rated areas. In addition, recently appointed Pensions Assistants are currently being trained to assist with some of the cases. However, numbers are expected to remain high in the short term.

### **Governance – General**

#### **Complaints – Internal Disputes Resolution**

11. The Pension Section deals with complaints through the Local Government Pension Scheme's formal Internal Dispute Resolution Procedure (IDRP). However, complaints are usually resolved informally, avoiding the need for the IDRP to commence. Initial complaints are often caused by misunderstandings or human error and can quickly be resolved.
12. There were no new Stage 2 IDRPs raised during the quarter.

### **Breaches Log**

13. The one area of concern relates to an on-going failure to pay pension contributions by South Leicester College. The College has experienced some unprecedented issues that caused the payment delays. Until now, the College has always paid correctly and on time. The Pension Manager has reviewed the case using The Pension Regulators Code and deemed this a material breach. This has been reported to The Pension Regulator.
14. The Pensions Manager is in regular contact with the College and The Pensions Regulator, and a payment plan has been agreed and put in place. The first two payments on the plan have been made in full and on time. The Pensions Manager is confident the situation will be resolved fully, and there is no impact on scheme members' pension benefits.
15. The Pension Regulator is unlikely to escalate this case provided that the College adhere to the plan.
16. This case will be captured on the annual breaches log for year ending 31 March 2026.

### **Governance – Audit**

17. There were two new Internal Audit reports received in the quarter.

#### **Contribution Collection 2025-2026 Exercise**

18. The objective of the audit was to ensure that contribution rates have been correctly applied from 1 April 2025, for both Leicestershire County Council and other employing bodies.
19. Audit officers gave substantial assurance, that based on the answers provided during the audit and the testing undertaken that the controls in place to reduce exposure to those agreed risks currently material are being managed effectively.
20. Two recommendations were made. Firstly, that any differences between the bank statement and the accounting system should be identified and rectified promptly. Secondly, that those organisations who fail to submit payments as per The Pension Regulator requirements should be reminded to comply with the regulations.
21. These were both accepted by the Pensions Manager.

#### **Pension Creations 2025-2026 Exercise**

22. The objective of the audit was to review payments for new pensioners, including lump sum payments and death grants.
23. Audit officers gave substantial assurance, that based on the answers provided during the audit and the testing undertaken that the internal controls in place to

reduce exposure to the agreed risks currently material are being managed effectively.

24. There were no recommendations.

### **Pension Websites**

25. The new pension websites were launched on 6 January 2026. There had been a slight delay from the original intended date of 9 December 2025 following a decision to add 'EIDV' (Electronic Identification Verification), a new secure method of verifying a member's identity as part of the registration process by comparing a passport or driving licence with a 'selfie' taken on the member's smartphone, and 'SMS Multi Factor Authentication' which adds an extra layer of security for the user when logging in. These facilities required additional testing, which caused the delay.

26. There are also alternative ways that members can register, including an option to speak to the Pensions Help Desk.

27. Prior to going live, a message was added to the old site advising users of the change and a bulletin was also circulated to employers.

28. On 7 January, emails began to be issued to scheme members who had previously registered for a Member Self Service online account, advising that they will need to register for a 'My Pension' account (previously referred to as Engage) on the new site, starting with pensioners, before active and deferred members were contacted.

29. The launch resulted in a significantly higher number of calls to the Help Desk. During the first week, around 200 calls were received each day (usually around 50). Additional staff were added to take calls and missed calls were limited to around 8 per day on average.

30. The total number of scheme members that had registered a My Pension account on 14 January 2026 was approximately 10,000.

31. The websites were launched ahead of the 'end of life' deadline for the previous website, which was 31 January 2026.

### **Next Steps**

32. Officers will monitor the website closely over the few months and seek to make changes if any are required, following feedback.

33. A final update on the website including the latest registration numbers will be provided at the next Board meeting.

### **McCloud and Dashboards**

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

### McCloud

35. Officers continue to work on the implementation of the McCloud remedy. The current focus is on the adjustment of pensions for pensioners who are eligible for an increase under the remedy. These cases are complex but work is underway. There are 216 cases outstanding currently.

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

37. The current position as at 14 January 2026 is below.

<b>'Business as Usual' Casework</b>	Following the implementation of the McCloud remedy on 1 October 2023, all 'Business as Usual' cases have included an assessment to establish any entitlement to additional benefit arising from the remedy, and where this was established, was included in calculations.
<b>Changes to contractual hours between April 2014 and March 2022</b>	<p>Data has been received from all employers and manual updates have now been <b>completed</b>.</p> <p>Whilst other cases are likely to emerge, for example where scheme members previously not in-scope declare membership of other public sector pension schemes that could mean they become in-scope for this exercise, this phase of the project has now finished. Any remaining cases will be addressed as part of 'Business as Usual' casework following their date of leaving.</p>
<b>Active and Deferred Members 'in-scope'</b>	<p>Records of active and deferred members must be updated with underpin data (used to establish additional pension due to the McCloud remedy) for inclusion in Annual Benefit Statements by <b>31 August 2025</b>.</p> <p>Records will be updated using 'bulk' facilities available in Altair and any errors will be addressed manually.</p> <p><b>This was completed by 31 August 2025.</b></p>
<b>Pensioners 'in-scope'</b>	'Bulk' facilities available in Altair will be used to identify pensioners (including dependant pensioners) who are entitled to

	<p>an underpin (additional pension) by <b>30 September 2025</b>.</p> <p><b>560 cases</b> were originally identified</p> <p><b>216 cases</b> remain outstanding</p> <p>The work required to increase their pension value will be completed by <b>31 August 2026</b>.</p>
<b>Other members 'in-scope'</b>	<p>Remaining categories of McCloud related work will also be processed by <b>31 August 2026</b>.</p> <p>This will include:</p> <p>Death Cases Transfers Interfund Adjustments Trivial Commutations Teachers (Enhanced Pensions)</p> <p>Some aspects of transfers will require system upgrades to be applied before re-calculations can be processed.</p> <p>To date <b>395 cases</b> have been identified in these categories and these will need to be worked through. This figure is based on current information and may be subject to change.</p>

### **Pension Dashboards Programme (PDP)**

38. Following the conclusion of the exercise to connect to the dashboard eco-system, a national consumer testing exercise is underway, as previously reported. However, officers have yet to be contacted about any cases. Testing is expected to increase in the new year and findings will be reported at a future meeting.

39. Two issues relating to AVCs have been identified.

#### **AVC Values**

40. Prudential have advised that some of their AVC members' fund values may not be automatically available for viewing on the dashboard. They have provided a workaround process to ensure that if this data is requested, they will be able to respond quickly and provide this information manually. The situation regarding this issue will be monitored.

### Aligning of Main Scheme and AVC Dates

41. Nationally, an issue has been raised where 'single source' schemes, such as Leicestershire, will have some members where the retirement dates for their main benefits and their AVC benefits differ. The Pension Dashboard Regulations 2022 state that all pension benefits data provided by a scheme must share the same retirement date. It has been noted that some members of this Fund who have an AVC have a different retirement date for their AVC when compared to their main LGPS pension. This is because normal retirement dates have changed over the years and also AVC payers can state their intended retirement date when setting up their AVC account.
42. The Department for Work and Pensions have acknowledged that is an issue and are considering the wording of the regulations currently and will advise further once a final view is reached.
43. These are both technical issues and are included here simply for awareness. Scheme members benefits will not be affected.

### Member Data Services Framework

44. Officers launched the procurement exercise on 18 December 2025 to appoint mortality screening and address tracing providers who have signed up to the National LGPS Framework. The closing date for this exercise is 23 January 2026.
45. After the closing date, officers will assess the submissions and seek to appoint providers.
46. A verbal update on progress will be provided at today's meeting, and a further update on this exercise will be included in the next report.
47. A further update on this project will be provided in this report at the next Board meeting. The timeline is below.

Action	Deadline Date
Confirmation of Matching Criteria	Received 1 October 2025
AVC Data Matching exercise completed	Completed by 30 September 2025
Complete Initial Address Tracing Exercise	Completed by 30 September 2025
Connect to Dashboards eco-system:	Completed by 1 October 2025
<i>Phase 2 'kick-off' call</i>	<i>1 September 2025</i>
<i>ISP set-up configured</i>	<i>w/c 15 September 2025</i>
<i>UAT acceptance signed</i>	<i>w/c 15 September 2025</i>
<i>Connection information provided</i>	<i>w/c 22 September 2025</i>
<i>PDP connection process completed</i>	<i>w/c 29 September 2025</i>

<i>Onboarding completed</i>	<i>3 October 2025</i>
Establish Internal Processes	31 March 2026
Procure Member Data Services	31 March 2026
National Testing Exercise	31 October 2026
Connection Date (all schemes)	31 October 2026
Dashboards Available Point (DAP)	TBC

### **Year End 2025-2026**

48. Ahead of the 2025-26 year-end exercise officers are focussing on reducing backlogs in two areas, 'employer onboarding' and 'contributions balancing'.

#### **Employer Onboarding**

49. When a new employer joins the Fund, one of their responsibilities is for ensuring that payrolls submit monthly pension contributions data through the i-Connect system. The onboarding exercise can be a lengthy process, dependant on such factors as size, payroll reporting capabilities and employer resource. A significant part of the process is checking that the initial submissions are correct, both in terms of format and content.

50. The onboarding process will also apply where an employer changes payroll provider.

51. There is a backlog of cases outstanding. This is an exercise that is usually put on hold when the year-end exercise was in progress due to the resource being prioritised to ensure Annual Benefit Statements are produced by their statutory deadline.

52. Last year's year-end was challenging because of the number of payroll changes plus internal staffing changes, resulting in time spent training inexperienced staff whilst managing the wider year-end project.

53. The 'Governance - Employer Risk' section of this report details the current level of on-going admission agreements. Local Government Reorganisation may also mean another increase in outsourcing creating new employers.

54. The Pensions Manager is looking at resource in this area to assist with the backlog and to future proof this growing area of work and complexity.

55. Currently there are 47 employers that will need to be onboarded. For new employers, some will need to complete the admission agreement process before the work can begin. The current position is:

<b>Category</b>	<b>Totals</b>
Outstanding moves	47
Admission agreements in progress	9
Data checks in progress	38

56. The onboarding exercises will need to be completed to enable Annual Benefit Statements to be produced by 31 August, the statutory deadline.

### Contributions Balancing

57. Pension contributions are paid monthly by employers to the Fund. These amounts are recorded on the 'EPIC' database administered by the Investment Section and officers in Pensions compare these amounts to the figures that have been uploaded to Altair via i-Connect. Where they do not match, a query is raised with the employer. For resourcing reasons this exercise is often put on hold whilst year end is underway to allow focus to switch to the production of Annual Benefit Statements.
58. Since a large number of schools moved away from EMSS to other payroll providers in 2023, this exercise has required more resource. This is because when the schools were paid by EMSS they were included in the balancing of one employer, i.e. Leicestershire County Council, which was simpler to manage. The schools are now treated separately, as is the balancing, which now takes significantly longer than before.
59. The number of employers moving to different payroll providers and the admission of new employers following TUPE transfers has also risen.
60. Currently there are 273 submissions to balance each month (up until July there were 274, but one employer became inactive). Current figures show that there were 2,192 submissions to balance covering April – November.

<b>Category</b>	<b>Totals</b>
Balancing completed	1521
Figures queried (with employer)	89
Outstanding (with Pensions)	206
Data missing (e.g. iConnect or EPIC)	376
Total	2192

61. If balancing has not been completed by the end of April, this will cause delays in balancing contributions for the submission of the year end accounts.
62. The Pensions Manager is reviewing this alongside the increasing employer onboarding work, to provide increased resource and resilience in this growing area of work.
63. An update on progress in these two areas will be provided at the next meeting.

### **'Access and Fairness'**

64. The Local Government Association (LGA) have emailed administering authorities to advise that the Government will be implementing some changes to the scheme following the ['Access and Fairness' consultation](#) which closed on 7 August 2025.

Leicestershire's response to the consultation was reported to the Board on 3 September 2025.

65. It is understood that the Government plans to phase in the changes to ease the administrative impact. Phase one changes will be introduced in April 2026 and phase two will follow 'later in the year'.

66. Legislation will be laid at the start of March and take effect from 1 April 2026.

67. The phase one changes cover:

- Survivor benefits and death grants
- Gender pensions gap benefits
- Gender pensions gap reporting
- McCloud remedy
- Abolition of lifetime allowance changes
- Five-year refunds
- Changes to de-minimis small pot payments

68. The notification from LGA was received on 12 January 2026 just prior to the submission of this report. Officers will digest the content and present an update on implementation plans at the next Board meeting.

#### **'Access and Protections' Consultation**

69. On 13 October 2025, the Government launched the 'Access and Protections' consultation. It covers some proposals relating to pension benefits in the scheme and access to the scheme.

70. The consultation covers four areas and follows on from the Access and Fairness consultation. The areas are:

- Normal Minimum Pension Age;
- Mayors and Councillors;
- Academies and applications directions (removing Secretary of State approval);
- New Fair Deal

71. Some of the proposals are in response to a range of long-standing concerns, particularly in relation to Fair Deal.

72. Leicestershire's response to the consultation was issued in December and a copy attached to the report at Appendix B.

#### **Governance – Employer Risk**

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

74. In the table below, the outstanding cases are listed in risk order, highest to lowest.

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

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

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

77. The position on 13 January 2026 is as follows.

<b>Letting employer and Contractor</b>	<b>Outstanding Issue</b>	<b>Type of admission agreement and start date if outstanding</b>	<b>Full or Capital Cost Bond / Value and End Date</b>	<b>Comments</b>	<b>Fund Risk Level</b>
MCS Cleaning (Leics CC, St John)	Admission Agreement and Bond  (2 members)	Pass-through 1 May 2025	£23,000	Draft admission agreement and draft bond agreement circulated for approval.  Officers continue to chase MCS Cleaning.	High
Innovate Services (Mowbray ET)	Admission Agreement  (11 members)	Pass-through 1 August 2025	n/a	Final admission agreement circulated for signatures.  Awaiting signed counterpart from Mowbray Education Trust.  Officers continue to chase the Trust.	High
The Old Pots (Leics CC, Beacon Hill)	Admission Agreement  (1 member)	Pass-through 11 August 2025	n/a	Draft admission agreement circulated for approval.  Officers continue to chase The Old Pots.	High
Coombs (Raleigh Ed Trust)	Admission Agreement  (2 members)	Pass-through 22 August 2025	n/a	Draft admission agreement circulated for approval.  Officers continue to chase Raleigh Education Trust and Coombs Catering.	High

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments	Fund Risk Level
Coombs (City, Herrick PS)	Admission Agreement (2 members)	Pass-through 26 August 2025	£33,000	Draft admission agreement and draft bond agreement circulated for approval.  Officers continue to chase Leicester City Council and Coombs Catering.	High
Freshstart (City, Hazel PS)	Admission Agreement (3 members)	Pass-through 26 August 2025	n/a	Final admission agreement circulated for signatures.  Awaiting signed counterpart from Leicester City Council and Freshstart Cleaning.  Officers continue to chase both parties.	High
Churchill Contract (Learn AT)	Admission Agreement (21 members)	Pass-through 20 October 2025	n/a	Final admission agreement circulated for signatures.  Awaiting signed counterpart from Learn AT and Churchill Contract  Officers continue to chase both parties.	High
Aspens (City, 15 schools)	Bond (52 members)	Pass-through 29 March 2025	£22,000	Admission agreement completed.  Leicester City Council and Aspens have agreed a cash deposit of £22,000 instead of a bond of £346,000. City are the ultimate guarantor so the pension risk sits with City. As they agreed the £22,000 cash deposit value, the Pension Manager approved this amount.  Final cash deposit agreement circulated for signatures. Received Aspens signed counterpart. Awaiting Leicester City Council's signed counterpart.	Low

Letting employer and Contractor	Outstanding Issue	Type of admission agreement and start date if outstanding	Full or Capital Cost Bond / Value and End Date	Comments	Fund Risk Level
				Officers continue to chase Leicester City Council.	
Stir Food (City, Folville JS)	Bond (3 members)	Pass-through 29 March 2025	£26,000	<p>Admission agreement completed.</p> <p>Draft bond agreement approved by Leicester City Council. Awaiting approval from Stir Food before circulating the final agreement for signatures.</p> <p>Officers continue to chase Stir Food.</p>	Low

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

- Aspens (City, Slater PS) – Admission Agreement
- Dolce (Church Hill C of E Jr) – Admission Agreement

79. In addition to the cases in the grid, Rushcliffe Care's bond agreement expired on 31 March 2024 and needs to be extended. Officers have chased without success. This has been escalated to Leics CC Legal Services who have written to Rushcliffe Care, and if this does not resolve the issue, it will be escalated further.

80. The Pensions Manager is reviewing the outstanding cases regularly and the cases that are not concluded by the end of the financial year will be escalated. Consideration will be given to imposing fines based on the circumstances of the case.

### **Recommendation**

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

### **Equality Implications**

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

**Appendices**

Appendix A: Key Performance Indicators Quarter Three

Appendix B: Access and Protections Consultation Response

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Quarter Three - 1 October 2025 to 31 December 2025

Business Process Perspective	Target	This Quarter		Ave.days	Previous Quarter	Customer Perspective - Feedback	Target	This Quarter		Previous Quarter
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	N/A	94%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	97%	▲	99%
Pension payments made within 10 working days of receiving election	95%	97%	▲	N/A	96%	Experience of dealing with Section - rated at least good or excellent	95%	88%	▶	90%
Death benefits/payments sent to dependant within 10 working days of notification	90%	80%	▼	8	89%	Establish members thoughts on the amount of info provided - rated as about right	92%	95%	▲	96%
						Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	98%
Below target	▼					Email response - understandable	95%	100%	▲	100%
Close to target	▶					Email response - content detail	92%	95%	▲	100%
Good or better than target	▲					Email response - timeliness	92%	91%	▶	96%

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## **Access and Protections – LGPS Consultation**

**Covers 4 areas;**

- 1. Normal Minimum Pension Age**
- 2. Mayors and Councillors**
- 3. Academies and applications for directions (removing Secretary of State approval)**
- 4. New Fair Deal**

**Section One - Normal Minimum Pension Age (NMPA)** – It is proposed to increase the minimum retirement age from 55 to 57 in April 2028 for people without a protected pension age. Members who were in the LGPS immediately before 4 November 2021 retain the protected pension age.

Q1 – Do you agree with keeping the NMPA at below 57 for members with a protected pension age?

A1 – Yes

Q2 – Do you agree with increasing the NMPA to 57 for members without a protected pension age?

A2 – Yes, other than for those members who have transferred in benefits from elsewhere with a protected pension age of 55, that lose this protection on transfer.

Q3 – Do you have any views on the design of the regulations to incorporate this change?

A3 – No

**Section Two – Access for councillors and mayors** – It is proposed to allow access to the LGPS for councillors and mayors from April 2026

Q4 – Do you agree with the proposal to give mayors access to the scheme?

A4 – Yes, but from April 2027 to allow time for employers to manage the necessary budget change to reflect the increase in employer contributions.

Q5 – Do you agree with the proposal to give councillors access to the scheme?

A5 – Yes, but from April 2027 to allow time for employers to manage the necessary budget change to reflect the increase in employer contributions.

Q6 – Do you agree with the two principles of how the government plans to develop regulations?

- As far as possible, elected members should be treated the same as other members of the LGPS
- As far as possible, elected members should be treated in a way that is consistent with the LGPS in Scotland, Northern Ireland and pre 2014 England and Wales

A6 – Yes, but for simplicity of administration and systems, Officers recommend the Councillors scheme mirrors the current CARE scheme (since April 2014) available for non-councillors. Where Funds have made their own local policy decisions, these must also apply, (as an example; not accepting transfers in from other schemes except Club or interfunds).

Q7 – Do you have any specific comments on the draft regulations?

A7 – Yes, practically employers will need time to check/amend their payroll systems to ensure this group of scheme members (if they have opted not to join) are not brought back into the scheme via auto enrolment, and our proposed April 2027 implementation date for budget reasons as detailed in answers 4 and 5.

### **Section Three – Establishing criteria and removing the requirement for Secretary of State consent where criteria are met.**

#### **The criteria proposed is;**

- There must be clear evidenced value for money in favour of consolidation
- There should be pre-existing relationship with the administering authority that the MAT wishes to join or consolidate with
- All administering authorities involved agree to the change
- Receiving administering authority must be able to administer the transfer effectively
- “Contribution rate shopping” should be limited – i.e. where an employer wants to transfer to another Fund, primarily based on where it can get the lowest rate.

Q8 – Do you agree with the proposal to establish the criteria above in legislation

A8 – Yes, but it must be made explicitly clear, employers can not transfer between Funds simply to reduce their employer contribution rate. Otherwise, there’s a risk that after each 3-year valuation cycle, employers will want to move Funds. Allowing “contribution rate shopping” would create a complex, timing consuming, administratively challenging and costly exercise.

Q9 – Do you have any views on how contribution rate shopping can be discouraged?

A9 – By making the Regulations explicit in not allowing contribution rate shopping.

However, if the Regulations were not made explicit, there should be nationally agreed rules on how Funds assess and calculate employer contribution rates for Academies. Some Funds assess rates by individual employer, other Funds assess the Academy rate as a single pooled rate.

Accepting each Fund will set its own valuation assumptions and rules, if there was more consistency and guidance this would go some way towards removing some contribution rate discrepancies between Funds.

Q10 – Are there any other criteria that should be included?

A10 – Yes. Officers feel there should be a geographical limit set from the Head Office of the Multi Academy Trust, designed to limit transfers to only neighbouring local Funds.

Officers feel there needs to be clear Government policy on how “value for money” is decided and this is not for Funds to interpret and decide. This is designed to provide consistency and reduce disputes.

Q11 – Do you have any comments or considerations relating to establishing the criteria in legislation?

A11 – No

Q12 – Do you agree to the removal of the requirement to seek Secretary of State consent for standard direction order applications?

A12 – Yes, for those simple cases where there is no contention among all parties and all criteria is achieved.

Q13 – What would be the most helpful information to include in guidance?

A13 – To not allow contribution shopping and guidelines on value for money.

Q14 – Do you have any other comments or consideration on the removal of the requirement to seek Secretary of State consent for standard order applications?

A14 – No

#### **Proposal for applications where criteria are not met.**

Q15 – Do you agree that non-standard applications will continue to require Secretary of State approval?

A15 – Yes, although the Fund will work sensibly to try and resolve any cases before this situation arose.

Q16 – What would be the most helpful information to include in the guidance in relation to nonstandard applications that will require Secretary of State approval?

A16- The Fund feels this is an area that will develop depending on cases as this progresses nationally. Therefore, this should remain under review and updated as required.

Q17 – Do you have any further comments regarding the proposal?

A17- No

**Section Four - New Fair Deal** – The proposal is to provide greater protection for eligible employees who are compulsorily transferred to service providers.

Q18 – Do you agree that the option to offer broadly comparable schemes should be removed, except in exceptional circumstances, to align with 2013 Fair Deal guidance?

A18 – Yes. Practically, this has been the case for many years already, so this now confirms what is already the process for most cases.

Q19 – Are you aware of any other broadly comparable schemes that are currently in operation and have members covered by the 2007 and/or 2012/2022 Directions?

A19 – No

#### **Removal of admission body option for future local government outsourcings**

Q20 – Do you agree with the proposals on deemed employer status and the removal of admission body option for service providers who deliver local government contracts?

A20 – Yes, the Fund feels this change will reduce the pension risk to the staff that transfer and improve administration. Under the current pass-through process, the pension risk sits with the outsourcing employer, and this will remain (as the Fair Deal - deemed employer) under the new proposed process.

#### **Fair Deal employers**

Q21 – Do you agree with the proposed definition of a Fair Deal employer?

A21 - Yes

#### **Protected transferees**

Q22 – Do you agree with the proposed definition of a protected transferee?

A22 – Yes

Q23 – Do you agree with the proposal to allow the Fair Deal employer to provide protected transferee status for all staff working on a contract outsourced by a Fair Deal employer, which would enable Fair Deal employers and relevant contractors to avoid creating a two-tier workforce on outsourced contracts?

A23 – The Fund does not think staff employed subsequently (i.e. after the original outsourcing) should be included. These staff may have never had any previous employment that provides entitlement to the LGPS employment, and it seems unusual to allow them to join in this scenario. However, if the Regulations were to allow this, the Fund feels this decision should ultimately fall with the Fair Deal employer (on a case-by-case basis), as they would be taking the pension risk if they decided to allow this.

### **Responsibilities for relevant contractors**

Q24 – Do you agree with the overall approach on responsibilities for relevant contractors and Fair Deal employers? If you do not, with which proposals do you disagree?

A24 – The Fund feels the proposed changes are positive, and whilst there are items to work through for each case, the benefits outweigh the current process. The Fund agrees with the overall approach and responsibilities and suggest guidance is needed that Funds can share with any party entering an outsourcing, under this proposal.

### **Continuity of responsibilities across contractors**

Q25 – Do you agree that Option 1 should be applied to how agreements between protected transferees and relevant contractors should be treated in the case of subsequent outsourcings? Please give the reasons for your answer.

A25 – The Fund prefers Option 1 as this simplifies pension arrangements for the staff. Relevant new contractors would need to consider pension arrangements when deciding to bid for the contracts, but this is just one consideration, amongst others.

### **Exceptional arrangements – continuation of broadly comparable schemes**

Q26 – Do you agree with the approach to allow broadly comparable schemes to continue only in exceptional circumstances?

A26 – Yes

Q27 – Do you have any views on what the exceptional circumstances, where broadly comparable schemes may need to continue, could be?

A27 – No

### **Transitional arrangements – inward transfers from broadly comparable schemes?**

Q28 – Do you agree with the proposed approach to inward transfers from broadly comparable schemes?

A28 – The Fund believes this will be a rare event, so the implications are minimal, and therefore feel the approach is reasonable.

### **Early re-negotiation of contracts**

Q29 – Do you agree with the approach of including a mechanism in the draft regulations that allow for staff to become protected transferees where there is an early re-negotiation of a service contract using the new Fair Deal regulations?

A29 – The Fund believes this will be an exceptionally rare event but feel there should be a consistent approach taken where this happens, and it would be for the employers to consider the legal implications and costs this will incur, not the Pension Fund.

### **Optional expansion of New Fair Deal beyond originally outsourced workers**

Q30 – Do you agree with the proposal that all staff (including those joining a contract after first outsourcing) would be eligible for protected transferee status, providing all relevant parties agree?

A30 – As in answer 23, The Fund does not think staff employed subsequently (i.e. after the original outsourcing) should be included. These staff may have never had any previous employment that provides entitlement to the LGPS employment, and it seems unusual to allow them to join in this scenario. However, if the Regulations were to allow this, the Fund feels this decision should ultimately fall with the Fair Deal employer (on a case-by-case basis), as they would be taking the pension risk if they decided to allow this.

### **Implementation of New Fair Deal proposals**

Q31 – Do you agree with the proposal for the draft regulations to come into force on the date the relevant SI is laid, with a 6-month transitional period during which there is the possibility to decide to not apply the new provisions?

A31 – Yes

Q32 – If you are an individual who is currently outsourced from a local authority and part of a final salary scheme, do you agree with the proposed updating of the 2007 and 2022 Directions to deem the LGPS as broadly comparable to, or better, than final salary schemes

A32 – N/A

Q33 – Do you agree with the proposal to develop and publish statutory guidance and SAB guidance to support with the implementation of the updated Fair Deal proposals?

A33 – Yes

Q34 – Are there any additional topics that you would like to be covered?

A34 – No

Q35 – What impact do you think these proposals would have on members?

A35 – No negative impact on active scheme members. However, the Fund questions if there maybe future appeals from pensioners or preserved members who leave/retire and receive their benefits from broadly comparable schemes, if their benefits end up being less than if they had remained in the LGPS.

Q36 – Do you support the proposal to bring all eligible individuals back into the LGPS, including those in broadly comparable final salary schemes?

A36 – The Fund feels this should be an individual members decision, thereby putting the responsibility on the member to decide the best solution for them personally. If the decision is forced on a member, and the benefits end up being lower in the LGPS (accepting this is unlikely), this may cause a future IDR appeal.

Q37 – On balance, do you agree with the proposal in this chapter?

A37 – On balance, yes.

### **Public Sector Equality Duty**

Q38 – Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals?

A38 – No

Q39 – Do you agree to being contacted regarding your response if further engagement is needed?

A39 – Yes

Ian Howe

Pensions Manager

18 December 2025

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**LOCAL PENSION BOARD - 4 FEBRUARY 2026**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**PENSION FUND KEY PERFORMANCE INDICATORS REPORT**

**Purpose of the Report**

1. The purpose of this report is to present for the Board proposed improvements to how workloads and key performance indicator data is presented in the quarterly administration report, whilst also aligning that data with the requirements of the Fund's annual report.

**Background**

2. A regular administration report is presented to the Board that includes information relating to the performance of the Pension Section and their administrative casework in the previous quarter.
3. The report's 'General Workloads' section contains details of the volumes in each work area during the quarter. The table details numbers of cases completed and those ready for processing.
4. There is also a table shown in the appendix detailing performance against the Section's Key Performance Indicators (KPIs). These are split into two categories, 'Business Process Perspective', covering performance in respect of retirement and death cases, and 'Customer Perspective – Feedback', which measures member satisfaction levels.
5. This information is also used by the Pension Manager and the Team Managers to assess workloads, highlight areas of concern more quickly and enable internal resource to be moved as required. Monthly updates are circulated to all Pensions staff for awareness.
6. The annual position regarding workloads and KPIs are also published in the Fund Annual Report. However, the requirements have recently changed and there are additional areas to include that are not included in the data sent to the Board.

### **Proposed Approach**

7. Officers have begun to review whether the data is presented in a manner that is clear and useful to the Board. Additionally, following changes in the requirements for the Fund Annual Report, whether the data presented to the Board aligns with those requirements.
8. For consistency, Officers would like to provide quarterly information to the Board that aligns with those new Annual Report requirements, but without losing any of the categories that are currently being provided.
9. It is proposed that the Workloads section will now show one quarterly table and not three-monthly tables as is currently the case.
10. Key points to note:
  - a. The number of workload areas will increase from 10 to 14 to align with the requirements of the Fund's annual report;
  - b. The columns will display number of cases completed in the quarter and the number of cases that remain. The percentage of cases completed will also be shown;
  - c. All retirements will be grouped as one. Whilst the Annual Report will require a split between active and deferred retirements, officers propose to continue to group these two elements as one, which is the current approach, for consistency. However, the annual report will split these areas into two.
11. The KPIs for the quarter will continue to be included in the appendix but expanded to align with the requirements for inclusion in the Annual Report as well as the areas currently measured.
12. The appendices to this report shows the existing format and data that is currently used in the administration report (Appendix A), the requirements for the Annual Report (Appendix B) and the proposed layout for future Board reports (Appendices C and D).
13. The Board is asked to consider the proposed layout shown in Appendices C and D.
14. Once the approach is agreed officers will work through the implementation of these changes. This will include a wider review of all casework 'workflow' processes that are used on the Altair administration system to ensure that they are compatible with all reporting requirements.
15. Workflow processes are created in Altair and are used to monitor the status of outstanding work. This includes whether a case is with the employer, pension

officer or manager for checking. Workflow data is used to provide the figures used in the Board reports.

16. Many of the original workflows were created many years ago and whilst quite simple, have served their purpose. However, as reporting requirements evolve, it is now considered that many existing workflows may need to change.
17. Once the workflows are revised, new reports will be created. Finally, KPI targets for the new areas will be considered and added to the new layout.

### **Recommendation**

18. The Board is asked to comment on the proposed approach as outlined in Appendices C and D.

### **Equality and Human Rights Implications**

None specific

### **Appendices**

Appendix A: Existing Reporting Formats

Appendix B: Annual Report Requirements

Appendix C: Proposed Approach for Future Board Reports (Workloads)

Appendix D: Proposed Approach for Future Board Reports (KPIs)

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## **Appendix A: Existing Reporting Formats**

### **General Workloads**

1. The tables show the volumes in each work area during the months October to December 2025.
2. The Pensions Manager has included a RAG rating to each work area to highlight which areas are below target, close to target, or good or better than target.
3. The rating compares the cases that can be processed to the maximum target number of cases at month end. The maximum target is the desired number of cases not to be exceeded. This is designed to assist Officers to identify the work areas that require the greatest immediate attention.

<b>Target</b>	<b>Rating</b>
Below target	▼
Close to target	▶
Good or better than target	▲

### **October 2025**

<b>Area</b>	<b>Cases Completed</b>	<b>Cases Ready for Processing</b>	<b>Maximum target number of cases that can be processed at month end</b>	<b>Rating</b>
Preserved Benefits	51	1341	1,000	▼
Aggregations	177	1580	1,000	▼
Transfers in	102	118	200	▲
Retirement Options	279	136	300	▲
Retirements Paid	252	62	300	▲
Deaths	124	69	200	▲
Pension Estimates	74	60	250	▲

Transfers out (excluding interfunds out) *	13	65	75	▲
Refunds	59	31	204	▲
New starters set up**	632	N/A	N/A	

### November 2025

Area	Cases Completed	Cases Ready for Processing	Maximum target number of cases that be processed at month end	Rating
Preserved Benefits	145	1235	1,000	▼
Aggregations	78	1553	1,000	▼
Transfers in	42	130	200	▲
Retirement Options	203	174	350	▲
Retirements Paid	203	51	350	▲
Deaths	106	58	200	▲
Pension Estimates	128	48	250	▲
Transfers out (excluding interfunds out) *	33	62	100	▲
Refunds	60	31	400	▲
New starters set up**	768	N/A	N/A	N/A

### December 2025

Area	Cases Completed	Cases Ready for Processing	Maximum target number of cases that be processed at month end	Rating
------	-----------------	----------------------------	---	--------

Preserved Benefits	47	1345	1,000	▼
Aggregations	132	1494	1,000	▼
Transfers in	22	164	200	▲
Retirement Options	195	109	300	▲
Retirements Paid	200	28	300	▲
Deaths	117	56	200	▲
Pension Estimates	68	54	250	▲
Transfers out (excluding interfunds out) *	23	64	100	▲
Refunds	68	42	400	▲
New starters set up**	947	N/A	N/A	N/A

### Key Performance Indicators Quarter XXXXX

Quarter One - 1 April 2025 to 30 June 2025									
Business Process Perspective	Target	This Quarter		Ave.days	Previous Quarter	Customer Perspective - Feedback	Target	This Quarter	Previous Quarter
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	N/A	88%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	93%	▶
Pension payments made within 10 working days of receiving election	95%	96%	▲	N/A	95%	Experience of dealing with Section - rated at least good or excellent	95%	90%	▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	79%	▶	8	79%	Establish members thoughts on the amount of info provided - rated as about right	92%	89%	▶
						Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲
Below target	▼					Email response - understandable	95%	100%	▲
Close to target	▶					Email response - content detail	92%	98%	▲
Good or better than target	▲					Email response - timeliness	92%	93%	▲

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# ANNEX A – ADMINISTRATION KEY PERFORMANCE INDICATORS

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members						
A2	New dependent member benefits						
A3	Deferred member retirements						
A4	Active member retirements						
A5	Deferred benefits						
A6	Transfers in (including interfunds in, club transfers)						
A7	Transfers out (including interfunds out, club transfers)						
A8	Refunds						
A9	Divorce quotations issued						
A10	Actual divorce cases						
A11	Member estimates requested either by scheme member and employer						
A12	New joiner notifications						

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A13	Aggregation cases						
A14	Optants out received after 3 months membership						

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days		
B2	Communication issued confirming the amount of dependents pension	10 days		
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days		
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days		
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days		
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days		
B7	Payment of lump sum (both actives and deferreds)	15 days		
B8	Communication issued with deferred benefit options	30 days		

B9	Communication issued to scheme member with completion of transfer in	15 days		
B10	Communication issued to scheme member with completion of transfer out	15 days		
B11	Payment of refund	10 days		
B12	Divorce quotation	45 days		
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days		
B14	Communication issued to new starters	40 days		
B15	Member estimates requested by scheme member and employer	15 days		

\*Days in this column are a suggested fund target for completion and not the statutory timescale.

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	
C2	% of deferred member registered	
C3	% of pensioner and survivor members	
C4	% total of all scheme members registered for self-service	
C5	Number of registered users by age	
C6	% of all registered users that have logged onto the service in the last 12 months	
	<b>Communication</b>	
C7	Total number of telephone calls received in year	

C8	Total number of email and online channel queries received		
C9	Number of scheme member events held in year (total of in-person and online)		
C10	Number of employer engagement events held in year (in-person and online)		
C11	Number of active members who received a one-to-one (in-person and online)		
C12	Number of times a communication (i.e newsletter) issued to:		
	a) Active members		
	b) Deferred members		
	c) Pensioners		

Administration KPI table D – Resources

Ref	Resources	
D1	Total number of all administration staff (FTE)	
D2	Average service length of all administration staff	
D3	Staff vacancy rate as %	
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	
D5	Ratio of administration staff (excluding management) to total number of scheme members	

Table E - Data Quality

Annual Benefit Statements		
E1	Percentage of annual benefit statements issued as at 31 August	
	Short commentary if less than 100%	
	<b>Data category</b>	
E3	Common data score	
E4	Scheme specific data score	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	
E6	Percentage of active, deferred and pensioner members with an email address held on file	
<b>Employer performance</b>		
E7	Percentage of employers set up to make monthly data submissions	
E8	Percentage of employers who submitted monthly data on time during the reporting year	

## Administration KPIs guidance notes

Definitions for casework KPIs	
Measurement starts	Measurement of working days starting on the day of receipt of all relevant, accurate and full information to process the casework. This should generally be the same day of the notification by email, phone, employer, in-person, self-service. If use following day, this should be stated.

Measurement ends	When the processing casework is completed. If the casework is completed when payment made, rather than payment set up date, this should be stated.
Internal delays	Any internal team delays should be included in the measurement in the time taken
External delays	Any external delays should be deducted from the time taken if the case cannot proceed. Example external delays are. delayed or missing information from employers or other teams, scheme member or family/next of kin delays
Days to complete	Working days

Ref	Guidance Notes for specific KPIs
A13	Notes to table should state whether this KPI also includes post number changes, internal transfers, actual aggregations, concurrent record etc.
A14	It is acknowledged that funds may not hold the opt out data for employees who opt out in the first 3 months.
B1	First communication following notification according to internal fund process. This could be from the initial notification following Tell Us Once, email, phone call or upon receipt of death certificate
B2	Payment of death grant and money due to the estate not included because this is often complex casework with multiple external factors. This KPI should measure how quickly survivor benefits are communicated following confirmation that a survivor benefit is due under the regulations and following receipt of all relevant and accurate information.
B3	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B4	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B5	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member

B6	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member
B7	Following receipt of all relevant and accurate information from scheme member, the time taken to make the payment of the lump sum. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B8	Note that measurement of time taken starts when all relevant information received.
B9	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B10	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B11	Starting point is from receipt of all relevant and accurate information to proceed with payment of the refund. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B12	Funds may also be providing relevant death and normal pension age benefits with this quotation, if this is the case, this should be stated as this may be more time consuming and reflected in statistics.
B13	When all relevant and full information received. Recognising this is complex casework. Measurement should only take place when all required and full information received by the fund.
B14	Following receipt of relevant and full information from employer.
B15	Measurement of issuing an individual member estimate to scheme member following a request and receipt of all relevant and full information
D2	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
D3	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
E5	Include all individual active, deferred and pensioner/survivor records
E6	Include all individual active, deferred and pensioner/survivor records



### **Appendix C Proposed Reporting Formats (Workloads)**

Figures below shown for illustrative purposes.

#### **General Workloads**

1. The tables show the volumes in each work area during the months XXXX to XXXXX 2026.
2. The layout is designed to align with the requirements of the Annual Report, ensuring consistency with the data that will be presented in that report. This version is slightly simplified and focuses on the cases completed and remaining at the end of each quarter.

#### **Quarter X 2026-2027**

<b>Area</b>	<b>Cases completed in quarter</b>	<b>Cases open as at end of quarter</b>	<b>Total percentage of cases completed in quarter</b>	<b>Total percentage of cases completed in previous quarter</b>
Deaths recorded of members	347	245	58%	62%
New dependent member benefits	121	158	43%	41%
Member retirements (options issued)	677	321	67%	71%
Member retirements (benefits paid)	655	291	69%	65%
Deferred benefits	243	1694	13%	10%
Transfers in	87	372	19%	22%
Transfers out	69	669	10%	12%
Refunds	187	235	44%	49%
Divorce quotations	6	8	42%	48%

Actual divorce cases	2	1	66%	50%
Retirement estimates	270	54	83%	80%
New joiner notifications	2347	N/A	N/A	N/A
Aggregation cases (including concurrents)	774	3249	19%	22%
Optants out received after 3 months membership	82	150	35%	30%

## Appendix D: Proposed Approach for Future Board Reports

Quarter One - 1 April 2026 to 30 June 2026 (figures for illustrative purposes only)

Existing Targets shown as stated, new targets to be confirmed

Business Process Perspective	Target	This Quarter		Ave.days	Previous Quarter	Customer Perspective - Feedback	Target	This Quarter		Previous Quarter
Communication issued with acknowledgement of death of scheme member within 5 days	TBC	100%	▶	N/A	100%	Establish members understanding of info provided - rated at least mainly ok or clear	95%	97%	▲	99%
Death benefits/payments sent to dependant within 10 working days of notification	90%	80%	▼	8	89%	Experience of dealing with Section - rated at least good or excellent	95%	88%	▶	90%
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	N/A	94%	Establish members thoughts on the amount of info provided - rated as about right	92%	95%	▲	96%
Pension payments made within 10 working days of receiving election	95%	97%	▲	N/A	96%	Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲	98%
Payment of lump sum (both actives and deferreds) within 15 working days	TBC	84%	▶		88%	Email response - understandable	95%	100%	▲	100%
Communication issued with deferred benefit options within 30 working days	TBC	88%	▲		81%	Email response - content detail	92%	95%	▲	100%
Communication issued to scheme member with completion of transfer in within 15 working days	TBC	95%	▲		92%	Email response - timeliness	92%	91%	▶	96%
Communication issued to scheme member with completion of transfer out within 15 working days	TBC	91%	▲		87%					
Payment of refund within 10 working days	TBC	90%	▶		92%					
Divorce quotation within 45 working days	TBC	98%	▲		96%					
Communication issued within 15 working days following actual divorce proceedings i.e application of a Pension Sharing Order	TBC	95%	▶		98%					
Communication issued to new starters within 40 working days	TBC	100%	▶		100%					
Member estimates requested by scheme member and employer within 15 working days	TBC	89%	▶		94%					

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

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**LOCAL PENSION BOARD - 4 FEBRUARY 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 inform the Local Pension Board of the Pension Fund's Business Plan and Pension Fund budget for 2026/27.

**Background**

2. To demonstrate good governance, the Pension Fund's Budget and Business Plan are presented to the Board for consideration. The Business Plan includes information on administration, investments, and governance (including the Fund's training plan).
3. The 2026/27 Business Plan and Budget will be presented to the Local Pension Committee on the 20 March 2026 for approval 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**

4. 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).
5. The key points are detailed in points 1, 3, 5 and 6. The Business Plan is attached as Appendix A.
6. 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.
7. The Governance Business Plan is new and follows the expected recommendations of the Fit for the Future (FtF) 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**

8. 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/FtF 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.

9. 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.

<b>Budget Heading</b>	<b>2024/25 Actual £'000s</b>	<b>2025/26 Budget £'000s</b>	<b>2025/26 Forecast £'000s</b>	<b>2026/27 Forecast £'000s</b>	<b>2027/28 Forecast £'000s</b>
Investment Management Expenses (split into three areas)					
o Management	32,812	31,706	36,412	37,700	39,877
o Transaction	8,815	14,257	10,806	11,188	11,188
o Performance	6,369	10,500	10,500	10,871	10,546
<b>Sub Total</b>	<b>47,996</b>	<b>56,463</b>	<b>57,718</b>	<b>59,759</b>	<b>61,612</b>
LGPS Central costs (Governance, operator running costs, product development)	1182	1231	1860	2000	2070
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
<b>Total</b>	<b>52,286</b>	<b>61,480</b>	<b>63,312</b>	<b>65,406</b>	<b>67,457</b>
<b>% of assets under management</b>	<b>0.80%</b>	<b>0.90%</b>	<b>0.90%</b>	<b>0.90%</b>	<b>0.88%</b>
<b>Average assets under management in year</b>	<b>6,560,150</b>	<b>6,850,771</b>	<b>7,000,000</b>	<b>7,247,564</b>	<b>7,666,180</b>

10. 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 a £2m forecast included for 2026/27 (increasing by 3/5% in 2027/28) however at present no split by Partner fund is available like previous years because of the expansion of the pool to incorporate seven new partners as required by Government changes to

pooling companies. At present the LGPS Central costs for 2026/27 and beyond are a forecast and are therefore subject to change.

11. An update will be provided later in the year once more accurate costs are agreed. Central and partner funds are discussing changes to the way costs are split between shareholders. The cost sharing agreement that governs this apportionment has been in force since Central was set up and given the changes to the pool and addition of new shareholders it was seen as the correct time to review this document alongside the other legal agreements that govern how the pool, it's shareholders and clients work alongside each other.
12. The overall budget for Central is forecast to rise 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 future years as the one off costs of integration and growing the business (mainly headcount but also systems) alongside efficiencies from higher assets under management are leveraged, shareholders should see lowering of costs when measured as a percentage of assets Central manages. The Shareholders have a role to play in ensuring the budget is reasonable and can hold Central to account to ensure they are providing value for money.

#### **Total forecast cost 2026/27**

13. The fund holds no reserves and has no capital expenditure planned.
14. The total cost being forecasted for approval is £65.4 million for 2026/27. A breakdown of the expenses is set out below.

#### **Investment Management Expenses**

15. 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. 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.
16. 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.

17. The total budget being forecasted for the current year is £63.3m 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 £7.1bn and given that management fees are based on assets, the Fund would expect a higher management fee overall.
18. 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.
19. Performance fee estimates can be highly volatile and given the Fund would not expect meaningful performance fees when general market returns are depressed, 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

20. 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.
21. 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.
22. Since the introduction of McCloud, calculations and checking have taken longer, caused by the complexity of the McCloud remedy.
23. 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.
24. 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.
25. The proposed additional 1.5 pension colleagues, alongside salary progression and inflationary increases, calculates the 2026/27 salary budget at £2,049,000.
26. 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.

27. 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.
28. 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.
29. 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

30. 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.
31. 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.
32. 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.
33. 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.
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. 2025/26 actuarial budget of £350,000, and actual spend are expected to be in line.
38. 2026/27 actuarial budget is £150,000. The 2027/28 actuarial budget is £155,000 to account for 3.5% inflation.

### Support Services/Other

39. 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.
40. 2025/26 support services/other budget was £820,000 and actual spend are expected to be in line.
41. 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

42. Around 90% of the budget is expected to 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.
43. 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.
44. The impact of Central changes is 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

45. It is recommended that the Board notes 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

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**Pensions Administration  
Business Plan  
2026 - 2027**

## Level One – Changes that impact on the Pension Section

	Priority ( <u>Not</u> 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"> <li>• Ongoing data cleanse member data</li> <li>• Ongoing reduction of preserved benefits and aggregations</li> <li>• Communicate dashboards to employers and fund members</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the internal KPI measuring improved take up of the Fund’s new member self-service.</li> <li>• Monitor future increases in member self-service take up once linked to the national dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Increased member enquiries about LGPS benefits</li> <li>• Increased sign up to the Fund’s new member self-service solution</li> <li>• Review and amend communications and letters to include the national pensions dashboard</li> </ul>	<ul style="list-style-type: none"> <li>• Heywood (system provider)</li> <li>• Prudential for member’s AVCs</li> <li>• Fund employers</li> </ul>	<ul style="list-style-type: none"> <li>• Pension Sections 109,000 scheme members</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce backlogs – ongoing</li> <li>• Communication – to align with national exercise Summer/Autumn 2026</li> <li>• Dashboard proposed live date for all schemes - October 2026</li> </ul>
2	SAB – Good Governance Project/Fit for the Future (admin elements) from April 2026	<ul style="list-style-type: none"> <li>• Implement the administrative final areas of recommendation (e.g. admin strategy, peer reviews)</li> </ul>	<ul style="list-style-type: none"> <li>• National guidance</li> <li>• Scheme Advisory Board</li> <li>• Report progress to Board/Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in administration changes from Fit for the Future</li> <li>• Improve the governance of the Fund</li> <li>• Reduce risk</li> </ul>	<ul style="list-style-type: none"> <li>• Hymans</li> <li>• Pensions Board, Committee and Democratic Services</li> <li>• SAB/LGA – peer reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Scheme members</li> </ul>	<ul style="list-style-type: none"> <li>• Peer reviews - 3 years from April 2026 (to align with valuation cycle)</li> <li>• LGA reviews – ongoing (prior to the peer reviews)</li> <li>• Other admin changes – e.g.</li> </ul>

							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"> <li>Recalculate pension benefits for in scope members since April 2014</li> <li>Calculate LG benefits for in scope Teachers</li> </ul>	<ul style="list-style-type: none"> <li>Revise benefits and adjust payments where necessary</li> <li>Regular reports detailing progress and risk to the Pension Board</li> </ul>	<ul style="list-style-type: none"> <li>Additional time to recalculate leavers and deaths</li> <li>Additional time to pay any arrears due</li> </ul>	<ul style="list-style-type: none"> <li>Pension colleagues (internal)</li> <li>Pensioner payroll colleagues</li> <li>Heywood (system changes)</li> <li>LGA</li> <li>Legal Services (potential for legal appeals)</li> <li>Teachers (multiple employment cases)</li> <li>Other public sector schemes for non-aggregations</li> </ul>	<ul style="list-style-type: none"> <li>Revised in scope pensions</li> <li>Revised in scope transfers out</li> <li>Revised in scope death benefits</li> <li>Revised in scope trivial commutations</li> </ul>	<ul style="list-style-type: none"> <li>Recalculate and pay arrears due to existing leavers and pensioners 31 August 2026</li> </ul>
4	<p>Review the Fund’s contractual arrangements.</p> <p>1. Member address tracing service</p>	<ul style="list-style-type: none"> <li>Review the market using a suitable national framework</li> <li>Procure contract provider/s via the Framework</li> </ul>	<ul style="list-style-type: none"> <li>Reports to the Board</li> <li>Measure cost efficiency improvements using procured provider/s for elements of</li> </ul>	<ul style="list-style-type: none"> <li>Reduce risk</li> <li>Improve data quality</li> <li>Improve the customer experience</li> <li>Reduce potential fraud to</li> </ul>	<ul style="list-style-type: none"> <li>Pension colleagues (internal)</li> <li>The successful provider/s</li> <li>Legal services on the</li> </ul>	<ul style="list-style-type: none"> <li>Scheme members and their dependants</li> <li>National dashboards</li> </ul>	<ul style="list-style-type: none"> <li>Target date for completion – Summer 2026</li> </ul>

	2. Mortality screening		member address tracing and mortality screening	deceased pensioners <ul style="list-style-type: none"> <li>Improve operational efficiency and costs</li> </ul>	contractual arrangements <ul style="list-style-type: none"> <li>ICT</li> <li>National Framework</li> <li>Internal Audit</li> </ul>		
5	<p>Review the Fund's contractual arrangements for an "end to end" pension administration system – to include;</p> <ul style="list-style-type: none"> <li>Calculations</li> <li>Annual statements</li> <li>Member online portal</li> <li>Pensioner payroll</li> <li>Image</li> <li>Task/workflow</li> <li>Reporting</li> <li>Employer data submission</li> <li>Dashboards requirements</li> <li>Website</li> </ul>	<ul style="list-style-type: none"> <li>Review the market using a suitable national framework</li> <li>Procure contract provider/s via the Framework</li> </ul>	<ul style="list-style-type: none"> <li>Reports to the Board</li> <li>Drive system cost efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Manage risk whilst still two full years on the existing contract remain</li> <li>Secure a long-term contract to provide administration stability</li> <li>Improve the customer experience with online opportunities</li> <li>Security to mitigate the risk of hacking and fraud</li> <li>Improve operational efficiency and costs</li> </ul>	<ul style="list-style-type: none"> <li>Pension colleagues (internal)</li> <li>The successful provider/s</li> <li>Legal services on the contractual arrangements</li> <li>ICT</li> <li>National Framework</li> <li>Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>Scheme members and their dependants</li> <li>Fund employers</li> <li>Pension colleagues (internal)</li> <li>Pensioner payroll colleagues (EMSS)</li> </ul>	<ul style="list-style-type: none"> <li>Target date for completion – March 2027</li> </ul>
6	Review and implement pension changes from Local Government Reorganisation (LGR)	<ul style="list-style-type: none"> <li>New or amended employer rates</li> <li>Employers ceasing</li> </ul>	<ul style="list-style-type: none"> <li>Reports to the Board</li> <li>Measure workloads and</li> </ul>	<ul style="list-style-type: none"> <li>Increased administration time and costs</li> </ul>	<ul style="list-style-type: none"> <li>Pension colleagues (internal)</li> </ul>	<ul style="list-style-type: none"> <li>Central Government and the</li> </ul>	<ul style="list-style-type: none"> <li>Preparation from Summer/Autumn 2026 after</li> </ul>

		<ul style="list-style-type: none"> <li>Comms to scheme members</li> <li>Pension system changes to scheme member records</li> <li>New employer discretions</li> <li>Actuarial changes to employer assets and liabilities</li> </ul>	impact on resource	<ul style="list-style-type: none"> <li>Increased system costs</li> <li>Increased actuarial costs</li> </ul>	<ul style="list-style-type: none"> <li>Pension investments</li> <li>Fund employers</li> <li>Heywood (system provider)</li> <li>Hymans (Fund Actuary)</li> <li>Board or Committee members</li> </ul>	impacted employers	Government decide their favoured option
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"> <li>Survivor benefits</li> <li>Gender pension gap</li> <li>Opt outs</li> <li>Forfeiture</li> </ul> <p>Protections</p> <ul style="list-style-type: none"> <li>Minimum pension age</li> <li>Mayors and Cllrs</li> </ul>	<ul style="list-style-type: none"> <li>Implement the various changes</li> <li>Test system changes</li> <li>Contact impacted members or their families</li> <li>Liaise with a new group of scheme members (Cllrs) and their employers</li> </ul>	<ul style="list-style-type: none"> <li>Reports to the Board</li> <li>Measure workloads and impact on resource</li> </ul>	<ul style="list-style-type: none"> <li>Increased administration time</li> <li>System changes and testing</li> <li>Revised processes</li> <li>Comms to impacted members</li> <li>Comms to impacted employers</li> </ul>	<ul style="list-style-type: none"> <li>Pension colleagues (internal)</li> <li>Heywood (system changes)</li> <li>LGA</li> <li>Employers – Acads</li> <li>Outsourcing employers and the contractor</li> </ul>	<ul style="list-style-type: none"> <li>Scheme members and their families</li> <li>Central Government</li> <li>Employers</li> <li>Contractors</li> <li>Mayors and Cllrs</li> </ul>	<ul style="list-style-type: none"> <li>April 2026 onwards as the changes are implemented</li> </ul>

	<ul style="list-style-type: none"> <li>Acads – direction orders</li> <li>New Fair Deal</li> </ul>						
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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"> <li>Assist County colleagues implement SSSCAVCs</li> </ul>	<ul style="list-style-type: none"> <li>Increased County AVC take up</li> <li>Assist the County generate corporate savings</li> </ul>	<ul style="list-style-type: none"> <li>System changes in Fusion</li> <li>Payroll changes</li> <li>Communication exercise with existing and new AVC payers</li> </ul>	<ul style="list-style-type: none"> <li>The Pension Section</li> <li>EMSS</li> <li>Payroll</li> <li>Corporate communications</li> <li>Accountants</li> <li>The Fund's AVC provider</li> </ul>	<ul style="list-style-type: none"> <li>Funds County AVC payers</li> <li>Potential new County AVC payers</li> <li>County Council</li> </ul>	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"> <li>• Fund Annual report</li> <li>• Quarterly Board reports</li> <li>• County Council quarterly KPIs</li> <li>• Monthly Pension Section management and colleagues</li> <li>• Covers timescales for work completion and work volumes</li> </ul>	<ul style="list-style-type: none"> <li>• To meet all statutory reporting requirements.</li> <li>• Review and amend workflow tasks to enable correct reporting results</li> <li>• Ensure customer service remains highest priority in all areas covered in the KPIs (especially retirements, deaths and payments)</li> <li>• Target casework by age and employer</li> <li>• Work closely with Pension Team Managers</li> <li>• Monitor and measuring workloads</li> <li>• Demonstrate value for money</li> </ul>	<ul style="list-style-type: none"> <li>• Fund annual report and Committee</li> <li>• Quarterly Board reports</li> <li>• Council quarterly KPIs</li> <li>• Monthly Pension Section management targets</li> </ul>	<ul style="list-style-type: none"> <li>• Meet all statutory reporting requirements</li> <li>• Maintain and improve customer service</li> <li>• Highlights any falls in service so these can be addressed quickly</li> <li>• Promote colleagues working from individual task boxes to better manage and target casework</li> <li>• Increased officer morale – positive feedback is very welcome</li> </ul>	<ul style="list-style-type: none"> <li>• All fund employers</li> <li>• Heywood for workflow task changes</li> <li>• Pension section colleagues for new tasks</li> <li>• Develop insight reporting</li> </ul>	N	Ian Howe	On-going throughout 2026

10	Implement ongoing customer service improvements	<ul style="list-style-type: none"> <li>Team Managers to explore ongoing customer service improvement opportunities</li> <li>Reduce calls to the helpdesk by directing members to an enhanced website</li> </ul>	<ul style="list-style-type: none"> <li>Implement new KPI's and review measuring techniques</li> <li>Reduce phone calls</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the highest level of service available</li> <li>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</li> <li>Provide information more easily online, to enhance the customer experience</li> </ul>	N	N	Ian Howe	On-going
11	<p>Manage and reduce employer risk</p> <p>Keep the employer tracking system (EPIC) updated for monitoring employer changes and risks</p>	<ul style="list-style-type: none"> <li>Implications of New Fair Deal (removal of admissions) – links to an element in point 6</li> <li>Continue to review bonds and guarantors where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Negate the need for admissions/full bonds where possible</li> <li>Inform the Board each quarter</li> </ul>	<ul style="list-style-type: none"> <li>Reduce fund related employer risk</li> <li>Reduce full bond values by moving to pass-through when appropriate (older cases)</li> <li>Reduce outsourcing pension costs and risk</li> <li>Reduce the risk of default by new employers at TUPE</li> </ul>	<ul style="list-style-type: none"> <li>Hymans</li> <li>Pensions Liaison Officer</li> <li>Legal services</li> <li>Employers</li> <li>Contractors</li> </ul>	N	Ian Howe	<p>On-going</p> <p>New Fair Deal – potentially 6 months after Regs are implemented</p>

		<ul style="list-style-type: none"> <li>Monitor FE bodies under the DfE guarantee</li> </ul>						
12	Achieve all the statutory deadlines – ABS by 31 August and pension taxation statements by 6 October	<ul style="list-style-type: none"> <li>Work closely with Fund employers, especially those changing payroll providers</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory statutory deadlines</li> </ul>	<ul style="list-style-type: none"> <li>Failure is a reportable “material breach” of pension rules</li> <li>Reportable to The Pensions Regulator</li> <li>Inform the Local Pension Board</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>All fund employers and their payroll providers</li> <li>EMSS</li> </ul>	N	Ian Howe	31 August 6 October
13	Maintain the list of all fund policies and documents	<ul style="list-style-type: none"> <li>Monitor and make changes as required</li> <li>Report changes to Board and Committee</li> </ul>	<ul style="list-style-type: none"> <li>Annual report to Board and Committee</li> </ul>	<ul style="list-style-type: none"> <li>Failure to deliver the service</li> <li>Complaints and appeals</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Investment colleagues</li> <li>Democratic services</li> <li>Legal</li> <li>Internal audit</li> </ul>	N	Ian Howe	On-going (annual review)
14	Manage staff sickness levels within the Pension Section	<ul style="list-style-type: none"> <li>Team Managers to continue to manage sickness to keep as low as possible</li> </ul>	<ul style="list-style-type: none"> <li>Pension Section target of 5.0</li> </ul>	<ul style="list-style-type: none"> <li>Increased sickness – negative impact on morale, KPIs and targets, increased risk of failure with customer service standards and increases time for work completion</li> </ul>	N	N	Ian Howe	On-going
15	Develop staff training and succession planning	<ul style="list-style-type: none"> <li>Team Managers continue to develop and monitor staff training</li> </ul>	<ul style="list-style-type: none"> <li>One to ones</li> <li>Annual performance reviews</li> <li>Career grade progression</li> </ul>	<ul style="list-style-type: none"> <li>Increased risk of operational delays</li> <li>Failure to meet KPIs and targets</li> <li>Greater pressure on colleagues</li> </ul>	N	N	Ian Howe	On-going

		<ul style="list-style-type: none"> <li>• Team Managers continue to consider/review succession planning</li> <li>• Promote external training options (especially the Barnett Waddingham levels two and three, pension qualifications)</li> <li>• Review apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>• Barnett Waddingham - Level two (equivalent to GCSE) – introduction to general pensions</li> <li>• Barnett Waddingham – Level three (equivalent to A level) – LGPS specific training</li> <li>• Barnett Waddingham (levels 4 and 5 once available)</li> <li>• More qualified colleagues in the Section</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced morale</li> <li>• Complaints and appeals</li> <li>• Reputational damage</li> </ul>				
16	Implement 50% return to the office	<ul style="list-style-type: none"> <li>• Team Managers to maintain close contact with all colleagues to facilitate a 50% return to the office</li> </ul>	<ul style="list-style-type: none"> <li>• Set up a team monitoring system to record 50% home/office working</li> <li>• Measure and monitor performance through the</li> </ul>	<ul style="list-style-type: none"> <li>• Manage staff morale</li> <li>• Monitor efficiency</li> <li>• Consider individual needs assessed against the policy</li> <li>• Maintain regular dialog with colleagues and make necessary adjustments where necessary</li> </ul>	N	N	Ian Howe	April 2026 On-going

			Sections existing KPIs	<ul style="list-style-type: none"><li>• Ensure the working environment and equipment is suitable</li></ul>				
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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"> <li>• To complete the review of the NZCS following responsible investment survey.</li> <li>• Continued implementation of Net Zero Climate Strategy and action plan.</li> <li>• Support alignment with LGPS Central Net Zero approach.</li> <li>• Communication of Strategy and progress against climate metrics.</li> <li>• Further development of measurements through future iterations of Climate Risk Management Report in line with government guidance best practice and data availability</li> <li>• Manager monitoring and engagement on climate metrics and targets.</li> </ul>	<ul style="list-style-type: none"> <li>• To manage the climate risk and opportunities to the Fund arising from Climate Change.</li> <li>• To communicate to scheme members and interested parties of the current progress versus the NZCS interim targets.</li> <li>• To communicate and engage with the Fund's investment managers and LGPS Central on the Fund's expectations with relation to climate risk management.</li> </ul>	<ul style="list-style-type: none"> <li>• External support / resource as required to be defined for selected workstreams, Hymans, LGPS Central, other external bodies.</li> </ul>	<ul style="list-style-type: none"> <li>• March 2026 Workshop</li> <li>• High-level considerations to be reported to Committee in March 2026 and updates as appropriate throughout 2026/27.</li> <li>• Est June 2026 for revised Net Zero Climate Strategy.</li> </ul>
	Update Investment Strategy Statement (ISS)	<ul style="list-style-type: none"> <li>• Update draft ISS with any changes from consultation with employers</li> <li>• Await finalisation of the Government's Pensions legislation and update any parts of the ISS as required depending on the importance of the changes.</li> <li>• Annual update of ISS to include changes from 2026 and 2027</li> </ul>	<ul style="list-style-type: none"> <li>• Annual asset class target allocation refresh, including rebalance tolerance ranges and local investment targets.</li> <li>• Engage with LGPS Central to set 2027 strategic asset allocation targets.</li> <li>• Consider the ability to use an external investment advisor where the Pool might not be</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS Central</li> <li>• Possible 3rd party advisor including new independent advisor</li> </ul>	<ul style="list-style-type: none"> <li>• March 2026 minor update for changes from consultation.</li> <li>• Q1 2027 update for changes including SAA, rebalance tolerances and local investments</li> </ul>

	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"> <li>• Update the latest position regarding net zero targets from the 2026 climate risk report (CRR)</li> <li>• Update for outcomes affecting the ISS from the Fit for the Future government consultation into Pooling and government guidance.</li> <li>• Update approach as a result of the outcome Responsible Investment Survey and fit for the future.</li> </ul>	<p>able to provide a service. Will depend on the outcomes of the pensions legislation.</p> <ul style="list-style-type: none"> <li>• Ensure the approach to Responsible Investment is up to date as part of good governance, and in line with Scheme Advisory Board's recommendation.</li> </ul>		
Asset Allocation	Ensure that 2026 decisions from the Strategic Asset Allocation (SAA) review are implemented	<ul style="list-style-type: none"> <li>• Work with Central to ensure changes approved have a plan to be implemented.</li> <li>• Communicate these to the committee via relevant communication or presentation</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• The Fund's investment advisor LGPS Central and possibly Hymans Robertson where circumstances allow.</li> </ul>	<ul style="list-style-type: none"> <li>• Through 2026/27 complete the reviews per the proposals taken to the Jan 2026 Pension Committee</li> <li>1. Listed equity review</li> <li>2. Investment grade credit review</li> <li>3. SAA target changes</li> </ul>
	Investment manager presentations	<ul style="list-style-type: none"> <li>• LGPS Central manager presentations to be scheduled to LPC to cover different asset classes. Retain the ability to allow underlying</li> </ul>	<ul style="list-style-type: none"> <li>• To improve the Committee's understanding of asset classes and performance against benchmarks.</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS Central Investment Manager attendance</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS Central to present at quarterly committee meetings,</li> </ul>

	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"> <li>Each presentation manager to cover at least the following: <ul style="list-style-type: none"> <li>Market outlook</li> <li>Describe the mandate and aims</li> <li>Mandate performance</li> <li>ESG – e.g. how they identify, assess, and manage all risks</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Over time Central will be report and be accountable for performance for the whole Fund's performance.</li> <li>Allows for interaction with investment manager on ESG policies and investment performance versus other mandate targets.</li> </ul>	<ul style="list-style-type: none"> <li>Independent advisor, depending on scope of role</li> </ul>	<p>switching between public markets and private market investments.</p> <ul style="list-style-type: none"> <li>Currently scheduled meetings and managers: March –private June – public Sept – private Dec – public</li> </ul>
	2027 Strategic Asset Allocation preparatory work	<ul style="list-style-type: none"> <li>Produce 2027 strategic asset allocation strategy refresh. This deliverable will take into account finalised government guidance.</li> <li>Agreeing the scope with the Fund's investment advisor (LGPS Central) and present for approval to the LPC in December.</li> <li>Net Zero Climate Strategy considerations</li> <li>Balancing required return versus risk and updated medium/long assumptions for asset class returns alongside return expectation from last actuarial review.</li> <li>Any potential asset class reviews</li> </ul>	<ul style="list-style-type: none"> <li>To provide the Fund the right level of return taking into account all risks and required rate of return.</li> </ul>	<ul style="list-style-type: none"> <li>The investment advisor</li> <li>LGPS Central</li> </ul>	<ul style="list-style-type: none"> <li>The SAA is normally delivered for approval at the January Local Pension Committee meeting each year.</li> </ul>

	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"> <li>• Progress the Fund's RI Plan as agreed at January 2026 Local Pension Committee meeting.</li> <li>• Consider development of outcomes as a result of the Responsible Investment Survey.</li> <li>• More information included within the appendix taken to the January 30 2026 Local Pension Committee Appendix A: Draft RI plan 2026</li> <li>• Represent LCCPF at cross party meetings to enable Central to deliver a considered and cost effective RI solution to all partners</li> </ul>	<ul style="list-style-type: none"> <li>• Continue reporting against best practice and guidance available.</li> <li>• Improved understanding of RI risks including climate change.</li> <li>• Improved communication with scheme members and other interested parties.</li> </ul>	<ul style="list-style-type: none"> <li>• LGPS Central. LAPFF, Investment Managers reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing multiyear implementation alongside NZCS.</li> </ul>
	Local Investment reporting	<ul style="list-style-type: none"> <li>• Develop approach to reporting impact from local investment alongside LGPS Central as the pooling approach to local investment evolves.</li> </ul>	<ul style="list-style-type: none"> <li>• To demonstrate quantifiable external benefits to the Fund's targeted area.</li> </ul>	LGPS Central	<ul style="list-style-type: none"> <li>• 2025/26 and onwards</li> </ul>
	Performance reporting	<ul style="list-style-type: none"> <li>• Understand with Central how to develop performance reporting currently delivered by Hymans Robertson</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Hymans</li> <li>• Central</li> </ul>	<ul style="list-style-type: none"> <li>• 2026/27 and onwards</li> </ul>

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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>

Knowledge and Understanding	<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>
Risk Management Function	<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>
Annual Report and Accounts	<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.

<b><u>Date</u></b>	<b><u>Topic</u></b>
<b><u>30 January</u></b>	LPC Training as part of SAA
<b><u>20 March</u></b>	LPC Presentation LGPS Central.
<b><u>TBC April/May/June</u></b>	<p><b><u>Governance Position</u></b></p> <ul style="list-style-type: none"> <li>- Overview of UK Gov, LGPS legislation, and roles of organisations and main features of LGPS legislation and new guidance.</li> <li>- Roles of the Scheme Advisory Board, Pensions Regulator and Code of Practice.</li> <li>- Roles of Local Pension Board and Local Pension Committee.</li> </ul> <p><b><u>Oversight of outsourced providers</u></b></p> <ul style="list-style-type: none"> <li>- How the Fund monitors and manages outsourced providers.</li> <li>- 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)</li> <li>- The Fund's Additional Voluntary Contribution arrangements and choice of investments offered to members</li> <li>- Supplier risk management. (i.e. procurement procedure, risk assessments).</li> </ul>
<b><u>29 July</u></b>	LPC Presentation from LGPS Central.
<b><u>TBC /September</u></b>	<p>Joint Training to cover:</p> <p><b><u>Employer Areas</u></b></p> <ul style="list-style-type: none"> <li>• How employer outsourcings and bulk transfers are dealt with?</li> <li>• The importance of the employer covenant</li> <li>• Where an employer leaves the Fund, how the promised pensions liabilities are paid for.</li> <li>• LGPS discretions and how employers' discretionary policies impact on the Fund.</li> <li>• How employers' contribution rates are set</li> <li>• Statutory deadlines and key performance indicators of the Pension Fund.</li> <li>• An understanding of how Fund breaches in law are reported</li> </ul>

<b><u>11 August</u></b>	LPB TBC if needed for Training.
<b><u>11 September</u></b>	LPC Quarterly Manager Presentation
<b><u>14 October</u></b>	LPB TBC if needed for Training.
<b><u>TBC</u></b>	<p>Joint Training to cover:</p> <ul style="list-style-type: none"> <li>• Key aspects of Investment Manager Monitoring/pooling performance.</li> <li>• 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</li> <li>• Understanding of primary importance of SAA.</li> <li>• Awareness of the limits placed by regulation on the investment activities of the Fund (ie. fiduciary duty, ESG, and Fund discretions).</li> </ul>
<b><u>4 December</u></b>	LPC Climate Training and TBC Quarterly Manager Presentation.

Officers will contact members on any individual training recommendations outside of this schedule.



## **LOCAL PENSION BOARD – 4 FEBRUARY 2026**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **DRAFT FUNDING STRATEGY STATEMENT**

##### **Purpose of the Report**

1. The purpose of this report is to inform the Board of the results of the Fund's Funding Strategy Statement (FSS) consultation.

##### **Background**

2. 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.
3. The major purpose of the actuarial valuation is for the Fund Actuary to set employer contribution rates for a three-year period, that 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.
4. The 31 March 2025 valuation assumptions were approved by Pensions Committee at the 27 June 2025 meeting.
5. 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.
6. 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.

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

### **FSS Proposed Changes – Pre Consultation**

8. 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).
9. The main points to note in the 2025 draft FSS are detailed below. One area is new, the review of cessations is included in this report, but most are designed to show the Fund's current approach more explicitly in the FSS. The points below are highlighted in yellow in the draft FSS which is included as Appendix A.
10. Table 2.2. The contributions rate calculation. The table 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.
11. The key areas to highlight in table 2.2.
  - The funding basis, is the on-going approach for all groups, other than employers closed to new members and with no guarantor, where a low-risk approach is used.
  - Minimum likelihood of success is 80% for the majority, however for the higher risk groups this is increased. For Community admission bodies this is 90%, and for Universities this is between 80 and 85%, but can be lowered to 80% with security.
  - Maximum time horizon is 17 years for all groups to reflect the long-term nature of participation and to align with the long-term assumptions nature of the assumptions set. Where an employer is closed to new entrants or expected to exit the Fund in the future, a shorter period may be used where appropriate.
  - Phasing of contributions changes. The stabilised approach exists for this group. There is no phasing for the transferee admission bodies. All other groups have a 3-year period to align with the valuation cycle and to support a stepped rate of reduction, where applicable.
12. Table 2.5 Employer open or closed status. This 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 2.2) and additional security requested.

13. Section 2.6 Alternative Investment Strategy 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 Reviewing Contributions Between Valuations. When 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 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 What is a cessation event. 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 Partial cessations. In general, the Fund does not allow employer partial cessations on the grounds of equitable treatment for all 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.

22. Appendix E – Actuarial assumptions, Cessation Basis. Where an exiting employer ceases on the low-risk basis, the liabilities will be calculated on both the lower and upper levels to determine whether any deficit or surplus exists. If any surplus exists using the upper limit, then the Fund will carry out an exit credit determination. This is known as the “corridor approach”. Officers have continued to review this area, and further information was provided to Pensions Committee on the 30 January 2026. Final changes will be incorporated into the final FSS taken to Pension Committee on 20 March 2026 for approval.
23. 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

### **Corridor Approach**

24. As detailed in point 22 of the report, 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 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).

33. The following three examples demonstrate how the 85% lower level and 95% upper level will work. The examples are simply designed to show the methodology and not actual calculations.

#### Example One

Methodology	Cessation Value	Surplus or Deficit
85% (lower level)	(£10,000)	Deficit
90% (mid-point)	(£20,000)	Deficit
95% (upper level)	(£30,000)	Deficit

In this example, there is a £10,000 payment due from the employer as there is a deficit at the 85% lower level.

#### Example Two

Methodology	Cessation Value	Surplus or Deficit
85% (lower level)	£220,000	Surplus
90% (mid-point)	£150,000	Surplus
95% (upper level)	(£15,000)	Deficit

In this example, there is no deficit payment due from the employer as there is a surplus at the 85% lower level. There is no payment due from the Fund as there is a deficit at the 95% upper level.

#### Example Three

Methodology	Cessation Value	Surplus or Deficit
85% (lower level)	£650,000	Surplus
90% (mid-point)	£440,000	Surplus
95% (upper level)	£200,000	Surplus

In this example, there is no deficit payment due from the employer as there is a surplus at the 85% lower level. There may be an exit credit payable from the Fund as there is a surplus at the 95% upper level.

### **Consultation Replies**

34. All the 205 Fund employers and the Department for Education (DfE) were invited to comment on the Fund's draft Funding Strategy Statement (FSS).

35. 67 employers replied, 138 employers did not reply. Employers were reminded, and it was also discussed at the Fund AGM in December 2025.

36. FSS employer replies are shown in the table below;

- 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 or disagree	Disagree	Strongly disagree
Question 1	8	43	17	0	0
Question 2	10	40	18	0	0
Question 3	8	42	18	0	0
Question 4	9	47	11	1	0

37. Several employers and the DfE replied formally, and the main themes are incorporated in sections 39 to 45 in the report. The Fund only need consider the replies received and does not have to make changes to the FSS, however, officers have considered the key themes and detail below any proposed changes to the FSS from April 2026.

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

### **FSS Consultation Themes - Proposed Changes to the FSS**

39. The following is a summary of the themes. It is not a full and comprehensive list of all points raised. Officers will produce a single Fund response to the consultation replies.

40. When an employer exits the scheme Fund Regulations require the Fund Actuary to calculate a cessation valuation. If the employer leaves in deficit the employer makes good the shortfall. If the employer leaves in surplus, officers determine how much (if any) of the surplus can be repaid to the exiting employer. This is deemed the “exit credit”.
41. Officers and the Fund Actuary assess the excess contributions the employer has paid, stripping out the element gained from investment return, as the exit credit value. Officers then consider if this can be repaid back to the exiting employer, noting this still can be deemed a nil value. There is no change to the current methodology, however the proposal is for the FSS to be updated to make this more explicit in the FSS.
42. Where there is an exit credit value, officers review each case to establish if there is a fund employer guarantor. Where there is, the exit credit may be paid. Officers are reviewing this to consider exiting Colleges or Academies where the DfE act as guarantor. Cases will be considered on a case-by case basis.
43. 3% CAP on the secondary rate. Employers in the Education and open Transferee Admission 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. Officers are considering this and welcome the Board’s view. Relaxing the negative 3% cap on the secondary rate will reduce employer contribution rates for certain employers.
44. Minimum likelihood of success. 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%. This has been questioned by the two Universities, and the Fund is actively engaging with an external third-party covenant assessor and these employers. Depending on the outcome of this exercise, the Fund will consider lowering the percentage, but no lower than 80%, aligning this with other Fund employers.
45. Investment Strategy. Officers have taken the decision to utilise a single investment strategy to provide a consistent investment approach for all employers. Where different investment approaches are adopted, administration and oversight of the investment strategy would increase significantly alongside reporting and overall complexity. Whilst protection assets may provide lower volatility 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 complexity, returns and risk to all employers.

46. The final FSS will be taken to Pensions Committee on the 20 March 2026 for approval and will take effect from the 1 April 2026.

### **Timeline**

47. The latest valuation timeline is detailed as follows.

<b>Date</b>	<b>Topic</b>	<b>Stakeholder</b>
February / March 2026	Finalise FSS	Board and Committee
March 2026	Final valuation report	Hymans
April 2026 to March 2029	Employer rates to be implemented	Fund employers

### **Recommendation**

48. It is recommended that the Board notes the proposed amendments to the FSS, that will be considered by Pensions Committee in March 2026;

- i. The expanded information on the corridor approach for cessations.
- ii. Detail of the exit credit methodology is included.
- iii. The DfE guarantor is included in the assessment of an exit credit on a case-by-case basis.
- iv. A covenant review is taking place to review the minimum likelihood of success for the Universities.
- v. The Fund will retain one investment strategy.

49. It is recommended the Board comments on;

- i. Whether the negative 3% cap on the secondary rate is too prudent, and should it be relaxed for certain employer groups.

### **Equality and Human Rights Implications**

50. 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**

51. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance (“ESG”) factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund’s fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund’s approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

## **Appendix**

Appendix – Fund’s draft FSS

### **Background Papers**

None

### **Officers to Contact**

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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](mailto: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](http://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 can be found [here](#).

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 actuarial 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 <sup>1</sup>
Sub-type	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 basis <sup>2</sup>	Ongoing	Ongoing	Ongoing	Ongoing	Low-risk	Ongoing
Target funding level <sup>3</sup>	120%	120%	120%	120%	120%	100%
Minimum likelihood of success	80%	80-85% <sup>4</sup>	80%	80%	90%	80%
Maximum time horizon <sup>5</sup>	17 years	17 years	17 years	17 years	17 years	Same as the letting employer
Primary rate approach <sup>6</sup>	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 <a href="#">Section 3.1 of Appendix 1</a>					

<sup>1</sup> 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](#)

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

<sup>3</sup> See section 2.3 for further information on the target funding level.

<sup>4</sup> 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%)

<sup>5</sup> 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.

<sup>6</sup> 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.

**Table 1: current stabilisation approach**

Type of employer	Local authorities, police & fire.

<b>Maximum contribution increase per year</b>	+2% of pay
<b>Maximum contribution decrease per year</b>	-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 by targeting a higher likelihood of success

			If the employer's annual payroll data reflects a change to 'deemed open' then a contribution review may be requested
'Deemed Open' (10% or higher)	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	10% or more of new employees still eligible to join the LGPS	Actuarially assessed using the open (ongoing) methodology  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).  If the employer's annual payroll data reflects a change to 'deemed closed' then a contribution review may be carried out by the Fund.

## 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
Listed Equity	41.0%
Private Equity	7.5%
Other alternatives	5.0%
Infrastructure	12.5%
Property / Real estate	7.5%
Credit (inc UK govt bonds)	9.0%
Credit	13.25%
UK gvt bonds	3.5%
Investment cash	0.75%

## 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 (IHLLI).
- **Other employers** – IHLLI 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](#)

- 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](#)
- 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 E](#)

### 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 1**

### 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 1**

### 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 includes up-to-date Fund information.

You can see all Fund documentation at <https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/Fund-admin-and-guidance/pension-Fund-and-finance>

## 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, [here](#).

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

### 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**

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

**Control**

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
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  Review available security	Triennial review of risk profiling analysis  Ongoing risk management review, requesting additional security where appropriate

Type of employer	Assessment	Monitoring
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).

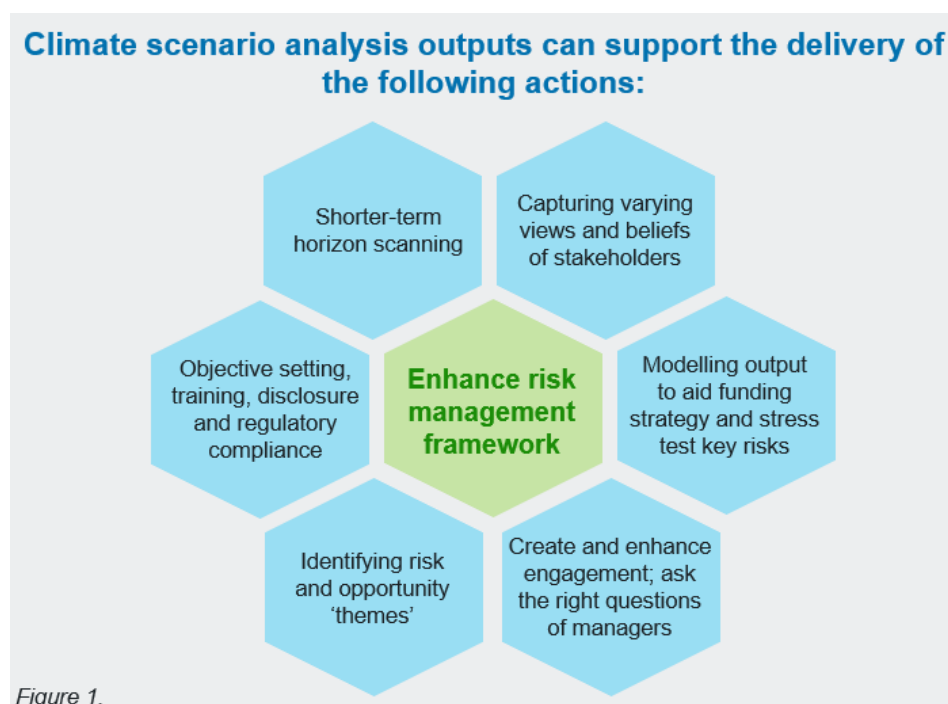
The climate scenario analysis incorporates both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (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.

The latest report is available on the Pension Fund's website, [here](#).

## 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 20 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)	90%
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 20 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 propriety 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**

Age	Salary scale	Incidence per 1000 active members per year						
		Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	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**

Age	Salary scale	Incidence per 1000 active members per year						
		Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	281.94	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 <sup>1</sup>	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 <sup>2</sup>	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)

<sup>1</sup>Cessation 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.

<sup>2</sup>Where 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.



**LOCAL PENSION BOARD – 4 FEBRUARY 2026**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**DRAFT INVESTMENT STRATEGY STATEMENT**

**Purpose of the Report**

1. The purpose of this report is to present for the Board's consideration the key changes expected for the Fund's Investment Strategy Statement (ISS), attached as an appendix to the report.

**Policy Framework and Previous Decisions**

2. The current ISS was approved by the Local Pension Committee (LPC) in March 2025.

**Background**

3. All LGPS funds in England and Wales are required to have an ISS. The ISS is composed in accordance with Regulation 7 of the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 ("the Regulations").
4. The ISS sets out the Fund's investment objectives, how investments are managed, asset allocation, the approach to risks, including the ways in which risks are to be measured and managed, the approach to pooling, and how social, environmental or corporate governance considerations are taken into account.
5. The primary purpose of the ISS is to achieve long-term returns needed to pay pensions obligations as they fall due. These strategic decisions are recognised as being the most important drivers of long-term investment performance. With the fit for the future proposals, set out elsewhere on the agenda, the ISS remains a key strategy for the LPC with its responsibility for management of the Fund in line with its primary purpose.
6. LGPS Central will be responsible for implementing the ISS with an investment portfolio that seeks to meet the objectives and comply with the asset allocation agreed by LPC.

### **Draft Investment Strategy Statement**

7. As set out elsewhere on the agenda there are a number of changes due which will impact the LGPS, the Fund and pooling, which have implications for the Fund's ISS. This draft ISS looks to comply as far as possible with draft regulations, as well as draft guidance as it is currently understood.
8. It is expected more changes may be required following the Pension Bill being made into law, and other regulations and guidance that are expected. It is intended to include these changes for the version that the LPC will receive in March 2026, alongside any updates to the Fund's responsible investment approach following the responsible investment survey outcomes.
9. Alongside amendments to streamline the strategy, key changes within the draft ISS are set out below:
  - i. The draft ISS references the Fund's current Fit for the Future (FFtF) position and acknowledges that its role will evolve as LGPS Central assumes its required responsibilities.
  - ii. The investment beliefs have been expanded to include preferences, offering clearer direction on the Fund's expectations. While the Fund will not be able to intervene implementation, these preferences provide LGPS Central with a strong steer. Where LGPS Central is unable to reflect these preferences, the Fund expects transparent and constructive dialogue.
  - iii. The revised ISS introduces a target and sets out a broad framework for local investment in partnership with LGPS Central. The approach is intentionally flexible and expected to evolve over time, but is currently aligned with the principles and considerations established within the Strategic Asset Allocation discussed elsewhere on the agenda.
  - iv. The responsible investment section has been streamlined and updated to reflect the latest draft regulations and requirements. Further refinements may follow, informed by the outcomes of the responsible investment survey and ongoing regulatory developments.
10. Officers will begin a consultation with employers on the ISS following the LPC meeting on 30 January 2026, ahead of presenting the updated version on 20 March 2026.

### **Leicestershire Pension Fund Conflict of Interest Policy**

11. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with three managers which the Leicestershire County Council Pension Fund invests with, namely Partners Group, JP Morgan and Christofferson Robb and Company (CRC). The County Council's investments were made following due diligence Hymans Robertson had provided the Fund.

## **Recommendations**

12. The Board is asked to comment on the revised ISS ahead of the LPC meeting on 20 March, where approval will be sought.

## **Appendix**

Draft Investment Strategy Statement 2026

## **Background papers**

Draft regulations: The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026:

[https://assets.publishing.service.gov.uk/media/691f357e3735e57039f985ca/Local\\_Government\\_Pension\\_Scheme\\_Pooling\\_Management\\_and\\_Investment\\_of\\_Fund\\_Regulations\\_2026.pdf](https://assets.publishing.service.gov.uk/media/691f357e3735e57039f985ca/Local_Government_Pension_Scheme_Pooling_Management_and_Investment_of_Fund_Regulations_2026.pdf)

## **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.

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## Appendix

# 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><b>Risk and return</b></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>

2	<p><b>Diversification</b></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>
3	<p><b>Opportunity Set</b></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><b>Time horizon</b></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><b>Liquidity</b></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><b>Local investing</b></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. <b>[Subject to development of appropriate process from Central and the Fund. The default position is to not increase exposure.]</b></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>

7.	<p><b>ESG integration</b></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>
8.	<p><b>Climate risk</b></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>
9.	<p><b>Costs</b></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 (±%)	2026 Local invs
Listed equity	41.00%	41.00%	+ / - 2.5%; 51.75% - 56.75%	1 % across 4 asset classes
Other alternatives	5.75%	5.75%		
Private equity (including local invs)	7.50%	7.50%		
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%; 33.50% - 37.50%	
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 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 administering 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

<sup>1</sup> Limits 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.

<sup>2</sup> Funds 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.

<sup>3</sup> Limits 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 [subject to review in line with the outcomes of the RI survey]

### 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, including how social, environmental and corporate governance considerations are to be taken into account in the selection, non-selection, retention and realisation of investments, alongside the policy on the exercise of the rights (including voting rights) attaching to investments. This section sets out the Fund's approach to this.

Responsible investment is an approach to investment that aims to incorporate environmental including climate risk, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable investment returns. It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. Responsible Investment is a core part of the Fund's approach to investment decisions. The Committee consider the Fund's approach to ESG in two key areas:

- Sustainable investment / environmental and social factors – considering the financial impact of environmental including climate risk, social and governance (ESG) factors on its investments. The Committee has in March 2023 approved the Fund's first NZCS which contains the primary aims for the Fund with respect to formalising a strategy to achieve net zero. The Fund updates achievement against the NZCS goals annually, usually at the last Local Pension Committee meeting each calendar year.
- Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In combination these two matters are often referred to as 'Responsible Investment,' or 'RI' and this is the preferred terminology of the Fund.

As part of pooling the Fund supports Central's Responsible Investment & Engagement Framework and expects environmental, social and governance (ESG) factors to be integrated across all asset classes. At present the Fund's current Responsible investment strategy is broadly compatible with Central's.

Stewardship (engagement and voting) will be delivered by Central and/or its appointed stewardship provider on the Fund's behalf, with transparent reporting. The Fund is currently



not a UK Stewardship Code signatory; compliance and disclosure are achieved via the Pool's stewardship arrangements.

## 9.2 The Fund's approach to Responsible Investment

In 2025/2026 the Fund undertook a high-level survey on responsible investment issues, this will look to inform this approach. [To be updated subject to outcomes due in March 2026]

The Principles for Responsible Investment are recognised as the global standard for responsible investment for investors with fiduciary responsibilities. The Fund has declared its support for the PRI and the 6 principles, available here: <https://www.unpri.org/about-PRI/what-principles-for-responsible-investment>. Central is also a signatory of PRI.

As institutional investors, the Fund has a duty to act in the best long-term interests of its beneficiaries. In this fiduciary role, the Fund believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time.

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.
- The Committee takes RI matters seriously and has not appointed managers unless they can show evidence that RI considerations are an integral part of their investment decision-making processes, this is the same for Central's approach to appointing investment managers.
- Investment Manager, and Central presentations to Committee demonstrate ESG and RI considerations and allow for monitoring and discussions around ESG integration on an ongoing basis.
- Monitoring forward looking metrics that can help mitigate future risks and enhance long-term performance.
- 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.

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.



The Fund believes engagement is more effective than divestment. Divestment should only be undertaken where companies present a material investment risk as a result of their actions or inactions.

The Fund does not apply personal, ethical, or moral judgements when making investment decisions and instead remains focused on the primary objective of acting in the best financial interests of the Fund's members.

The Fund believes engagement is more effective than divestment. Divestment should only be undertaken where companies present a material investment risk as a result of their actions or inactions.

The Fund does not apply personal, ethical, or moral judgements when making investment decisions and instead remains focused on the primary objective of acting in the best financial interests of the Fund's members.

The Committee decides on the Fund's approach to RI, Government has set out this approach should be set in collaboration with their pool and partner funds to maximise the alignment, to increase the impact of the approach in delivering positive change. Central have developed a RI Policy, alongside partner funds, that applies to all pooled assets, the Fund's approach is aligned with this.,

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. Membership of LAPFF will be reviewed at the relevant time when it fully understood how Central will discharge its RI responsibilities.

### 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 expected transition to a lower-carbon economy; (policy, legal, tech for example) if a company the Fund has exposure to fails to adapt to the market it may be less profitable or sold off by market participants.

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 Net Zero Climate Strategy (NZCS) 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 NZCS sets out the Fund's support of a transition to a low carbon economy, in line with its ambition to become Net Zero by 2050, or sooner. The Fund will consider the impact of climate change in both its asset allocation and individual investment decisions to create 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 NZCS 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 alongside the outcome of a survey on responsible investment matters, and due regard will be given to amendments required within the ISS

The NZCS includes targets set in line with the Paris Agreement to achieve Net Zero by 2050, with an ambition for sooner. Delivery and monitoring of these targets are reported annually to the Local Pension Committee. The NZCS is subject to review at least every three years.

Alongside the NZCS 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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## **LOCAL PENSION BOARD – 4 FEBRUARY 2026**

### **DIRECTOR OF CORPORATE RESOURCES**

## **CLIMATE RELATED DISCLOSURE PROGRESS UPDATE**

### **Purpose of the Report**

1. The purpose of this report is to provide an update to the Local Pension Board (LPB) 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.

### **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.
4. Climate change is one of many risks the Fund manages within the risk register. The NZCS recognises the systematic impact climate change could have on the Fund and sets out how the Fund would monitor and manage these risks and opportunities posed. Alongside other financially material factors, these considerations have fed into all decisions made since approval of the NZCS.

### **Background**

5. For the Fund, the term 'responsible investment' refers to the integration of financially material environmental, social and governance (ESG) factors into investment processes. It has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The approach taken by the Fund, as set out in the Investment Strategy Statement (ISS), is distinct

from 'ethical investment,' which may look to exclude companies engaged in activities deemed 'unethical' by the investor, whereby the moral persuasions of an organisation or individual take primacy over financial factors.

6. Climate change is considered a systematic risk, given it is possible it will affect all investment asset classes, sectors and regions, as well as having implications on inflation and longevity. For example, higher average and absolute global temperatures together with extreme weather events pose risks to physical assets, while the impact to markets from a transition towards a more decarbonised economy will have its own risks and opportunities with changes in consumer behaviour, and considerations around resilience and resource efficiency. There is also a clear uncertainty around any impacts, this leads to uncertainty which markets can react to. These risks may also impact scheme members and their longevity, and impacts from crop failures, and changes in how diseases spread in warmer climates. While there are also impacts from potential policy changes, including any reversal of climate policy action, or changes in assumptions.
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.

#### Progress Against the Net Zero Climate Strategy

7. In March 2023 the Local Pension Committee agreed nine targets, including an ambition to achieve net zero by 2050, with an ambition for sooner. The majority of these targets followed best practice with relation to the Institutional Investors Group for Climate Change's framework, or targets that were deemed of importance to the Committee and Fund.
8. High-level progress against these targets is set out below, which show where the Fund has exceeded initial expectations for its net zero journey.
  - a. The Fund has achieved its first interim target of reducing the weighted average carbon intensity (WACI) by 50% by 2030, with an actual reduction of 55.6%, meaning the Fund is less exposed to carbon price risk for in-scope investments.
  - b. The Fund has also achieved its second interim target of having reduced its financed emissions by 40%, with an actual reduction of the total carbon emissions the Fund is responsible for by 42.2% from a baseline set in 2019, by 2030 for in-scope investments.
  - c. The Fund now has over £1.5 billion (circa 20% of the total Fund) directly allocated to climate-related investments across equity, debt, infrastructure and forestry. These investments support the Fund's wider fiduciary duty and have not had a negative impact on the Fund's return.
  - d. Within the equity portfolio 75.8% of equity financed emissions are considered to be aligned/aligning to the Paris Agreement, or under an

engagement programme. This sets the Fund on a positive trajectory to 2050 in supporting real-world change.

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

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

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

#### Interim (2030) Primary Targets

11. Where indicated the Fund's baseline data as of 31 December 2019 has been restated within the report due to improved data available through the data provider. This is where estimated data has been replaced by company reported data. Any targets are compared against the most up to date data available.

	Use Case	2019 <sup>1</sup>	2024	2025	% change since 2019
<b>50% carbon intensity reduction by 2030 for the Equity Portfolio (tCO<sub>2</sub>e/\$m sales)</b>	Exposure to carbon-intensive companies.	162	76.7	72	-55.6%
<b>40% absolute carbon emissions reduction for the Equity Portfolio by 2030 (tCO<sub>2</sub>e).</b>	Carbon footprint of the Fund's equity holdings. This can indicate the level to which the Fund may be negatively impacted by transition risks, which are direct and typically attributable to government policy.	190k	110k	110k	-42.2%

12. The majority of the reductions can be attributed to the significant changes to the Fund's equity portfolio since 2019 in investing in the Low Carbon Transition fund and Climate Multi-Factor fund. Alongside a lower exposure to carbon-intensive companies with specific reductions in the financed emissions of the utilities and materials sector.
13. This reflects the Fund's efforts to manage climate related risks, indicating reduced exposure to financially material risks within these holdings.

### **Secondary Targets**

#### **Exposure to Climate Solutions and Fossil Fuels**

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

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

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

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

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

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

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

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

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

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

19. It is important to note that engagement data is not able to be restated, historic engagement metrics are therefore reflective of previously reported values. In addition to this, LGPS Central's methodology to determine if a portfolio company has been engaged has been improved to for 2024 reporting apply a stricter definition of engagement. This measurement also does not cover

engagement activities by the Fund's passive equity manager LGIM, who have extensive activities as reported quarterly.

20. The Fund will continue to work with Central on its engagement processes and support expanding their engagements to cover more financed emissions, particularly as Central have assumed management of the Fund's passive LGIM equity funds.
21. The Fund will continue to work with Central on how best to attribute these factors and how to support increased alignment over time.
22. The final secondary target focuses on operational net zero targets relating to the County Council and Central. It is noted that the County Council has shifted its priorities towards climate adaption and addressing severe weather impacts within the county. In line with the 'Fit for the Future' proposals, it will be appropriate to concentrate on ensuring that Central deliver their stated commitments.
23. The Fund will continue to monitor and report on progress against all targets, with a view to the review of the NZCS due in 2026, alongside comments from scheme members and employers in the ongoing Responsible Investment Survey that closed on the 5 January 2026 and is in the process of being considered.
24. These metrics are not the Fund's only method of monitoring climate risk and opportunities, the report appended to the Local Pension Committee in the background papers contains further information. This includes metrics expected to be required as part of mandatory TCFD reporting and other metrics available to Central, which provide the Fund with a deeper assessment of climate risk and opportunity.

### **Fund Benchmarking**

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

impact of carbon pricing. Of the funds performing comparably or better they are generally on the same trajectory with asset allocation decisions driving the reductions with allocations to funds similar to the LGIM Low Carbon Transition Fund, alongside more standard passive index allocations.

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

### **Next Steps**

28. Officers will continue to work with Central and external managers to monitor approaches to net zero and engagement with top contributors within their portfolios.
29. The Fund will communicate high-level results from this report recognising the interest of scheme members in climate related matters, as well as consider the outcome of the responsible investment survey that closed on 5 January with how that informs Fund policies.

### **Recommendation**

30. It is recommended that the report be noted.

### **Equality Implications**

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

### **Human Rights Implications**

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

**Background Papers**

Local Pension Committee – Friday 5 December 2025– Climate Related Disclosure Report and Responsible Investment Update,

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7990>

Local Pension Committee – Friday 31 January 2025 – Responsible Investment Plan 2025, <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986>

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## **LOCAL PENSION BOARD - 4 FEBRUARY 2026**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

### **PENSION FUND TRAINING NEEDS SELF ASSESSMENT**

#### **Purpose of the Report**

1. The purpose of this report is to:
  - i. Provide the Local Pension Board(LPB) with an update on Training Needs Self Assessments which have been undertaken;
  - ii. Set out progress against the Fund's Training Policy and 2025 Training Plan.

#### **Policy Framework and Previous Decisions**

2. The Local Pension Committee (LPC) first agreed a Training Policy on 8 November 2019 in line with best practice at the time. The latest version of the Training Policy was approved by theLPC on 19 June 2024.
3. The policy, and regular training, is required because of:
  - the distinction of fiduciary duty owed to the Fund, compared to members' and officers' usual business;
  - the complexity of pension and investment issues;
  - inevitable changes in the membership due to the election cycles;
  - the Fund being treated by investment managers as a professional client and the requirement to comply with the Markets in Financial Instruments Directive (MiFID II);
  - the potential consequences of not administering the Fund in an appropriate manner;
  - responsible investing, net zero and how the Fund achieves this.

4. Training requirements are also reflected in the Terms of Reference of both the LP and the LPB, which state members 'must demonstrate to the Administering Authority their capacity to attend and prepare for meetings or to participate in required training.'

### **Background**

5. Since the LPB's formation there has been legislation setting out that 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 functions as a member of the LPB.
6. As indicated as part of the previous Governments 2023 consultation 'Next Steps on Investment', and through the 2025 consultation of the current Government 'Fit for the Future' proposals it will be a requirement that training requirements are extended to the LPC, as well as relevant officers such as the new 'Senior LGPS Role' and Independent person. The Fund has historically reported training undertaken by both LPC and LPB Members annually within the Fund's Annual Report as part of best practice, and as recommended by the Scheme Advisory Board's Good Governance review.
7. As identified by The Pension Regulator, good governance is essential for a pension scheme to be successful, with a clear link between good governance and good fund performance.
8. In early 2024 the Pensions Regulator published a new General Code of Practice (the code) for governing bodies of pension schemes to assist them in meeting their legal obligations and in ensuring their scheme is well governed. The Fund's Training Strategy and Plan aligns with this.

### **Training Needs Assessment**

9. The Chartered Institute of Public Finance and Accounting (CIPFA) published guidance on Pensions Knowledge and Skills in 2021. The guidance identifies eight core areas where appropriate knowledge and skills should be achieved and maintained:
  - Pensions legislation and guidance
  - Pensions governance
  - Funding strategy and actuarial methods
  - Pensions administration and communications
  - Pensions financial strategy, management, accounting, reporting and audit standards
  - Investment strategy, asset allocation, pooling, performance, and risk management
  - Financial markets and products
  - Pension services procurement, contact management and relationship management

10. To best meet the training needs of LPC and LPB Members, a training needs analysis was carried out at the end of 2025. The form consisted of 39 self-assessment questions against CIPFA's eight core areas.
11. As of 16 January 2025 ten out of 12 LPC and four out of six LPB members have completed their assessments. The anonymised results are attached at Appendix A to this report. Any members that have not yet completed the training needs assessment are asked to do so as soon as possible, to support development of this year's training programme which is considered alongside the Fund's budget and business plan elsewhere on the agenda.
12. The results of the questionnaire, together with the current priorities for the Fund are used to decide on the approach and topics of training offered, this can be on a collective and individual basis. Current priorities will focus on emerging issues as a result of fit for the future which may change how Committee and Board need to consider items.
13. Members are also invited to provide any comments on the current training plan, and officers will look at how further collaboration can be utilised to support training.

### **2025 Training Plan Completion**

14. As part of the revised Training Policy agreed in June 2024 a training plan was developed in line with Hymans' on-line Aspire training and it was agreed that Members should complete all modules within six months of approval of the policy, or their appointment. This followed engagement with Committee and Board members on the best approach to training, either with members completing the modules in their own time at home or attending sessions at County Hall, which would include question and answer sessions and be relevant to upcoming agenda items.
15. All new members to the LPC and LPB received induction training from Fund officers.
16. As of January 2026, for Board members that have been appointed over 6 months ago, 4 are compliant with the appropriate modules. For Reminders will be sent to members that have remaining modules (relevant to the LPB) to complete, to ensure completion within the appropriate time period, and for inclusion in the Fund's Annual Report.
17. A record of completion of all training, including Hymans on-line training, undertaken by Committee and Board members is included within the Fund's Annual Report presented in September each year. Essentially, training progress will be shown as a snapshot of the position as at 31 March each year. Appendix B provides a summary of current progress against the Training Policy, however, this will be updated for the Annual Report.

### **Next Steps**

18. As part of the Fund's budget and business plan a draft training plan for 2026/27 is set out elsewhere on this agenda, ahead of Committee consideration on the 20 March.

19. As part of draft guidance there are some changes to core areas of knowledge, this will feed into ad hoc training priorities as required, and form next year's training needs assessment questions.

### **Recommendations**

20. It is recommended that all members should complete the training needs assessment if not yet completed by 31 January 2026.

### **Background Papers**

Local Pension Committee – 19 June 2024 – Revised Training Policy,  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7540&Ver=4>

### **Equality Implications**

None.

### **Human Rights Implications**

None

### **Legal Implications**

The Director of Law and Governance has been consulted on this report.

Under MiFID II (Markets in Financial Instruments Directive) local and public authorities must satisfy a qualitative test that allows them to be treated as a professional investor with the capacity to make investment decisions. This test requires the Local Pension Committee to satisfy those providing investment services that it possesses the expertise, experience and knowledge required to be capable of making its own investment decisions and understanding the risks involved.

The Local Pension Committee's Terms of Reference sets out that members must demonstrate to the Administering Authority their capacity to attend and prepare for meetings and to participate in required training in order to reach the required standard in line with MiFID II and the Fund's Terms of Reference. It is for the Scheme Manager (the Administering Authority) to be satisfied that those appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee.

In line with these duties under their role, Committee members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within the remit of their role. A written record of all relevant training and development (whether internal or external)

undertaken by Committee members should be maintained. All members will undertake an annual personal training needs analysis and regularly review their skills, competencies, and knowledge to identify gaps or weaknesses, as well as the mandatory training that the Scheme Manager considers is required to ensure the Board and Committee operates as effectively as possible. All information in relation to training and development of all members shall be made available to the Committee and Board as part of the review process.

It is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.

The legal framework governing training is, however, expected to change during 2026, following the Government's proposed amendments to the Local Government Pension Scheme Regulations and the issue of new statutory guidance. These changes are anticipated to introduce a formal duty on administering authorities to maintain a comprehensive Training Strategy, and to ensure that all individuals involved in the governance, management, or oversight of the LGPS, including Committee and Board members, relevant officers, and the newly established roles of Senior LGPS Officer and Independent Person, meet and maintain prescribed standards of knowledge and understanding appropriate to their role.

Although these requirements are not yet in force, the Committee's current training arrangements already align with the direction of travel and will be updated as necessary once the revised Regulations and statutory guidance are finalised. The strengthened framework is also expected to emphasise clearer reporting obligations, enhanced record-keeping standards, and the need for training records to support independent scrutiny as part of future governance review processes.

## **Appendices**

Appendix A – Training Needs Assessment Anonymised

Appendix B – Board Member Current Training Progress

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Name	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPC	LPB	LPB	LPB	LPB
General pensions legislative framework in the UK, for example defined benefit, defined contribution, tax treatment and auto-enrolment.																
The roles and powers of the UK Government in relation to the LGPS																
The main features of the LGPS legislation relating to benefits, administration and investment.																
The role of Leicestershire County Council as administering authority in relation to the LGPS in relation to the Fund																
The role of the Scheme Advisor Board and the Pensions Regulator, Pensions Advisory Service and Pensions Ombudsman to the workings of the LGPS																
Awareness of the Pension Regulator's Code of Practice for public sector pension schemes																
The role of the Local Pension Committee																
The role of the Local Pension Board																
The roles and statutory responsibilities of the Administering Authority S151 officer																
Potential conflicts of interest, how they are identified and managed.																
Requirements on the Fund in relation to accounting legislation and the Fund's Annual Accounts.																
Audit Regulations and legislative requirements relating to internal controls and external audit for the Pension Fund.																
The Administration and Communication Strategy and how the service is delivered and communicated to the Fund's members and employers.																
An understanding of how Fund breaches in law are reported																
Understanding of Fund policies relating to member data, record keeping, internal dispute procedures, cyber risk and contributions.																
LGPS discretions and how employers' discretionary policies impact on the Fund.																
Tax treatment of pensions, retirement lump sums annual allowance and lifetime allowance																
The Fund's Additional Voluntary Contribution arrangements and choice of investments offered to members																
Statutory deadlines and key performance indicators of the Pension Fund.																
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 pr																
Supplier risk management. (ie. procurement procedure, risk assessments, what to look for when selecting an investment manager).																
An understanding of how the Fund monitors and manages outsourced providers (software providers, tracing agencies)																
How pension fund management risks are monitored and managed.																
The role of the Fund's investments in paying future pension payments.																
Awareness of the Fund's Investment Strategy Statement																
Key aspects of Investment Manager Monitoring																
The Fund's approach to responsible investment and engagement, and stewardship activities undertaken by fund managers and other partners.																
The Fund's approach to climate risk and opportunities.																
Investment pooling and the role of LGPS Central.																
The risk and return characteristics of the main asset classes and their role in long-term pension fund investing, including different investment vehicles available (ie. segregated or pooled, active o																
Understanding of the primary importance of the Fund's Strategic Asset Allocation (at every January Committee).																
Awareness of the limits placed by regulation on the investment activities of the Fund (ie. fiduciary duty, ESG, and Fund discretions).																
The actuarial valuation process, including development of the funding strategy statement.																
Key assumptions in the actuarial valuation																
The types of employer eligible to join the Fund																
The importance of the employer covenant																
How employers' contribution rates are set																
Where an employer leaves the Fund, how the promised pensions liabilities are paid for.																
How employer outsourcings and bulk transfers are dealt with?																

Fully conversant

I am reasonably familiar but additional training would be useful

Some but limited knowledge

No Knowledge

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**Board Training Progress**

	1 - Committee Role and Pensions	2 - Pensions Governance	3 - Pensions Administration	4 - Pensions Accounting and Audit	5 - Procurement and Relationship	6 - Investment Performance and Risk	7 - Financial Markets and Product Knowledge	8 - Actuarial methods, Standards and Practices
Mr. K. Crook CC (from 16/9/25)	C	C	C	C	C	C	C	C
Miss. H. Butler (from 12/11/25)	E	E	E	E	E	E	E	E
Cllr. E. Cutkelvin (from November 2023)	C	E	C	E	C	E	E	C
Mr. M. Singh Saroya (from 2021 AGM)	C	C	C	C	C	C	C	C
Ms. R. Gilbert (from 2022 AGM)	C	C	C	C	C	E	E	C
Mr. A. Cross (from December 2023 AGM)	C	C	C	C	C	C	E	C
Mr. A. Stewart (from December 2025 AGM (employee rep))	C	C	C	C	C	C	C	C
E- Enrolled								

C- Complete

	Joint Training - overview of fund governance, fiduciary duty, conflict of interest, Nolan Principles. 13 June 2025	Training from Hymans 9.00 to 9.30 25 June	Joint Training - Fund Valuation FSS, ISS, Annual	Joint Training 14 November Update on the SAA & Valuation Update
Mr. K. Crook CC (from 16/9/25)	y	\	x	Y
Miss. H. Butler (from 12/11/25)	\	\	\	x
Cllr. E. Cutkelvin (from November 2023)	x	x	x	y
Mr. M. Singh Saroya (from 2021 AGM)	y	y	y	y
Ms. R. Gilbert (from 2022 AGM)	y	y	x	x
Mr. A. Cross (from December 2023 AGM)	y	y	x	x
Mr. A. Stewart (from December 2025 AGM (employee rep))	\	y	\	x

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## **LOCAL PENSION BOARD - 4 FEBRUARY 2026**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **PENSION FUND POLICY REPORT**

##### **Purpose of the Report**

1. The purpose of this report is to present for the Board's consideration the annual update of the Pension Fund's current strategies and policies, covering any new policies that have been introduced or amendments that have been made.

##### **Background**

2. 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). Part of its role is to review the Fund's Governance and Policy documents, as set out below.
3. This is an annual report to provide the Board with a summary of current policies or strategies. Any new or amended policies will be brought to the Board and then presented to the Pensions Committee for approval at a subsequent meeting, as the body responsible for the governance of the Fund.

##### **Summary of Current Policies**

4. 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](#).

<b>Policy</b>	<b>Existing Policy (Yes/No)</b>	<b>Changes Made (Yes/No)</b>	<b>Changes</b>	<b>Date Last Reviewed</b>	<b>Date Next Review Scheduled</b>
Investment Strategy Statement	Yes	Yes	Detailed in a separate report.	February 2026	February 2027
Investment Adviser Objectives	Yes	Yes	Detailed in this report	November 2025	November 2026
Net Zero Climate Strategy (NZCS)	Yes	No	Detailed in a separate report.	March 2023	June 2026
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	February 2026	Summer 2028 (as part of Valuation exercise)
Administration Strategy (formerly Administration and Communication Strategy)	Yes	Yes	Minor changes only.	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	Yes	Yes	Detailed in a separate report	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	-	February 2025	February 2027
Complaints Process	Yes	No	-	February 2025	February 2028
Monitoring Contributions Process	Yes	No	No changes, but see comments in report	February 2025	February 2028
Reporting Breaches of Law Process	Yes	No	-	February 2025	February 2028
Data Improvement Plan	Yes	Yes	Detailed in a separate report	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 Advisor Objectives

5. 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

6. This strategy has been amended to allow UK treasury bills to be sold ahead of maturity in line with Fund policy.

#### Funding Strategy Statement

7. The consultation on proposed changes to the Funding Strategy Statement ended on 11 January 2026. A separate report detailing the proposed changes has been presented to the Board at this meeting.

#### Administration Strategy

8. 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) to tidy up the wording, but nothing fundamental has changed.

#### Fund Training Strategy

9. 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).
10. These requirements are also now considered an individual responsibility, rather than a collective responsibility as previously included.
11. It is intended that officers will consider any published guidance from Government and the Scheme Advisory Board as needed ahead of consideration by the Local Pension Committee in March.

#### Conflict of Interest Policy

12. 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.

#### Fund Employer Risk Policy

13. 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.
14. 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

15. 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

16. 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.

#### **Fit for the Future**

17. 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 Governance Strategy. These requirements will be linked with statutory guidance which is currently draft. Officers will await final guidance and ensure policies are drafted and update the Local Pension Board and Committee appropriately.

#### **Recommendation**

18. The Board is asked to comment on the revised policies and strategies ahead of the Local Pension Committee meeting on 20 March 2026, where approval will be sought.

**Equality and Human Rights Implications**

None specific

**Appendices**

Appendix A: Investment Adviser Objectives

Appendix B: Administration Strategy

Appendix C: Fund Training Strategy

Appendix D: Conflict of Interest Policy

Appendix E: Fund Employer Risk Policy

**Officers to Contact**

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## CMA objectives for investment consultants

### Addressee

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

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

### Background and scope

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

We have summarised the key points below:

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

### Next steps for the Fund

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

Prepared by: -

David Walker, Partner

Samuel Hampton, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

November 2025

### General Risk Warning

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

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

### Potential conflicts of interest

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

### Services provided to Fund Employers

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

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

### LGPS Investment Pooling

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

### Support provided to industry bodies

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

### Manager selection exercises

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

## Appendix 1: Current objectives

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

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

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

## Appendix 2 – CMA compliance statements – the details

### Background

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

**Leicestershire County Council Pension Fund**

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

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

**Additional Compliance Reporting**

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

For and on behalf of the Leicestershire County Council Pension Fund

Signature: .....

Name: .....

Title: .....

## Appendix 3: Proposed objectives

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

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

**Relationship and Service Standards**

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

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

To achieve value for money.

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

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

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

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# Leicestershire Local Government Pension Scheme Administration Strategy

## 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

County Hall

Glenfield

Leicester LE3 8RB

[ian.howe@leics.gov.uk](mailto:ian.howe@leics.gov.uk)

Telephone: 0116 305 6945

## **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:

<b>Type</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group (Active, Deferred, Pensioner or All)</b>
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

<b>Type</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group (Active, Deferred, Pensioner or All)</b>
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 Practice 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.

<b>Work Item</b>	<b>Charge</b>
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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
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	<a href="https://www.leicspensionfund.co.uk/">https://www.leicspensionfund.co.uk/</a>	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:

<b>Method</b>	<b>Media</b>	<b>Frequency</b>	<b>Method of Distribution</b>	<b>Audience Group</b>
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:

<b>Method</b>	<b>Media</b>	<b>Frequenc y</b>	<b>Method of Distributio n</b>	<b>Audience Group</b>
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
<b>LIAISON AND COMMUNICATION</b>	
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

<b>FUND ADMINISTRATION</b>	
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
<b>SCHEME ADMINISTRATION</b>	
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 <b>KPI</b>

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 <b>KPI</b>
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 <b>KPI</b>
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
<b>LIAISON AND COMMUNICATION</b>	
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 and provide details 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 <sup>th</sup> 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
<b>FUND ADMINISTRATION</b>	
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

<b>EMPLOYER ADMINISTRATION</b>	
<b>New Starter</b> 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
<b>New Starter</b> 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
<b>Pension Contributions</b> 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
<b>Pension Contributions</b> 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
<b>Pension Contributions</b> Ensure correct rate of employer contribution is applied	Immediately following confirmation from the administering authority of appropriate employer contribution rate

<b>Pension Contributions</b> Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave of absence from duty	Immediately, following receipt of election from scheme member to make the necessary pension contributions
<b>Pension Contributions</b> Commence/amend/cease deductions of additional regular contributions	Commence/amend in month following election to pay contributions or notification received from administering authority, cease immediately following receipt of election from scheme member
<b>Pension Contributions</b> Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19 <sup>th</sup> of the month after deduction is taken.
<b>Pension Contributions</b> Refund any employee contributions when employees opts out of the pension scheme before 3 months	Month following month of opt out
<b>Pension Contributions</b> Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
<b>End of year</b> 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	By 30 <sup>th</sup> April following the year end, due to the earlier closure of the accounts.
<b>Leavers</b> Determine reason for leaving and provide notification to administering authority of scheme leavers	Within 30 days of leaving
<b>Retirement</b> Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of notification of intention to retire
<b>Estimates</b> Initiate any estimates, (other than ill health), that generate a capital cost.	Within their own internal agreed working timescale

<b>Final Pay</b> 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	Within 10 working days following date of estimate request/leaving/retirement/death
<b>Employer appointments</b> 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	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
<b>Employer appointments</b> Appoint person for stage 1 of the pension dispute process and provide full details to the administering authority	Within 30 working days following the resignation of the current "appointed person"
<b>I-Connect – Monthly Posting*</b> Submit pension data via the secure I-Connect employer self-service module	By the end of the following month



## 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 footnotes<sup>1</sup>).
  - 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 force<sup>2</sup>.

<sup>1</sup> 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.

<sup>2</sup> 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](mailto: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 (ie. 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](http://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 by the Pension Fund and used to pay retired members pension benefits.

One identified Fund risk; are 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 proceeding three years. The rates are made up of primary and secondary contributions, the primary rate is paying for future 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

For future 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 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.

A third-party covenant expert may be used to assist with assessing risk. This is designed to provide independence from the Fund and employer and helps to establish a fair and transparent approach.

From the replies received, 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 for them 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 its likely Officers will take a more prudent view and assess an employer as a greater risk.

Fund Officers will have the ultimate decision on the group an employer falls.

## 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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**LOCAL PENSION BOARD – 4 FEBRUARY 2026**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**RECORD KEEPING – DATA IMPROVEMENT**

**Purpose of the Report**

1. The purpose of this report is to inform the Board of plans to maintain and improve the quality of pensions data held during 2026-2027.

**Background**

2. The Pension Regulator's Code of Practice requires Funds to have a plan detailing the steps officers will take to improve their quality of data in the year ahead. Going forward, officers will submit a report to the Board annually detailing plans for data improvement in the year ahead.
3. The overall quality of pensions data remains high. The data quality scores as submitted to The Pension Regular annually are shown in the appendix and are currently both over 97%.
4. Officers will continue to strive to keep the overall quality high whilst focussing on any areas that need particular attention.

**Business as Usual**

5. The Pension Section already follows a significant number of processes to maintain high quality pension member records and this work will continue throughout 2026-2027. Further details are included in the appendix.

**Plans for 2026-27**

6. In addition to 'Business as Usual' actions there will be three areas addressed in 2026-27. These areas will all be included in the Pensions Administration Business Plan.

**Pension Dashboard Programme (PDP)**

7. The exercise to connect to the dashboard eco-system concluded in October 2025. Ahead of the go-live date (yet be determined) officers continue to regularly cleanse data and reduce the number of outstanding preserved benefits and aggregation cases, to ensure that data is as 'clean' as possible, ahead of the launch.
8. An address cleanse of deferred members will also be conducted prior to go-live.

#### McCloud Remedy

9. Officers continue to work through administrative tasks linked to the McCloud remedy. The current focus is on the adjustment of pensions for pensioners who are eligible for an increase under the remedy.
10. Remaining categories of McCloud related work include:
  - Death Cases
  - Transfers
  - Interfund Adjustments
  - Trivial Commutations
  - Teachers (Enhanced Pensions)
11. The deadline for the completion of McCloud remedy is 31 August 2026.

#### Workflow Review

12. A review of how workloads and key performance indicator data is presented in the quarterly administration report, and how that data aligns with the requirements of the Fund's annual report will be conducted during the year, subject to agreement of the Local Pension Board.
13. Once the approach is agreed officers will work through the implementation of these changes. This will include a wider review of all casework 'workflow' processes that are used on the Altair administration system to ensure that they are compatible with all reporting requirements.
14. Workflow processes are created in Altair and are used to monitor the status of outstanding work. This includes whether a case is with the employer, pension officer or manager for checking. Workflow data is used to provide the figures used in the Board reports.
15. Many of the original workflows were created many years ago and whilst quite simple, have served their purpose. However, as reporting requirements evolve, it is now considered that many existing workflows may need to change.

**Next Steps**

16. Officers will report on progress to the Board in the administration reports during 2026-2027.

**Recommendation**

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

**Equality and Human Rights Implications**

18. There are no equality or human rights implications arising from the recommendations in this report.

**Appendix**

Data Improvement 'Business as Usual' Processes February 2026

**Officers to Contact**

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Appendix**Pension Fund ‘Business as Usual’ Data Cleansing Actions (February 2026)**Data Quality Insights Reports

Maintain The Pension Regulator’s ‘Common’ and ‘Scheme Specific’ data scores through Insights reporting tool.

The data scores on **30 December 2025** were:

Common Data: **97.9%**

Scheme Specific: **97.36%**

Data Correction Alerts

A series of data checks have been set up so that when an issue occurs an email is generated that advises an officer of the case that needs to be corrected.

The current checks are:

- Irregular characters in Surname, Job Title, Address
- Invalid characters within email addresses
- Pensioner records with a “Pay-ID” field but no address (meaning this could prevent payment of a pension)
- Payroll cost code does not start with L or P
- Current scheme member records without an address
- Validation of Reference held on AVC screen
- Missing “No PI Ind” field on record for any Pensioner aged under 55 (legacy regs)
- “Retirement Basic Details” displayed on pensioner record but member not on payroll
- Active members over 75 still paying into LGPS

Address Checks

We check with the Fund’s address tracing provider for the last known address in respect of the following categories:

- Deferred members where their pension is due to be paid unreduced
- Deferred members who have reached the age of 55
- Pensions that have been suspended (for a variety of reasons)
- Members who left 5 years ago with an entitlement to a refund
- Deferred members

Where a letter has been issued and returned, marked 'not known at this address', or in the case of a deferred member where their pension is due to be paid unreduced, a letter and a reminder have not been responded to, a check on the current address is performed.

Checks are carried out in bulk every other month.

#### Pensioner to payroll monthly reconciliation

A report is produced each month for officers to check cases where pension values held on Administration and Payroll records differ (beyond a tolerance of £12 per annum)

#### Mortality Screening Processes

Monthly Report provided by Mortality Screening Provider. This is matched against our records on a monthly basis to identify members who have recently died.

National Fraud Initiative exercise: A standard 'NFI' report is provided to the Fund every two years. In addition, NFI also provide an additional report every six months (as requested by the Fund). These are used for further checks on any deceased members that officers may not have been notified of.

#### National Insurance Database

The National Insurance database is utilised to identify members who have previous LGPS membership in other funds. This allows officers to:

- Prevent refunds being paid if member isn't entitled
- Inward transfers from other LGPS funds to be investigated where members haven't declared previous membership
- Check the database for previous membership as this can impact on the calculation of a Death Grant in some circumstances

#### i-Connect

Monthly submissions of data from all employers through the Heywood i-Connect portal.

Daily/Weekly/Monthly Checks:

Balancing: Comparing amounts paid over to i-Connect figures.

i-Connect Starters warnings: Records displaying start dates outside of the relevant period are highlighted and if necessary queried with employers.

i-Leaver tasks: An i-leaver task is created when a leaving date or where applicable an opt out date has been applied to the record.

Officers are automatically notified of all error events and these are investigated and followed up.

Deceased records checks: A report is regularly run to identify changes made to deceased records following an i-Connect submission.

When submission are overdue these are chased up with the relevant employer.

In addition, the following checks are built into i-Connect as standard:

**Validation errors:** Submissions with validation error cannot be processed without being authorised and so now errors need to be clarified before being processed. This should pick-up new starters missing a start date or members over age 75 for example.

**Tolerance failures:** Submissions with data displayed outside of system 'tolerances' cannot be processed without being authorised and so now errors need to be clarified before being processed. This can identify issues with employer rates and overinflated figures.

**Balancing:** Payments made must balance with i-Connect period figures or if not a reason must be provided (see screenshot below)

**Employer rate discrepancies:** Employer rate is stored in i-Connect, rate is applied to the pay figure and if there is a discrepancy it is flagged in red (see screenshot below)

**Omitted members list:** This can be processed without authorisation but when there are validation errors or a balancing discrepancy we can query the case.

Recent Activities

File Name	Period End Date	Expected Submission Date	Submission Date	Submission Type	Status			
Leicester i-Connect August 24 to upload.csv	31-08-2024	31-08-2024	15-11-2024 15:03:16	Payroll Upload	Pending			
Submission Statistics								
Total Number of Payroll Members Tracked by i-Connect					635			
1 Omitted Payroll Members (present on a previous submission, and no leaver event processed)					5			
Total Number of Potential Single Continuous Employments					18			
Payroll Members Submitted	631	Payroll Members in Error	1	Accepted for Processing	630			
Pay Summary		Contributions This Period		Contributions Year To Date (YTD)				
Pensionable Pay (Period)	£821,943.67	Employee Main Contributions	£46,957.55	Employee Main Contributions	£229,131.75			
Main CARE Pay (YTD)	£3,978,385.06	Employee 50/50 Contributions	£239.52	Employee 50/50 Contributions	£1,147.86			
50/50 CARE Pay (YTD)	£37,737.38	Employer Contributions	£225,808.43	Employer Contributions	£1,103,352.14			
		Add Conts/ARCs	£0.00	Add Conts/ARCs	£0.00			
		Shared Cost APCs	£0.00	Shared Cost APCs	£0.00			
		Employee APCs	£0.00	Employee APCs	£0.00			
		Secondary Contributions	£0.00	Secondary Contributions	£0.00			
				AVCs	£950.00			
<a href="#">View schedule of rates</a>		Expected Employer Contributions (Period)	£224,536.82	Expected Employer Payments (YTD)	£1,333,631.75			
		Difference	+£1,271.61					
		Total Payments Due (Period)	£273,065.50	Total Payments (YTD) (excl. AVCs)	£1,333,631.75			
		Total Payments Provided (Period)		Reason for difference (if given)				
		Payment Difference						
Submitted By User: C.Carrigan123								
2 tolerance failures and validation errors for 1 member(s) detected for this submission. Click here to view the failures and errors.								
Events	Total	Pending	Submitted	Completed	Failures	Errors	Suppressed	Progress
New Starter	47	47	0	0	0	0	0	
Opt In	0	0	0	0	0	0	0	

### Year End Work / Annual Benefit Statements

Final Pay tolerance checks (for post 2014 service members only)

Period monthly totals matches annual totals

Cases missing March CARE data are queried

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**LOCAL PENSION BOARD – 4 FEBRUARY 2026**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**RISK MANAGEMENT AND INTERNAL CONTROLS  
AND FIT FOR THE FUTURE UPDATE**

**Purpose of the Report**

1. The purpose of this report is to inform the Local Pension Board (LPB) 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 LPB'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 LPB and Local Pension Committee (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 this Board.

## **Risk Register**

5. The 19 risks are split into six different risk areas. The risk areas are:
  - Investment
  - Liability
  - Employer
  - Governance
  - Operational
  - Regulatory
6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.
7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).
8. The latest version of the Fund's risk register was approved by the LPC on the 5 December 2025.
9. 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.
10. To meet Fund Governance best practice, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position.
11. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

## **Fit for the Future Impact**

12. As outlined elsewhere on the agenda, the 'Fit for the Future' changes 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 asset, and also ensuring appropriate agreements are in place, and appropriate oversight mechanisms.
13. 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 ISC. Central

has confirmed they do not intend to act unilaterally, and the relationship will remain collaborative and engaged. The Committee will continue to focus on its strategic investment role. Areas of expected change are highlighted in purple.

### **Revisions to the Risk Register**

#### **Risk 1: Market investment returns are consistently poor, and this causes significant upward pressure onto employer contribution rates**

14. 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**

15. 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.**

16. 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**

17. 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.**

18. 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.**

19. 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.

**Government draft regulations and guidance**

20. On 20 November 2025, the government published the LGPS: Fit for the Future – technical consultation. This consultation, which concluded on 2 January 2026, sought views on two draft statutory instruments:

'Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026'

21. The proposed regulations seek to effect into law proposals regarding pooling and investment management, including:
- Participation in one asset pool company which has appropriate Financial Conduct Authority regulatory permissions.
  - Transfer management of all assets to the Pool with implementation of the investment strategy being the responsibility of the Pool.
  - The Pool providing investment advice on a Fund's investment strategy. Setting investment strategy (including headline strategic asset allocation (SAA)) remains the responsibility of the Fund's Pension Committee and this must include financial and risk objectives, priorities and preference for responsible investment, policy on voting rights and local investment objectives.
  - Co-operation with relevant Strategic Authorities to identify and develop opportunities for local investment, with option to delegate this to the Pool.
22. The draft regulations further make clear the new powers for the Secretary of State to direct funds to Pools, direct a fund to make changes to its investment strategy if it has failed to comply with guidance, and to direct the Pool to carry out certain investment management activities where it has failed to comply with guidance and which is detrimental to one or more partner funds or the Scheme as a whole. Prior to any direction, the Secretary of State must consult with relevant parties.

The Local Government Pension Scheme (Amendment) Regulations 2026

23. The proposed regulations seek to effect into law proposals on governance requirements for LGPS Funds, including:

- Regulatory requirement to appoint a Senior LGPS Officer, including requirements that the role is independent and separate to the statutory officer functions of the administering authority (no later than 1 October 2026).
  - Confirmation of the statutory requirement to appoint independent persons to the pension committee, to advise on investment strategy, governance and administration (no later than 1 October 2026).
  - Requirement to have a governance strategy, training strategy and conflict management policy, covering members of committees (to bring them aligned with existing statutory requirements on Board members) and officers and reviewed at least every three years.
  - Requirement to have a Pensions Administration Strategy, prepared in line with guidance and reviewed and updated at least every three years.
  - Requirement to commission (and publish outcomes of) an Independent Governance Review, aligned to the triennial cycle, covering the period from 1 April 2025 and conducted by a 'suitable person'. This person is described as independent of both the Administering Authority and Secretary of State and with sufficient knowledge.
  - A new power for the Secretary of State to direct an Administering Authority (AA) to arrange for a suitable person to carry out an ad hoc governance review at the authority's expense.
24. On 5 December 2025 the LPC delegated a response to the technical consultation to the Director of Corporate Resources in conjunction with the Chairman of the LPC by the 2 January 2025 which was subsequently submitted.
25. Furthermore, on 8 December 2025, the Scheme Advisory Board (SAB) released three draft guidance documents for closed consultation, seeking feedback from AAs by 12 January 2026. The draft guidance covers asset pooling, preparing and maintaining an Investment Strategy Statement (ISS) and fund governance. Fund officers have also responded to, both responses largely reflect key points related to:
- The Fund's fiduciary duty, and ensuring that requirements do not risk undermining that duty by limiting AAs' ability to seek external advice, and a suggestion that AAs may adjust their investment strategies to align with pooling objectives.
  - That Government is not overly prescriptive in the approach to governance, recognising Fund's have different structures and practices which may best suit their scale and size.

#### Next steps for the Fund

26. To ensure the Fund is in a position to comply with the proposals as they currently stand, the Fund will need to consider the following pieces of work. These will be progressed as appropriate until final guidance and regulations are in place:
- a. Review of existing governance arrangements, including a training strategy, conflicts of interest policy, administration strategy, and development of a governance strategy.

- b. Review and update the Local Pension Committee, Investment Subcommittee and Local Pension Board Terms of Reference.
- c. Prepare for appointment of an independent advisor to the Local Pension Committee.
- d. Prepare for the appointment of a Senior LGPS Officer.
- e. Continue to work with LGPS Central on the plan and legal agreements for transitioning the management of the Fund's remaining assets to the pooling company as set out in the client update.
- f. Seek approval of an updated ISS and SAA which include the allocation to the nine permitted asset class buckets.
- g. Any other requirements within final government guidance.
- h. Update the risk register as appropriate and keep risks under review.

### **Recommendation**

27. The Local Pension Board is asked to note the report.

### **Equality Implications**

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

### **Human Rights Implications**

29. 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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All risks owned by the Director of Corporate Resources															
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	<div></div>	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	<div></div>	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	<div></div>	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 Stwarship 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	<div></div>	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.	<p>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</p> <p>Early engagement with the Fund's higher risk employers to assess their overall financial position.</p> <p>Ongoing review of Community Admission Bodies (CABs).</p> <p>As at the 2025 Fund Valuation the Fund is 140% fiunded.</p>	5	1	5	Tolerate	<p>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.</p> <p>Regular review of market conditions and dialogue with the schemes biggest employers with respect to the direction of future rates.</p> <p>GAD Section 13 comparisons.</p> <p>Funding Strategy Statement approach is to target funding level of 120%.</p>	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	<p>Late or inaccurate pension benefits to scheme members</p> <p>Reputation</p> <p>Increased appeals</p> <p>Greater administrative time being spent on individual calculations</p> <p>failure to meet statutory year-end requirements.</p>	<p>Training provided for new employers alongside guidance notes for all employers.</p> <p>Communication and administration policy</p> <p>Year-end specifications provided</p> <p>Employers are monthly posting</p> <p>Developed a monthly tracker for employer postings.</p> <p>Inform the Local Pension Board quarterly regarding admin KPIs and customer feedback.</p>	3	2	6	Tolerate	<p>Continued development of wider bulk calculations.</p> <p>Implemented automation of certain member benefits using monthly data posted from employers.</p> <p>Monitor employers that change payroll systems.</p>	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	<p>Lower contributions than expected.</p> <p>Incorrect actuarial calculations made by the Fund.</p> <p>Possibly higher employer contributions set than necessary</p>	<p>Pension Section provides employers with the annual bandings each year.</p> <p>Pension Section provides employers with contributions rates (full and 50/50)</p> <p>Internal audit check both areas annually and report their findings to the Pensions Manager</p> <p>Finance reconcile monthly contributions to payroll schedule</p>	3	2	6	Tolerate	<p>Pension Officers check sample cases</p> <p>Pension Officers to report major failings to internal audit before the annual audit process</p> <p>Major failings to be reported to the Pensions Board</p>	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	<p>Potentially reportable to The Pensions Regulator as late payment is a breach of The Pensions Act.</p>	<p>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.</p> <p>Internal Audit review on an annual basis and report findings to the Pensions Manager</p>	2	3	6	Tolerate	<p>Late payers will be reminded of their legal responsibilities. The pensions investment team will escalate any late payers to the Pensions Manager as required</p>	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.	<p>Failure to meet key performance target for making payments of retirement benefits to members</p> <p>Complaints</p> <p>Reputational damage</p> <p>Members may cease paying AVCs</p>	<p>A new contract has been signed from 2025.</p> <p>The contract details the Prudential fund requirement.</p> <p>Quarterly meetings with the Pension Manager.</p> <p>The Prudential attended LPC in June 2025.</p>	3	1	3	Tolerate	<p>Working closely with the Prudential to improve administrative processes e.g. employer data directly to the Prudential via secure link.</p>	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	<p>Significant financial impact on employing bodies.</p> <p>Risk to the Fund of insolvency of an individual employer. This will ultimately increase the deficit of all other employers.</p>	<p>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.</p> <p>Dialogue with the employers, particularly in the lead up to the setting of new employer contribution rates.</p> <p>Include employer risk profiling as part of the Funding Strategy Statement update. To allow better targeting of default risks</p> <p>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.</p>	4	2	8	Treat	<p>To review the security as required .</p> <p>The draft Funding Strategy Statement will set out the cessation and exit value if required, to be considered by LPC for approval.</p>	3	1	3	—	Pensions Manager

11	Governance	Strategic Investment decisions are made without having sufficient expertise to properly assess the risks and potential returns	<p>The combination of knowledge at Committee, Officer and Consultant level is not sufficiently high.</p> <p>Turnover of Committee Membership requiring time to retrain.</p>	Poor decisions likely to lead to lower returns, which will require higher employer contribution rates	<p>Continuing focus on ensuring that there is sufficient expertise to be able to make thoughtfully considered investment decisions.</p> <p>Improved training at Committee. Additional experience at LGPS Central added who make investment decisions on behalf of the Fund.</p> <p>Revised Training Policy agreed March 2024. Committee are required to complete all modules of the Hymans Aspire Online Training within 6 months of appointment or revision of modules.</p>	3	3	9	Treat	<p>On-going process of updating and improving the knowledge of everybody involved in the decision-making and oversight process.</p> <p>Members undertake Training Needs Assessment and get issued individual training Plans. The training plan for 2026 will look to reflect these results alongside any key areas resulting from the fit for the future proposals.</p> <p>An internal audit of this risk is underway, action will be taken on any recommendation</p>	3	3	9		Investments - SFBP
12	Operational	If the Pensions database system is subjected to a cyber attack, resulting in the theft of personal data or a period of unavailability, then there may be a breach of the statutory obligations.	<p>Pensions database now hosted outside of LCC.</p> <p>Employer data submitted through online portal.</p> <p>Member data accessible through member self-service portal (MSS).</p> <p>Data held on third party reporting tool (DART).</p> <p>Greater awareness of information rights by service users.</p>	<p>Diminished public trust in ability of Council to provide services.</p> <p>Loss of confidential information compromising service user safety.</p> <p>Damage to LCC reputation.</p> <p>Financial penalties.</p>	<p>Regular LCC Penetration testing and enhanced IT health checks in place.</p> <p>LCC have achieved Public Sector Network (PSN) compliance.</p> <p>New firewall in place providing two layers of security protection in line with PSN best practice.</p> <p>Contractual arrangements in place with system provider regarding insurance.</p> <p>Work with LCC ICT and Aquila Heywood (software suppliers) to establish processes to reduce risk, e.g. can Aquila Heywood demonstrate that they are carrying out regular penetration testing and other related processes take place.</p> <p>Developed a new Cyber risk policy</p>	5	2	10	Treat	<p>Liaise with Audit to establish if any further processes can be put in place in line with best practice.</p> <p>Good governance project and the TPR new code of practice to include internal audit reviews of both areas.</p> <p>Under review and findings will be reported to the Board.</p> <p>Six monthly review of Fund's continuity plan.</p>	5	1	5		Pensions Manager
13	Operational	If immediate payments are not applied correctly, or there is human error in calculating a pension, scheme members pensions or the one off payments could be wrong	<p>Human error when setting up immediate payments or calculating a pension</p> <p>System failures</p> <p>Over or under payments</p> <p>Unable to meet weekly deadlines</p>	<p>Reputation</p> <p>Complaints/appeals</p> <p>Time resource used to resolve issues</p> <p>Members one off payments, not paid, paid late, paid incorrectly</p>	<p>Officers re-engineered the retirement process using member self service (MSS) which speeds up process and reduces risk</p> <p>New immediate payments bank account checks system</p> <p>Use of insights report to identify discrepancies between administration and payroll sides of the system</p> <p>Funds over and under payment policy.</p> <p>Segregation of duties, benefits checked and authorised by different Officers</p> <p>Training provided to new staff.</p> <p>Figures are provided to the member so they can see the value and check these are correct</p> <p>A type of bank account verification applied to all pensions and transfer payments.</p>	4	1	4	Tolerate	<p>Officers worked with LCC Technical Security and Audit colleagues to update the Fund Cyber Policy document, ensuring that it complies fully with TPR Code of Practice. The latest version was approved by the Local Pension Committee in March 2025</p>	4	1	4		Pensions Manager
14	Operational	<p>If transfer out checks are not completed fully there may be bad advice challenges against the Fund</p> <p>There are some challenges being lodged from Claims Management Companies on historic transfers out</p>	<p>Increasing demand for transfers out from members</p> <p>Increased transfer out activity from Companies interested in tempting people to transfer out their pension benefits</p> <p>Increased complexity on how the receiving schemes are set up</p> <p>Increased challenges on historic transfers</p> <p>Manual calculation of transfer values due to McCloud.</p>	<p>Reputation</p> <p>Financial consequence from 'bad advice' claims brought against the Fund</p> <p>IDRP appeals (possible compensation payments)</p> <p>Increased administration time and cost</p>	<p>Follow LGA and Pensions Regulator (TPR) national guidance and checks, e.g. £30K plus transfers require members to take professional advice, completion of required forms.</p> <p>Internal Audit undertake a review of transfers out every two years.</p> <p>Queries escalated to Team Manager then Pensions Manager</p> <p>Legislative checks enable the Fund to withhold a transfer in certain circumstances.</p> <p>Signed up to The Pension Regulator's national pledge "To Combat Pension Scams"</p>	2	4	8	Treat	<p>Escalation process to officers to check IFA, Company set up, alleged scam activity</p> <p>Further escalation process to external Legal Colleagues</p> <p>National change requires checks on the receiving scheme's arrangements.</p> <p>Some McCloud calculations using an LGA template.</p> <p>Pension officer phones member to discuss when required.</p>	2	3	6		Pension Manager
15	Operational	Failure to identify the death of a pensioner causing an overpayment, or potential fraud or other financial irregularity	<p>Late or no notification of a deceased pensioner.</p> <p>Fraudulent attempts to continue to claim a pension</p>	<p>Overpayments or financial loss</p> <p>Legal cases claiming money back</p> <p>Reputational damage</p>	<p>Tracing service provides monthly UK registered deaths</p> <p>Life certificates for overseas pensioners</p> <p>Defined process governing bank account changes</p> <p>Moved to 6 monthly checks, (from one check every 2 years)</p> <p>National Fraud mortality screening for overseas pensioners</p>	3	1	3	Tolerate	<p>Targeted review of status for pensioners where the Fund does not hold the current address e.g. care of County Hall or Solicitors.</p> <p>Informal review of tracing service arrangements.</p>	3	1	3		Pensions Manager

16	Regulatory	The resolution of the McCloud case and 2016 Cost Cap challenge could increase administration significantly resulting in difficulties providing the ongoing pensions administration service	<p>The Regulations were laid on the 8 September 2023 and became active on the 1 October 2023. The legislation requires Fund Officers to review and calculate in scope member's pension benefits, backdated to April 2014 when the LGPS commenced the career average revalued earnings scheme.</p> <p>The Unions challenge on the 2016 cost cap, could result in possible benefit recalculations if the challenge is successful</p>	<p>Ultimate outcome on both McCloud and the cost cap are currently unknown but likelihood is;</p> <p>Increasing administration</p> <p>Revision of previous benefits</p> <p>Additional communications</p> <p>Complaints/appeals</p> <p>Increased costs</p>	<p>Guidance from LGA, Hymans, Treasury</p> <p>Employer bulletin to employers making them aware of the current situation on McCloud</p> <p>Team set up in the Pension Section to deal with McCloud casework.</p> <p>Quarterly updates to the Board.</p> <p>Internal Audit completed an audit on the first phase of McCloud implementation in the final quarter of 2023/24.</p>	3	3	9	Treat	<p>Final system changes have been loaded into the system.</p> <p>Fund Officers are adopting a phased approach starting with new in scope retirements and leavers. Phase two will require a review of existing in scope pension benefits with revision and payment of any arrears, as necessary.</p>	2	2	4	<div></div>	Pensions Manager
17	Regulatory	The implication of the national dashboard project could increase administration resulting in difficulties providing the ongoing pensions administration service	<p>National decision to implement pension dashboards thereby enabling people to view all their pension benefits via one single dashboard</p>	<p>Increased administration</p> <p>Data cleaning exercise on member records</p> <p>Increased system costs</p> <p>Additional communications</p>	<p>Initial data cleaning started</p> <p>Contract made with the system provider on building the data link</p>	3	3	9	Treat	<p>Work with LCC's internal IT Team</p> <p>Security checked on the required link to allow the access to secure member pension data</p> <p>GDPR requirements</p> <p>Quarterly updates to the Board</p> <p>Work with the Prudential regarding the transfer of AVC information</p>	3	2	6	<div></div>	Pensions Manager
18	Regulatory	Proposed changes as a result of Government propositions relating to regulations, guidance in relation to pooling and local government reorganisation/devolution.	<p>National pressure from Government and as part of the Pensions Review, to reform the LGPS, and/or direct investment decisions towards specific asset classes that may not completely correlate with the Fund's fiduciary duty.</p> <p>Pensions review underway with respect to further consolidation.</p> <p>Fit for the Future consultation proposals and the tight timescales with relation to the Pension Schemes Bill and any required compliance by the Fund.</p> <p>If extensive recruitment at Central is not at the sufficient level to undertake and present investment proposals.</p> <p>Local government reorganisaion.</p>	<p>Conflicting pressure on the Fund to make specific investments or investment transitions contrary to the Fund's investment approach. Some proposed changes may present additional management fees.</p> <p>Changes to the Fund's pooling approach and subsequent reduction in pools in the medium-term which may lead to administrative, legal and transition burdens and pressure on the Fund if not managed appropriately.</p> <p>Significant changes in the oversight, governance of investment management is probable over the next 12-24 months, as soon as 1 April with drafted regulations.</p>	<p>Response provided to all consultation strands for Fit for the Future, alongside Central partners on challenges that may arise from proposed changes.</p> <p>Productive participation with LGPS Central at officer and Joint Committee level. Investment in pool products where possible and in line with the Fund's strategy as approved by it's investment advisor.</p> <p>Careful consideration of government proposals, balancing pooling proposals and improved governance and continuation of the investment strategy including the net zero journey.</p>	3	4	12	Tolerate	<p>Officers to review all relevant guidance and/or regulation changes. Continue to work with the Fund's Investment Advisor and LGPS Central on progressing pooling.</p> <p>Review the outcome of the Fit for the Future consultation and Pensions Bill considerations in collaboration with LGPS Central, the chair of the Local Pension Committee and the section 151 officer.</p> <p>Careful planning of the 2026 ISS to take into account member views, fund beliefs and fit for the future consultation recommendations. Committee and Board will be kept updated on implications as part of any future local government reorganisation or devolution proposals.</p>	3	4	12	<div></div>	Investments - SFBP
19	Operational	Gaps in knowledge, caused by a significant number of Pensions Section staff deciding to retire over the next five years, could emerge if succession planning is not in place.	<p>Number of staff aged over 55 continues to rise (noting that minimum retirement age increases to age 57 from April 2028).</p> <p>It takes several years to be fully trained and knowledgeable in all LGPS calculations, hence staff turnover tends to be low and colleagues often remain in the section until retirement.</p>	<p>Loss of knowledge from all areas of the section (noting that the average service length in the Leicestershire Pension Section was 13.5 years at March 2024).</p> <p>Delays in the calculation and payment of all pension benefits.</p> <p>Complaints.</p> <p>Reputational damage.</p>	<p>All new staff undergoing extensive training.</p> <p>Utilise apprentice scheme as part of recruitment planning.</p> <p>Monitor the situation with Team 1-2-1s with colleagues to ensure awareness of any upcoming retirement plans.</p> <p>Offer external training from Barnett Waddingham to compliment internal training and to encourage retention of existing staff.</p>	3	3	9	Treat	<p>Additional funding to be secured for two apprentice roles.</p>	3	2	6	<div></div>	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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