

LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2022

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The Fund has a number of policy statements including:

- Funding Strategy Statement
- Investment Strategy Statement and Investment Advisor Objectives
- Administration and Communication Strategy

These are available on the link below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been approved by the Pensions Committee.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

INTRODUCTION

Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the geographic boundaries of Leicestershire and Rutland and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, police or fire-fighters as they have their own schemes.

This report has been produced in accordance with Section 57 of the Local Government Pension Regulations 2013. It sets out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund's assets.

The benefits within the scheme are determined by regulation and guaranteed by statute. The pension fund exists to help defray the cost of paying pension benefits. Contributions to the pension scheme are made by both employees and employers. Any new employee is automatically brought into the scheme unless they opt out.

$$\boxed{\begin{array}{l} \text{Employee} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Employer} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Investment} \\ \text{Returns} \end{array}} = \boxed{\begin{array}{l} \text{Pension} \\ \text{Payments} \end{array}}$$

The Fund's membership increased by 1,710 during 2021/22 and at the year-end stood at 99,240. Figures for Active, Preserved and Pensioner Members all saw an increase during the year.

SCHEME MANAGEMENT AND ADVISORS

The Local Pension Committee is responsible for the management of the Fund, and considers pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the 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 comprises of five County Council members, two from Leicester City Council, two members representing the District Councils, one representative of De Montfort/Loughborough Universities and three non-voting staff representatives. In order to ensure continuity, staff representatives, who are chosen at the Fund's Annual General Meeting, are appointed to the Committee for a three year period but arrangements have been made to ensure that at least one staff representative place becomes available each year. The Local Pension Committee sets the overall investment strategy for the Fund and will deal with all investment governance issues. The Committee meets quarterly and also has a separate annual meeting to consider strategic issues relevant to the Fund.

The Investment Subcommittee consists of six voting members (the Chair, Vice Chair, one other elected member of the County Council, the Universities representative and one member representing each of the City and District Councils, all of whom are members of the Local Pension Committee) and one non-voting staff representative. Its role is to consider action that is in-line with the strategic benchmark agreed by the Committee and to take a pro-active approach to the Fund's investments, and also to deal with 'tactical' issues associated with implementing the strategy, such as investment manager appointments and the timing of asset allocation changes.

The Committee and Subcommittee receive investment advice from Hymans Robertson LLP. Other consultants will also be utilised if there is felt to be an advantage to this.

The Local Pension Board was established by the Administering Authority under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) and operates independently of the Local Pension Committee. The Board's role is to assist the County Council as the Administering Authority and Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

Membership of the Local Pension Board consists of six voting members. Three employee representatives elected in the same manner as those employee representatives on the Local Pension Committee, and three employer representatives comprising two elected members of Leicestershire County Council and one elected member from Leicester City Council.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement, and this is replicated in full in the [Governance Compliance Section here](#).

At a national level the LGPS is governed by the Department for Levelling Up, Housing and Communities (DLUHC) and the LGPS Scheme Advisory Board (SAB). The LGPS also takes account of guidance issued by the Pensions Regulator and Pensions Ombudsman determinations.

The role of the SAB is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations. The SAB aims to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

Scheme Management and Advisors as at March 2022.

| <u>Local Pension Committee</u> | |
|--|--|
| <u>Leicestershire County Council</u> | <u>Leicester City Council</u> |
| Mr. T. Barkley CC (Chairman) | Cllr. A. Clarke |
| Mr. D. Grimley CC (Vice-Chairman) | Cllr. S. Waddington |
| Mr. K. Merrie CC MBE | |
| Dr. R. K. A. Feltham CC | <u>District Council Representatives</u> |
| Mr. D. Gamble CC | Cllr. C. Frost |
| | Cllr. M. Graham MBE |
| <u>Employee Representatives</u> | <u>University Representative</u> |
| Mr. A. Wilson | Mr. Z. Limbada |
| Mr. N. Booth | |
| Mr. G. Lawrence | |
| <u>Up to date Membership of the Local Pension Committee can be viewed here.</u> | |
| <u>Local Pension Board</u> | |
| <u>Employer Representatives</u> | <u>Employee Representatives</u> |
| Mr. R. Shepherd | Ms. C. Fairchild (Vice-Chairman) |
| Mrs. R. Page CC (Chairman) | Ms. R. Gilbert |
| Cllr. D. Bajaj (appointed as at 31 March 2022) | Mr. M. Saroya |
| Up to date Membership of the Local Pension Board can be viewed here. | |
| <u>Officers responsible for the Fund</u> | |
| <u>Finance</u> | <u>Pensions Administration</u> |
| Chris Tambini – LGPS Senior Officer (Director of Corporate Resources – Leicestershire County Council) | Ian Howe - Pensions Manager - Leicestershire County Council |
| <u>Investment Managers</u> | |
| Investments managed by LGPS Central Pool: | |
| All World Equity Climate Multi Factor Fund | LGPS Central PE Partnership 2018 & 2021 LP |
| Emerging market equities multi-managers fund (<i>BMO, UBS, Vontabel</i>), | Global active emerging market bond multi manager fund (<i>Amundi, M&G</i>) |
| Global active corporate bond multi-manager fund (<i>Neuberger Berman, Fidelity</i>) | Global equities multi-manager fund (<i>Harris, Schroders & Union</i>) |
| Infrastructure core / core plus multi manager fund | LGPS Credit Partnership I |
| Global active MAC multi-manager fund (<i>Western Asset Management, BMO</i>) | LGPS Credit Partnership II |
| Others: | |
| Adams Street Partners | Aegon Asset management (formerly Kames Capital) |
| Aspect Capital | Kravis Kohlberg Roberts |
| La Salle Investment Management | Legal & General Investment Management |
| Catapult Venture Managers | Partners Group |
| Colliers Capital UK | Permal (formerly Fauchier Partners) |
| Cristofferson, Robb & Company | Pictet Asset Management |
| Infrastructure Funds Management | M&G Investments |
| JP Morgan Asset Management | Ruffer LLP |
| Standard Life Aberdeen | Stafford Capital Partners |
| <u>Pooled investments</u> | |
| LGPS Central | |
| <u>Fund Custodian</u> | <u>Legal Advisor</u> |
| JPMorgan, Bournemouth | County Solicitor, Leicestershire County Council |
| <u>Auditor</u> | <u>Actuary and Investment Consultant</u> |
| Grant Thornton LLP | Hymans Robertson LLP, Glasgow |
| <u>Banker</u> | <u>AVC Provider</u> |
| National Westminster Bank, Leicester | Prudential, London |

Scheme Administrator

Leicestershire County Council

RISK MANAGEMENT

There are many risks associated with the Local Government Pension Scheme, covering both the investment of the assets and the administration of the benefits payable. Officers monitor Fund risk and bring a risk report to each Local Pension Committee and Local Pension Board meeting, to provide the latest position on key risks.

The risks are individually scored and each has additional controls applied to mitigate the risk. Any risk score of 15 or over is classed as a very high risk, and escalated within Leicestershire County Council. There are no scores on the Pension Fund risk register 15 or over.

The ongoing risk for the Fund is that the value of assets held will ultimately be insufficient to pay for all the benefits due. This risk is quantified by a triennial actuarial valuation, which compares the value of assets to the accrued liabilities and sets employer contribution rates that are considered appropriate to ensure that all benefits can be paid. As at March 2021 a quick review suggested that the overall Funding position had improved but the final position cannot be confirmed until the Fund's valuation as at 31 March 2022 has completed. The performance of the assets of the Fund is an important element in helping to maintain affordable employer contribution rates – the higher the long-term investment return achieved, the more of the benefits will be funded by investment returns rather than employer contributions, with employee contributions assumed to be fixed. A long-term approach is taken to agreeing an asset allocation benchmark, with both return and risk considered. The Fund's asset allocation policy is reviewed annually.

Individual investment manager performance is usually of lower importance than the asset allocation benchmark, but individual manager performance does have an impact and their performance is considered and reviewed regularly. When there are doubts about a manager's ability to generate future performance that is in line with the Fund's requirements/expectations appropriate action will be taken, and this may include the release of a manager. It is not generally optimal to change managers on a frequent basis due to the associated costs (which are mainly the impact of bid/offer spreads and charges within markets), and as a result changes are considered very carefully before they are agreed.

The Local Pension Committee receives advice from the investment practice of Hymans Robertson and this assists in making decisions in respect of both overall investment policy, manager selection/retention and good governance.

The Fund employs a large number of investment managers, and all of these invest in a specific asset class and can be termed 'specialist'. Many of these managers are required to have external assessments of their systems and operations and these are reviewed to ensure that there are no issues which put the Fund's investments at risk.

Other investment managers that the fund employs are appointed by LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with 8 other pension funds is a joint owner of the company. The company has its own governance and risk management structures in place.

Under the Pensions Regulations all employers must pay over contributions deducted from employees, plus the required employer contributions, to the administering authority within certain

timescales. These payments are monitored closely, and immediate action is taken in the event of a late payment. Late payment does not put the benefits of individuals at risk.

Many of the risks associated with providing efficient and cost-effective Pensions Administration are mitigated by ensuring that officers involved in LGPS are knowledgeable and well-trained on an on-going basis. Ensuring that employers understand their responsibilities to the Fund and fulfil them efficiently is also crucial, and an on-going programme of support for them is in place.

FINANCIAL PERFORMANCE

Non-investment cash flows

Non-investment cash inflows for the fund come via payments from Employers of their and employees' contributions. There were a small number of incidences of late payment of contributions by employers over the year, and these were exclusively because of administrative failings on their part. On each occasion the employer was reminded of their responsibilities, and it was not felt necessary to levy interest on overdue contributions. Employer contributions ranged from 0% to 35.7% with the average employer rate being 25.6%.

Administrative, including investment management, costs were at £42.5m for the year compared to £45.3m in the previous year (2020/21). This decrease was largely driven by a reduction in performance related investment manager costs based on the assets under management. Investment management fees are variable as they are based on market values that are impossible to predict in advance. Action was taken during the year to reduce investment management costs where there was opportunity to do so. There were no material movements in non-investment assets and liabilities.

The general trend of overall net cash flows is monitored, whether these are derived from investment or non-investment related sources. Non-investment cash flows were positive by £54.8m in 2021/22, compared to £62.1m in 2020/21. In addition, the Fund received investment income of £43.6m. In the context of the funds, £5billion of assets, the cash flow movements are not material. Any short-term cash surpluses or shortfall can be managed through the funds passive investments that have good levels of liquidity.

Cash flows are unlikely to reduce in the near future. Benefits paid are increasing, due to increasing numbers of pensioners and inflation-linked annual increases, the value of this increase is offset by the increasing rate of employers' contribution. In future years this could result in a reduction in the available cashflow and will require monitoring. The Fund also has significant investments in accumulation funds where the investment income is reinvested rather than distributed, and these could, if required, be changed to income producing funds with the generation of an extra £30m+ cash flow p.a.

The overall impact of a strong positive cash flow is that the Fund has flexibility in the selection of investments and fewer restrictions due to liquidity concerns. There are strong controls in place for ensuring that all income due is received and that benefits are not overpaid. A monthly automated check of pensioners is carried out through a reliable tracing agency to ensure that UK based pensions cease upon death, and the Fund has a very low incidence of overpayments that occur either as a result of fraud, late notification or error.

Details of contributions in and payments out of the fund are shown overleaf:

Pension Fund Annual Report

| 2020/21 | | 2021/22 |
|----------------|---------------------------------------|----------------|
| £m | Payments in: | £m |
| (183.0) | Employer Contributions | (192.5) |
| (45.1) | Member Contributions | (47.0) |
| <u>(5.3)</u> | Transfers in From other pension funds | <u>(9.9)</u> |
| (233.4) | Total Inflows | (249.4) |
| | Payments out: | |
| 132.1 | Pensions | 137.3 |
| 27.5 | Lump Sum Retirement Benefits | 34.2 |
| 5.0 | Lump Sum Death Benefits | 5.7 |
| <u>6.7</u> | Payments to and on Account of Leavers | <u>17.4</u> |
| 171.3 | Total Outflows | 194.6 |
| (62.1) | Net Cash (inflows) | (54.8) |

2021/22 Performance Vs Budget

The outturn for 2021/22 was:

| Heading | Budget | Actual | Variance |
|--|---------------|---------------|-----------------|
| | £000s | £000s | £000s |
| Investment Management Expense: | | | |
| o Management | 25,400 | 23,146 | -2,254 |
| o Transaction | 9,810 | 5,961 | -3,849 |
| o Performance | 5,490 | 9,856 | 4,366 |
| Sub Total | 40,700 | 38,963 | -1,737 |
| <hr/> | | | |
| LGPS Central costs | 1004 | 995 | -9 |
| <hr/> | | | |
| Staffing and other admin expenses | 1,400 | 1,473 | 73 |
| <hr/> | | | |
| IT costs | 500 | 448 | -52 |
| <hr/> | | | |
| Actuarial costs | 150 | 163 | 13 |
| <hr/> | | | |
| Support Services | 400 | 492 | 92 |
| <hr/> | | | |
| Total | 44,154 | 42,534 | -1,620 |

Forecast v Outturn report on Pension Fund cash flows

The Fund is cash flow positive (its income exceeds the liabilities to be paid) meaning that sale of investments is not required outside of asset transitions. As such the cash flow monitoring is focused on making investments to keep the variance to the strategic asset allocation as low as possible. Hence the approach taken to date has been to forecast cash-flow when deciding the funding approach for new investments. An overview of the funds cashflow and forecasting approach is shown below.

| Cash Flow | £ millions | Forecast approach |
|--|--------------|---|
| Opening Cash Balance 01 April 2021 | 331 | |
| Net investment activity | (195) | Significant underlying activity, purchases of £845m and sales of £650m. Large net investment reflects the fact the Fund was underweight in private and illiquid markets at the start of the reporting period. Committed capital in these markets has started to be drawn down during 2021/22. Guidance by managers tends to be short term so it can be difficult to predict overall flows but as spread through year can 'mop-up' when investing. |
| Currency hedge profit or loss | (29) | Dependent upon relative currency performance and Aegon's decisions. Very hard to forecast and necessitates the holding of a cash buffer. |
| Management expenses and fees | (7) | This is the element of fund management and administration fees which result in a cash flow out. Most investment fees paid are embedded in the underlying fund so do not generate a cash flow. Able to make good level of prediction, although elements are performance dependant. |
| Investment income | 44 | Primarily from Infrastructure and property assets, usually predictable. Increase this year due to timberland fund reaching maturity and starting to distribute. |
| Non-investment income | 55 | Employer and employee contributions exceed the benefit payments made. Usually, only moves gradually compared to the previous year, unless a step change following the triennial valuation or significant increase in transfers in or out of the fund. |
| Change in working capital | (12) | Working capital is the capital the Fund uses for its day-to-day operations and is calculated as current assets minus current liabilities. This is usually predictable as it generally relates to contributions due from employers, investment income, fees, and expenses. The change in working capital compared to last year was primarily driven by several employers switching to paying their contributions in arrears (including LCC). |
| Total increase/(decrease) in cash balance | (144) | Aim to keep cash level minimal as per strategic allocation. Cash balances were high at the start of the reporting period due to the Funds underweight position in illiquid markets. The large decrease in cash in 2021/22 reflects efforts to reinvest in these markets and the availability of new products from LGPS Central. |
| Closing Cash Balance 31 March 2022 | 181 | |

Details of over payments, recoveries and amounts written off, Including the results of participation in National Fraud Initiative exercises

The biennial National Fraud Initiative (NFI) exercise for 2020/21 identified four pensions overpayments totalling £18k. During 2021/22 investigation took place on the four cases, resulting in three cases totalling £13k, being written off. There was no indication of fraud in any of the cases. Work remains ongoing on the fourth case. NFI matches current pensions to DWP deceased persons data to identify anomalies. The cases noted were exceptions to the rule such as overseas pensioners where preventative controls are somewhat weaker, i.e. where a death was not registered in the UK. Moving forward, the Pensions Section will data match to DWP deceased persons data twice-yearly, in addition to the standard NFI cycle, in order that anomalies can be identified and investigated earlier in the process, and recovery initiated without delay. No overpayments were identified outside of the NFI exercise.

PENSION SCHEME ADMINISTRATION

The number of scheme members who are either active contributors, receiving a benefit or who have a future entitlement to a benefit increased by 1,710 over the course of the year. This figure excludes the 5,155 members who have no entitlement to a benefit from the fund but do retain the right to either a refund of contributions or a transfer to an alternative pension arrangement.

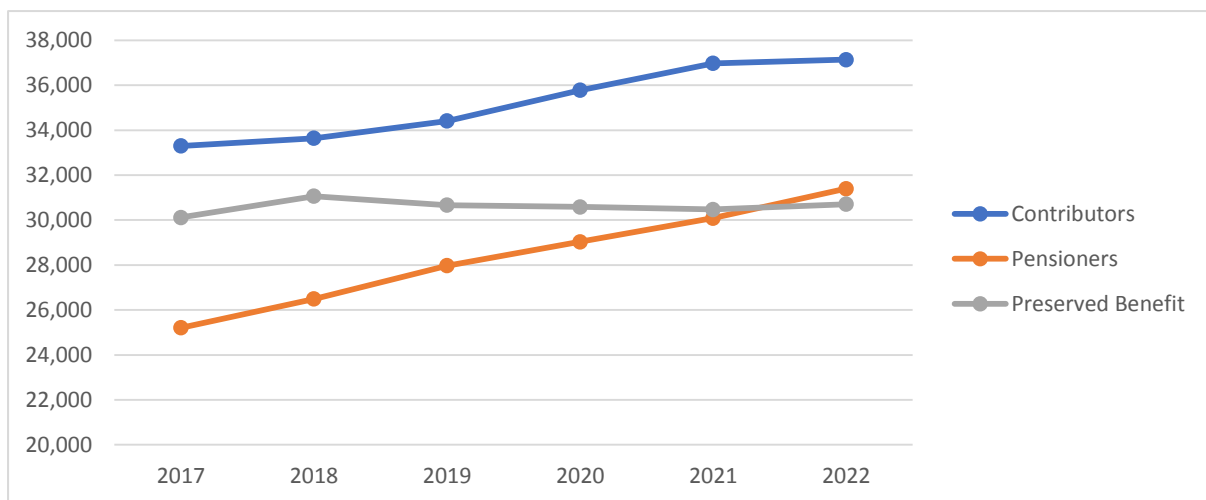
Active membership increased by 167 from 36,972 to 37,139.

Pensioners increased by 1,308 from 30,089 to 31,397.

Preserved membership increased 235 from 30,469 to 30,704.

The Fund's employers have completed the auto enrolment process, with many of the larger employers completing this prior to 2017/18. The auto enrolment process forces employing bodies to bring almost all employees that are eligible to join the LGPS but are not currently scheme members into the scheme. This is reflected by the increase in active members over the past 5 years.

Membership numbers over the last six years are shown in the graph below.



Leicestershire Pension Fund contributions:

| Employer Name | Employer | Employee |
|------------------------------------|----------------|---------------|
| | Contributions | Contributions |
| | £000 | £000 |
| Leicester City Council | 51,318 | 11,985 |
| Leicestershire CC | 45,431 | 10,858 |
| The Chief Constable & The OPCC | 11,834 | 3,284 |
| Leics De Montfort University | 11,469 | 3,177 |
| Loughborough University | 7,057 | 1,585 |
| Charnwood Borough Council | 4,094 | 827 |
| Rutland CC | 3,254 | 848 |
| North West Leics DC | 2,832 | 940 |
| Hinckley and Bosworth BC | 2,796 | 718 |
| Blaby District Council | 2,353 | 608 |
| ESPO | 2,252 | 537 |
| Harborough District Council | 2,046 | 403 |
| Oadby and Wigston BC | 1,407 | 284 |
| Melton BC | 1,309 | 356 |
| Leics Fire Service (Civilians) | 1,070 | 295 |
| FE and Sixth Form colleges | 6,609 | 1,712 |
| Town & Parish Councils | 644 | 194 |
| Academies, Free Schools and others | 34,758 | 8,364 |
| Total | 192,533 | 46,975 |

The Leicestershire Local Government Pension Fund provides services in line with the requirements of a fund of this nature. This includes the correspondence with members, calculation of benefits, maintenance of members records and data and Pension payments through the payroll service. A service is also provided for members to log onto the online member site and a service for employers to upload member data monthly.

Value for Money Statement

The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance states Pension Funds need to produce a Value for Money Statement. The Value for Money Statement is in respect of

- i. Administration costs
- ii. Service to scheme members
- iii. Workloads
- iv. Data quality
- v. Fund risk management

i. Administration Costs

Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership at 31 March 2022. To compare the 2021/22 costs, information from three years prior is included.

The Fund has 36 full time equivalent working in Pension Scheme Administration. Scheme membership is 99,240 equating to 2,757 members per FTE.

The pension administration costs include staffing, IT, actuarial and support services. It does not include the costs relating to investment activity.

| Year | Members | Full Time Equivalent – Pensions Administration | Administration Costs £000 | Cost per member (admin cost / members) |
|---------------------------|---------|--|---------------------------|--|
| 2018/19 | 93,046 | 31 | 2,300 ¹ | £24.72 |
| 2019/20 | 95,401 | 33 | 2,300 | £24.11 |
| 2020/21 | 97,530 | 33 | 2,155 | £22.10 |
| 2021/22 | 99,240 | 36 ² | 2,576 | £25.96 |
| 2022/23 – Forecast | 103,000 | 35 ³ | 2,790 | £27.09* |

*The proposed increase in cost in 2022/23 is as a result of the increased resource required for the McCloud project and the introduction of the national Pensions Dashboard programme.

There was increased spend in all the four key areas in 2021/22 compared to 2020/21, as detailed in the following table.

| Year | Staffing | IT | Actuarial | Support Services | Other |
|----------|-----------|---------|-----------|------------------|--------|
| 2020/21 | 1,202,000 | 423,000 | 77,000 | 393,000 | 58,000 |
| 2021/22 | 1,382,000 | 448,000 | 163,000 | 492,000 | 91,000 |
| Increase | 180,000 | 25,000 | 86,000 | 99,000 | 33,000 |

¹ Total was £2,400,000 but reduced by £100,000 income

² Includes two Kick Starters from the Government's initiative to introduce graduates into work.

³ Includes an apprentice

Staffing - The increase in staff costs were for the additional three colleagues primarily assisting on McCloud. There was also an inflationary increase to staff salaries and pay progression for colleagues moving through the pay bands.

IT - costs increased to cover system changes for McCloud and the purchase of Insights which is a new reporting tool provided by the system provider.

Actuarial - Every three years the Fund must complete an actuarial valuation. The valuation exercise includes a significant amount of time from the Fund's Actuary Hymans Robertson. Therefore, in a valuation year the actuarial costs increase. The expected actuarial cost for the valuation was budgeted in 2022/23. However, the stabilised employer valuation work was brought forward into 2021/22 thereby increasing the cost spend in 2021/22. A lower expected increase in 2022/23 is anticipated.

Support Services - There were increases in the support services to cover increasing workloads in certain areas, inflationary increases and the implementation of the new print/post/scanning solution.

Other - These relate to other general costs e.g., LGA training, CIPP qualifications, Club Vita membership, tracing service, SAB annual levy etc.

Fund Administration Charge

Funds charge a percentage of the employer primary contribution rate to fund pension administration. Given the differences in the demographics of Funds this is not considered a reliable measure of costs between Funds. For example, a Fund with a greater percentage of active members and low fund maturity will receive more income, compared with a more mature Fund that has a greater percentage of pensioners and preserved members. Officers feel the cost per member provides a more transparent way to measure administration cost between Funds.

ii. Service to Scheme Members

Fund Officers measure key performance indicators (KPIs) for both business process and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board. The full year KPI's are set out below and demonstrate a good service continues to be provided to the Fund's Scheme Members.

Pension Fund Annual Report

| Full Year - 1 April 2021 to 31 March 2022 | | | | | | |
|--|--------|-----|---|--|--------|-------|
| Business Process Perspective | Target | | | Customer Perspective - Feedback | Target | |
| Retirement Benefits notified to members within 10 working days of paperwork received | 92% | 89% | ▶ | Establish members understanding of info provided - rated at least mainly ok or clear | 95% | 99% ▲ |
| Pension payments made within 10 working days of receiving election | 95% | 95% | ▲ | Experience of dealing with Section - rated at least good or excellent | 95% | 92% ▶ |
| Death benefits/payments sent to dependant within 10 working days of notification | 90% | 87% | ▶ | Establish members thoughts on the amount of info provided - rated as about right | 92% | 93% ▲ |
| | | | | Establish the way members are treated - rated as polite or extremely polite | 97% | 99% ▲ |
| Good or better than target | ▲ | | | Email response - understandable | 95% | 93% ▶ |
| Close to target | ▶ | | | Email response - content detail | 92% | 94% ▲ |
| Below target | ▼ | | | Email response - timeliness | 92% | 91% ▶ |

During 2021/22 the Fund had three Stage 2 complaints via the formal Internal Resolution Disputes process. Two were resolved and one remains ongoing. Details on how to make a complaint are available later in the report.

iii. Workloads

The 2021/22 figures are included in the table below .

| Area of work | Cases Completed |
|--|-----------------|
| Preserved Benefits | 2,034 |
| Retirement Options | 2,675 |
| Retirements Paid | 2,113 |
| Deaths | 1,196 |
| Refunds Paid | 1,148 |
| Estimates | 1,206 |
| Transfers in and out (excluding interfunds out) ⁴ | 287 |
| Aggregations | 1,593 |
| New starters | 7,397 |

Details of new pensioner analysed by retirement type.

| Type of retirement | Cases Completed |
|--------------------------------|-----------------|
| Early | 1,524 |
| Ill Health | 46 |
| Normal | 153 |
| Late | 243 |
| Redundancy/Efficiency/Flexible | 147 |
| Total | 2,113 |

⁴ Interfunds out have a one-year window for a member decision and are therefore excluded.

Scheme Membership in the last three years is set out below:

| Year | Active Members | Preserved Members | Pensioner Members | Total |
|---------|----------------|-------------------|-------------------|--------|
| 2019/20 | 35,779 | 30,586 | 29,036 | 95,401 |
| 2020/21 | 36,972 | 30,469 | 30,089 | 97,530 |
| 2021/22 | 37,139 | 30,704 | 31,397 | 99,240 |

vi. Data Quality

Officers monitor and improve annually data quality. This is reported to The Pensions Regulator each year. Data is split between common and scheme specific data.

- Common data is primarily used to hold members information e.g., NI number, Date of Birth etc.
- Scheme specific data is primarily used in the calculation of member benefits.

The Fund data scores in the last three years

| Year | Common Data Score | Scheme Specific Data Score |
|---------|-------------------|----------------------------|
| 2019/20 | 99.20% | 90.40% |
| 2020/21 | 99.20% | 90.90% |
| 2021/22 | 97.20% | 97.59% |

With the introduction of Insights further data analysis is now available and it has emerged the previously submitted score needed a slight adjustment and the 2021/22 scores reflect this. However overall, the latest scores are more favourable.

A list of the Fund's strategies and policies can be found on the following link.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

Other Fund information:

Help desk arrangements and information are as follows:

| Contact Type | From | To | Contact |
|---------------------------|--------|---------|--|
| MSS Helpdesk Phones | 8:00am | 17:00pm | 0116 3057886 |
| Benefits Helpdesk | | | |
| Phone | 8:00am | 17:00pm | 0116 3054000 |
| Pensions Benefits Queries | | | Pensionsbenefits@leics.gov.uk |
| Email MSS Queries | | | PensionsMSS@leics.gov.uk |

General Pensions

Queries Pensions@leics.gov.uk

Address: Pensions Section
Leicestershire County Council
County Hall
Glenfield
Leicester
LE3 8RB

Internal Disputes

If you are not satisfied with any decision given by either the Pension Section or your employer/ former employer, relating to your Local Government Pension Scheme (LGPS) benefits, you may appeal in writing under the Internal Disputes Resolution Procedure (IDRP). You must write within six months of receiving the decision.

Any points of difference should firstly be addressed with the Pensions Office on an informal basis. You can write to:

The Leicestershire County Council Pension Section, County Hall, Glenfield, Leicester, LE3 8RB

Or, contact the Pensions Officer who has dealt with your case. Their name and contact details will be on your correspondence.

We will then try to resolve the matter for you. Should you still be unhappy and wish to take the matter further you can request an information sheet and form to complete. This will contain the name and address of the 'Specified Person' nominated by your employer or former employer who would formally investigate your complaint.

[A copy of the form is available here.](#)

Following this, if you are still dissatisfied with their decision, a 'second stage' of complaint can be requested, which will be looked at by the Legal Services team at Leicestershire County Council in most cases.

Should you be dissatisfied with the outcome of this, further details of the next stages of complaint would be provided at the time, should this be necessary.

Further advice can be found at the following:

Money Helper Web: <https://www.moneyhelper.org.uk/en>

Phone: 0800 011 3797

LGPS Regulation & Web: <https://www.lgpsregs.org/>

Guidance

INVESTMENT POLICY AND PERFORMANCE

The Fund's strategic asset allocation benchmark at the year end was as follows. The benchmark is updated once a year usually in the first calendar quarter. Changes to the portfolio holdings are enacted over the year to adjust towards the benchmark. At the year end the major differences to the benchmark weights was overweight 'growth' assets by c5.6% and underweight 'income' assets by c8%. Growth assets contain the Funds equity holdings which have performed well compared to other asset classes pushing up the weighting versus the target. Investment committee decisions to invest into 'income' assets were taken during the course of 2021 when LGPS Central launched infrastructure, multi asset credit and private debt products which the Fund made commitments to. More recently the Local Pension Committee approved an allocation to the LGPS Direct Property Fund which when commitments are called will align further towards the target benchmark position for income assets.

| | Weighting | Benchmark | Difference |
|------------|-----------|-----------|------------|
| Growth | 60.8% | 55.25% | 5.55% |
| Income | 28.4% | 36.75% | -8.35% |
| Protection | 7.9% | 8.00% | -0.1% |
| Cash | 2.9% | 0.00% | 2.9% |
| | 100.00% | 100.00% | 0.00% |

The setting of the strategic benchmark is the one of the most important decisions that the Committee makes. It is this decision that will have the most significant impact on the investment return achieved and approximately 90% of the Fund's overall risk is encompassed within the mix of assets classes within the overall portfolio. Individual investment manager choices are important as they can produce added value by outperforming their benchmarks, but their influence is small in comparison to the choice of benchmark. Variances to benchmark positions can take time to close especially when investments or divestments need to be made to illiquid products such as infrastructure and property that usually have a time lag between committing capital and the money being requested (called) by the investment manager.

Although some investments have moved over to LGPS Central as part of asset pooling, the Local Pension Committee still retain full responsibility for asset allocation and will continue to be accountable for the majority of the Fund's investment performance.

A comprehensive analysis of investment holdings by manager and their associated performance is provided in Appendix A. A summary is provided below:

| | 1 Year % | | 3 Years % p.a | | 5 Years % p.a | |
|-------------------|-------------|------------|---------------|------------|---------------|------------|
| | Fund | Benchmark | Fund | Benchmark | Fund | Benchmark |
| Growth assets | 14.6 | 10.5 | 12.3 | 10.5 | 9.0 | 8.4 |
| Income assets | 10.7 | 8.8 | 5.1 | 5.2 | 5.5 | 5.3 |
| Protection assets | 1.2 | 1.6 | 2.6 | 2.9 | 2.8 | 2.9 |
| | | | | | | |
| TOTAL FUND | 11.4 | 8.9 | 9.2 | 8.2 | 7.5 | 6.9 |

The Fund has a large number of investment managers and it is inevitable that some of them will have periods of disappointing performance – sometimes this disappointing performance can last multiple years, and can be the result of a particular investment ‘style’ not being in favour with market sentiment. It is important to understand why managers are performing as they are, regardless of whether this is above or below their benchmark and to assess whether this is a cause for concern. Spontaneous reactions that are based on relatively short periods of poor performance are not usually sensible and understanding the reasons for poor performance is vital. It is implausible to believe that all managers appointed by the Fund can simultaneously perform well, in fact the Fund is positioned such that some assets should perform well in traditional market downturns. The Fund needs to have a reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they provide diversification of returns from other managers within the overall portfolio.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate, although the pooling of investments within the Local Government Pension Scheme mentioned earlier in this report means that there needs to be a greater awareness of when action is appropriate and when it is not and indeed action will be taken at a pooled level rather than an individual pension fund level. Since 1st April 2014 all investment performance has been measured net of investment management fees and the figures quoted above are, therefore, after taking these into account.

The management of the individual asset classes is carried out as follows:

Growth Assets

The Fund has a global passive equity manager (Legal and General) that manages against both market capitalisation benchmarks and also against alternative benchmarks. The Fund has two active equity investments with LGPS Central (the pooling company), a global equity multi manager investment and an active emerging market multi manager product. The Fund also has invested into a passive product with LGPS Central, a climate multi factor fund.

Within growth assets the Fund also has private equity investments (i.e. investment in unquoted companies), the vast majority of which is managed by Adams Street Partners as well as the three managers classed within targeted return class. The Fund also has invested in two LGPS Central Private Equity vintages.

The Fund’s targeted return exposure can generally be categorised as investments that are seeking to make a return of 4% p.a. more than could be achieved by an investment in cash and with the expectation that the return will be achieved with relatively low volatility. There are many different ways of achieving this goal and the Fund has three different managers employed in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Income Assets

Property - Colliers Capital UK manage a directly owned property portfolio but have scope to invest in specialist pooled property funds which are in areas that they find attractive but would not be practical to buy directly, usually due to the size of individual investments (for example leisure complexes based around multiplex cinemas or Central London offices).

La Salle Investment Management manage a portfolio of pooled property funds, which includes a wide range of property types and some which are specialist in nature. Via their ability to research the underlying holdings and the skills of the property managers, it is expected that they will add value to the Fund.

The Fund has also invested in two stand-alone property 'recovery' funds, managed by Aegon Asset Management.

Infrastructure – The Fund employs six managers covering a broad range of global infrastructure with exposure to core infrastructure such as toll roads, ports and timber farms to more value add / opportunistic exposure including asset leasing, data centres and renewables.

Other asset classes included within the income class include various types of credit investments. Emerging market credit and private credit to corporate enterprises feature in this class. Partners Group are the single biggest manager with whom the Fund invests within private credit. The emerging market credit exposure is via a multi manager fund from LGPS Central.

Protection assets

UK inflation is one of the Fund's biggest risks, due to the direct link to benefits and the less-direct link to salary growth of active members. Protecting against this risk is, therefore, sensible but it is also expensive. It involves taking money out of assets that are seeking investment growth (e.g. equities) and investing it in safer, and therefore lower-returning, index-linked bonds. Increasing this allocation would push up employers' contribution rates to levels which are unaffordable, so cannot be implemented in a large scale manner.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds, these are expensive as there are a number of price-insensitive buyers and a lack of supply. As a result the Fund has a three-pronged approach to obtaining some protection against inflation, investment in infrastructure and timberland, both of which have a good historic link to inflation and also a global government index-linked portfolio. Aegon Asset Management manages a portfolio of global index-linked stocks. Some inflation protection is afforded by exposure to global infrastructure managers where underlying assets are subject to contracted or regulated income.

Other mandates included within protection assets include a short dated investment grade bond fund with Aegon Asset Management and a LGPS Central investment grade corporate bond fund. Both aim to provide stable but lower rates of returns than similar funds included within the income portfolio.

Other portfolios

Active foreign exchange hedging is undertaken by Aegon Asset Management to reduce the impact of currency fluctuations from the Fund's holdings which are held in currencies other than sterling. At the year end the benchmark level of hedge as advised by Hymans and approved by the Pension Committee is 30% of foreign currency exposure. Aegon manage the level of hedge of currencies the Fund is exposed to between unhedged and fully hedged based on their view of the prevailing market conditions.

RESPONSIBLE INVESTING (RI)

RI introduction

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 our fiduciary duty. It is distinct from ‘ethical investment’, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.

Effective management of financially material ESG risk should support long term investment returns. The Fund’s responsible investing (RI) policy is contained within the investment strategy statement alongside the Fund’s view of environmental social and governance (ESG). The Fund is continually developing its RI policies with the support of LGPS Central’s in house team. Fund’s launched by LGPS Central ensure ESG credentials of managers are tested during the procurement phase.

The Fund produces an annual RI plan with progress monitored at each Local Pension Committee meeting. The Fund has also been undertaking climate risk analysis with the third climate risk report (CRR) scheduled to be delivered to the Local Pension Committee before the calendar year end. The CRR report will again analyse the Funds listed equity exposure against the relevant benchmarks for the investment and provide analysis against various metrics including carbon footprints and exposure to green revenues. The report will incorporate areas that the Fund can investigate to improve climate metrics.

The Fund has also commenced work on delivering its first Net Zero Climate Strategy (NZCS). It is planned to be delivered to the Local Pension Committee later in 2022 with approval by the Local Pension planned in early 2023. The Fund has engaged with Local Pension Committee members throughout the process and will engage with employers, members of the pension scheme and large investment managers on the targets it is proposing within the NZCS.

At each opportunity to present to the Funds Pension Committee, Investment Managers delivered ESG updates alongside the traditional market and performance. This will enhance the knowledge of the Committee to make more informed decisions in the future.

As an externally managed pension fund, the Investment Managers contracted by the Fund are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), having regard to the best long-term financial interests of the Fund. This includes factors relating to climate change and climate policy. The Fund will not appoint any manager unless they can show evidence of being able to fulfil the Fund’s investment objectives, including its Responsible Investment objectives in the course of due diligence performed.

LGPS Central and RI

The Fund is a part-owner of LGPS Central, an asset manager that will increasingly manage the Fund’s holdings. With the Fund’s support, LGPS Central has developed a leading approach to responsible investment and has identified climate change as one of its stewardship priorities.

The Fund invests in a number of investment products launched by LGPS Central as detailed within the investment policy and performance section of this report. Central have a published a ‘responsible investment and engagement framework’ available on the company’s website:

<https://www.lgpscentral.co.uk/wp-content/uploads/2021/06/LGPSC-RI-E-Framework-2021.pdf>

This framework contains two key objectives:

- To support the company's investment objectives
- To be an exemplar for Responsible Investment within the financial services industry and raise standards across the market

To supplement Central's RI policy they publish quarterly stewardship reports which are available on their website and are taken to each Local Pension Committee to highlight engagement progress and developments within responsible investing.

The Pension Committee endorses Central's RI beliefs which are summarised below:

- Long termism: A long term approach to investment will deliver better returns and the long term nature of LGPS liabilities allows for a long term investment horizon.
- Responsible investment is supportive of risk adjusted returns over the long term, across all asset classes. Responsible investment should be integrated into the investment processes of the Company and its investment managers.
- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well diversified portfolios face systematic risk. Systematic risk can be mitigated over the long term through widespread stewardship and industry participation.

Membership of the Local Authority Pension Fund Forum (LAPFF)

The Fund is a Member of the Local Authority Pension Fund Forum (LAPFF), an association of local authority pension funds, with over 80 LGPS funds as members with collective fund value of over £300bn. The forum:

- Seeks to protect and enhance the value of members shareholdings by optimising local authority pension funds' influence as shareholders on ESG (environmental, social and governance) issues and thereby to promote Corporate Social Responsibility and high standards of Corporate Governance
- Facilitates commissioning of research and policy analysis of issues more effectively than individual members
- Provides a forum for consultation on shareholder initiatives
- Provides a forum for information exchange and discussion about any investment issues
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees

Legal and General Investment Management (LGIM)

LGIM are one of the Funds largest managers who at the year end managed 17% of the Funds assets via a number of low cost passive index funds. Voting activity and engagement is carried out by LGIM in line with their published RI policies which are available on their website. The results of their engagement and voting activity is collated by Central and is reported to the Committee on a quarterly basis.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts.

RI and Voting

LGPS Central provide the Fund with a quarterly update of voting activity. This is focused on listed equities. This voting activity covers the funds managed by Central and the fund's managed by Legal and General investment management (LGIM). At 30th March 2022 this covered c45% of all Fund assets. Around 20% of fund assets reside within debt and property and have no voting rights.

Both Central and LGIM with whom the Fund has the majority of listed equities vote at company meetings in line with their RI policies. Central provide a summary of voting quarterly. The Fund expects the proportion of assets to be managed by Central to increase over time as assets are transitioned into pooled vehicles. Central's Responsible Investment and Engagement framework will be applied to all investments.

The update on voting activity contains information such as the number of resolutions voted on, whether votes were opposing the management, detail on what types of votes were cast, for example board structure and remuneration. Officers summarise the voting results and present to the Pension Committee each quarter.

Introduction to the Taskforce on Climate-related Financial Disclosures

The Fund is committed to being a responsible long-term investor, this is reflected within the Fund's Investment Strategy Statement (ISS). The Fund, as a responsible owner, has a strategy of engagement with companies to improve their stewardship, rather than simply excluding them from the investment portfolio. This is evidenced by the Fund's engagement through its partners with numerous companies on climate and other ESG matters.

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney (then Governor of the Bank of England) in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over \$11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice. The Fund produced its first TCFD report and presented it to the Local Pension committee in June 2021. A copy can be found on the Fund's [website](#).

The TCFD recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see illustration below) are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. These disclosures and metrics will evolve and develop over time and will aim to include more portfolio assets than listed equities.

TCFD Disclosure Pillars:



The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are

able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

TCFD Report Summary

In 2020 the Fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the Fund's exposure to financially material climate-related risks and opportunities. The Climate Risk Report included both climate scenario analysis and carbon risk metrics. The report was presented to the Pensions Committee in November 2020, with all recommendations in the report receiving approval by the Committee. In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, the Fund published its first TCFD aligned report in May 2021. A summary of the June 2022 TCFD report that the Local Pension Committee considered is provided below.

Governance

The Pension Committee ("the Committee") is responsible for preparing the Investment Strategy Statement (ISS). The ISS includes a formal investment belief on responsible investment, recognising its ability to enhance long term performance. The Pension Fund Committee meets quarterly and includes voting reports from its LGIM and LGPS Central sub-funds as well as the LGPS Central Quarterly Stewardship Update.

The Fund has received two Climate Risk Reports from LGPS Central, which will support the formation of the Fund's Climate Strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

Strategy

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Examples Short, Medium & Long-Term Risks

| | Short & Medium Term | Long Term |
|-------|--|---|
| Risks | <ul style="list-style-type: none"> Carbon prices Technological change Policy tightening Consumer preferences | <ul style="list-style-type: none"> Resource scarcity Extreme weather events Sea level rise |

| | | |
|--------------------|--|---|
| Asset class | Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers | Infrastructure Property Agriculture Commodities Insurance |
|--------------------|--|---|

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increased sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

Risk Management

The Fund seeks to identify and assess climate-related risks at the total Fund level and at the individual asset level. Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central Limited, EOS at Federated Hermes and LAPFF. Based on its Climate Risk Report, the Fund will develop a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by our stewardship partners, will include targeted engagement at investee companies of particular significance to the Fund's portfolio. The Climate Stewardship Plan includes nine companies across four sectors: Energy, Info Tech, Materials and Utilities.

Metrics & Targets

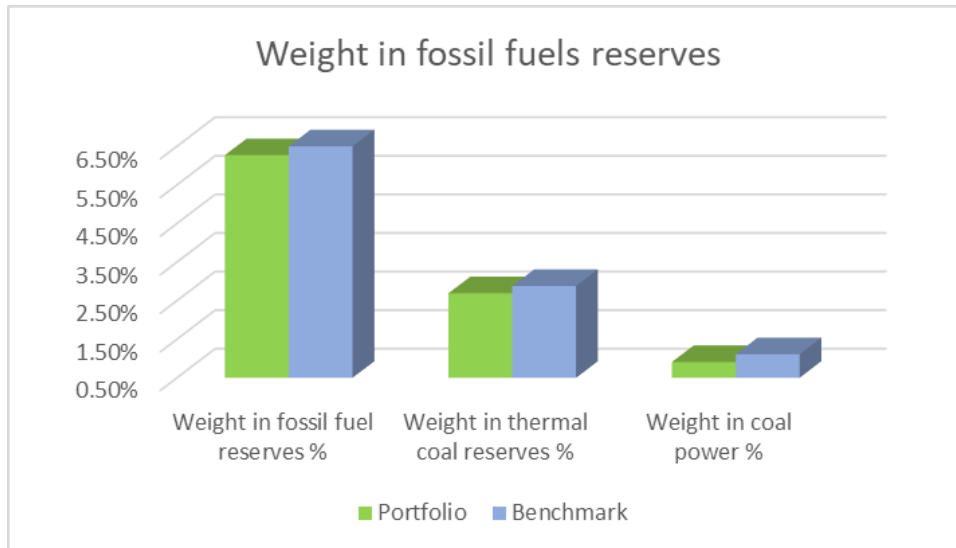
The Fund's carbon risk metrics cover its listed equities portfolios, which represents c50% of the Fund's total assets. The scope of the analysis comprises the total equities portfolios as at 31st March 2021 and covers 10 equity strategies and 4,527 individual companies. The carbon footprints are provided below and illustrated in the graphic.

- Total Equities: 120.2 (tCO₂e/ \$m revenue)
- Total Active Equities: 131.2 (tCO₂e/ \$m revenue)
- Total Passive Equities: 115.8 (tCO₂e/ \$m revenue)

The overall carbon intensity of the Fund has improved from the first carbon risk report was commissioned which was calculated with a portfolio as at date of 31st December 2019. The reduction at total equity level was 25%. This will have been as a result of underlying companies carbon metrics changing over time and asset management including a transition of investments into a Climate balanced multi factor fund with the Fund's pooling company LGPS Central.

The CRR also measures the exposure of the Fund to fossil fuel reserves, thermal coal reserves, coal power and clean technology. The results as at the 31st March 2021 are illustrated below.

The CRR measures the Funds weight to fossil fuel reserves and weight in clean technology versus the benchmarks for each of the mandates. The chart below aggregates results for all mandates and illustrates the positive performance versus benchmarks.



The Fund overall has a 38.82% with exposure to clean technology revenues, this is slightly below the benchmark position of 39.50%. The actual position has improved since the initial CRR dated 31st December 2019 by 4.66%.

LGPS CENTRAL POOL

As mentioned earlier in the report the Fund is an investor in LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other funds is a joint owner of the company. The company has its own governance and risk management structures in place. The aim of the Company is to use the combined buying power of its partner funds to reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit of local government pensioners, employees and employers. Further information on the Governance Structure on LGPS Central can be found within the [Governance Compliance Section here](#).

LGPS Central Ltd is based in Wolverhampton and their details can be found below:

Address:

LGPS Central Ltd

Floor 1

i9

Wolverhampton Interchange

Wolverhampton

WV1 1LD

Website: <https://www.lgpscentral.co.uk>

e-mail: enquiries@lgpscentral.co.uk

Assets under management

During the 2021/22 financial year, the following new amounts were invested or committed into the pool by the Leicestershire Fund:

| Fund Name | Invested/Committed |
|---|---------------------------|
| MAC Multi Manager Fund | £200m |
| LGpsc Credit Partnership I | £60m |
| LGpsc Credit Partnership II | £100m |
| LGPS Central Core/Core Plus Infrastructure Partnership LP | £70m |
| LGPS Central PE Primary Partnership 2021 LP | £30m |

In total as at 31 March 2022 £2,100.9m worth of assets were managed directly by the LGPS Central Pool. Further to this the Fund has £975.8m worth of passive equities which are invested in a low cost collectively pooled vehicle. As at 31 March 2022 53.3% of the Fund's assets are pooled.

Post Pooling report

The information request set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2021/22. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPSC should relate to the specific Partner Fund (i.e. nine separate information packs). The provision of the information by LGPSC to each Partner Fund should ensure consistent reporting across Partner Funds, and allow LGPSC to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company's financial statements.

1. Set up costs

Leicestershire's share of the set-up cost associated with the pool were as follows:

| £000 | Final Set up costs |
|------------------------------------|--------------------|
| Set Up Costs | |
| Recruitment | 27 |
| Procurement | 2 |
| Professional Fees | 187 |
| IT | 97 |
| Staff Costs | 142 |
| Other Costs (provide details) | |
| Premises | 49 |
| Staffing-Related Costs | 5 |
| Travel and Expenses | 1 |
| Training and Events | 1 |
| FCA Fees | 1 |
| General Admin Costs | 2 |
| Set-Up Costs Before Funding | 514 |
| Share Capital | 1,315 |
| Debt | 685 |
| Other Costs | - |
| Set-Up Costs After Funding | 2,514 |
| Transition fees | |
| Taxation (seeding relief) | |
| Other transition costs | |
| Transition Costs | |

Please note that CIPFA has not provided a set definition of Indirect Costs but notes that "these would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities". It appears likely to PAF Finance that the set-up costs captured to date relate to Direct Costs (i.e. either incurred directly by LGPSC or recharged by Partner Funds to LGPSC).

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| £000 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Cumulative Total |
|-----------------------------|---------|---------|---------|---------|---------|---------------------|
| Set-Up Costs Before Funding | - | - | 95 | 419 | - | 514 |
| Set-Up Costs After Funding | - | - | 95 | 2,419 | - | 2,514 |
| Transition Costs | | | | | | |

Transition fees – please see item 8 later for a more detailed breakdown of the information required.

2. Recharges By Partner Funds to LGPS Central in respect of Set-Up Costs

| £000 | At 1 April-18 | Recharges in Year | Settled in 18/19 | At 31 March-22 |
|-----------------------|---------------|-------------------|------------------|----------------|
| Set-Up Cost Recharges | 502 | - | (502) | - |

3. Governance, Operator and Product Development Charged by LGPS Central to Partner Funds

| £000 | At 1 April-21 | Charges in Year | Settled in Year | At 31 March-22 |
|---------------------------|---------------|-----------------|-----------------|----------------|
| Governance Costs | - | 219 | - | - |
| Operator Costs | - | 580 | - | - |
| IMMC (*) | - | 502 | - | - |
| Product Development Costs | - | 114 | - | - |
| Total | 320 | 1,415 | (1,354) | 381 |

(*) Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a Partner Fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g. ACS sub-funds and SLP Private Equity) should be disclosed through Information Request (5) and (6) below.

4. Other Transactions between Partner Funds and LGPS Central

| £000 | At 1 April-21 | Charges in Year | Settled in Year | At 31 March-22 |
|------------------|---------------|-----------------|-----------------|----------------|
| Interest Payable | 32 | 32 | (32) | 32 |
| Total | 32 | 32 | (32) | 32 |

5. LGPS Central Investment Management Expenses Charged to Partner Funds

| | £000 | Direct | Indirect | Total | Bps Charge |
|---|-------------|--------|----------|-------|------------|
| 1 | Ad Valorem | 2,901 | | 2,901 | 13.67 |
| 2 | Performance | - | | - | - |

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| | | | | | |
|-----------|--------------------------------|--------------|----------|--------------|--------------|
| 3 | Research | - | | - | - |
| 4 | PRIIPS Compliance | - | | - | - |
| 5 | Other (provide details) | - | | - | - |
| | Management Fees | 2,901 | - | 2,901 | 13.67 |
| 6 | Commissions | 669 | | 669 | 3.15 |
| 7 | Acquisition/issue costs | - | | - | - |
| 8 | Disposal costs | - | | - | - |
| 9 | Registration/filing fees | - | | - | - |
| 10 | Taxes and Stamp Duty | 862 | | 862 | 4.06 |
| 11 | Other (provide details) | - | | - | - |
| | Implicit Costs | 1,551 | | 1,551 | 7.31 |
| | Transaction Costs | 3,082 | - | 3,082 | 14.52 |
| | | | | | - |
| 12 | Custody/Depositary | 227 | | 227 | 1.07 |
| 13 | Other (provide details) | | | | - |
| | Fund Accounting | 34 | | 34 | 0.16 |
| | Transfer Agent | 5 | | 5 | 0.02 |
| | External Audit | 13 | | 13 | 0.06 |
| | Performance Reporting | 11 | | 11 | 0.05 |
| | Transaction Charges | (36) | | (36) | (0.17) |
| | MACS Fees | 1 | | 1 | 0.00 |
| | Total Costs | 6,238 | | 6,238 | 29.40 |

Note: The total of the analysis should reconcile to request (6) below

*BPS= Basis points charged based on Assets under Management

6. Investment Management Expenses By Product / Service

| £000 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Total 2021/22 Costs | AUM At 31 March 2022 £m | 2021/22 Bps Charge |
|-----------------------------|--------------|---|---|---|---|------------|---|---|---|------------|--------------|------------|-----------|---------------------------|-------------------------------|-----------------------|
| Global Multi-Manager | 1,055 | | | | | 141 | | | | 223 | 1,001 | 50 | 15 | 2,485 | 514 | 49.90 |
| Climate Factor Fund | 250 | | | | | 303 | | | | 367 | (364) | 93 | 20 | 669 | 891 | 7.81 |
| Emerging Market Equities | 803 | | | | | 225 | | | | 272 | 264 | 44 | 34 | 1,642 | 191 | 77.82 |
| Corporate Bonds | 113 | | | | | - | | | | - | 492 | 12 | 4 | 621 | 126 | 51.75 |
| Emerging Market Debt | 236 | | | | | - | | | | - | 292 | 10 | (59) | 479 | 119 | 39.92 |
| Multi-Asset Credit | 407 | | | | | - | | | | - | (134) | 18 | 14 | 305 | 193 | 16.05 |
| ACS Sub-Funds | 2,864 | - | - | - | - | 669 | - | - | - | 862 | 1,551 | 227 | 28 | 6,201 | 2,034 | |
| Private Equity 2018 V'tage | 3 | | | | | | | | | | | | | 3 | 10 | 3.00 |
| Private Equity 2021 V'tage | 10 | | | | | | | | | | | | | 10 | 30 | 12.50 |
| Private Debt | 13 | | | | | | | | | | | | | 13 | 160 | 1.78 |
| Infrastructure | 11 | | | | | | | | | | | | | 11 | 70 | 3.14 |
| Alternative Vehicles | 37 | - | - | - | - | - | - | - | - | - | - | - | - | 37 | 270 | |
| Total | 2,901 | - | - | - | - | 669 | - | - | - | 862 | 1,551 | 227 | 28 | 6,238 | 2,304 | 29.40 |

categories highlighted in the management costs table.

Items 1 – 13
relate to the

7. Asset Under Management & Performance by Product / Service

| £000 | AUM At | | One Year Gross Performance % | One Year Net Performance % | Passive Benchmark Used | One Year Passive Index % |
|-----------------------------|---------------|----------------|------------------------------|----------------------------|---|--------------------------|
| | 1 April-21 £m | 31 March-22 £m | | | | |
| Global Multi-Manager | 454 | 514 | 12.13% | 11.91% | FTSE All World Index | 11.73% |
| Climate Factor Fund | 775 | 891 | 14.09% | 14.06% | FTSE All-World Climate Balanced Comprehensive Factor Index | 13.73% |
| Emerging Market Equities | 215 | 191 | -11.54% | -11.98% | FTSE Emerging Markets Index | -4.71% |
| Corporate Bonds | 106 | 126 | -5.53% | -5.62% | ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50% | -5.29% |
| Emerging Market Debt | 108 | 119 | -5.95% | -6.14% | JPMorgan EMBI Global Diversified Index, hedged to GBP | -8.09% |
| Multi-Asset Credit | - | 193 | -3.30% | -3.50% | 3-month GBP SONIA | 0.36% |
| ACS Sub-Funds | 1,658 | 2,034 | | | | |
| Private Equity 2018 Vintage | 10 | 10 | | | | |
| Private Equity 2021 V'tage | 0 | 30 | | | | |
| Private Debt | 0 | 160 | | | | |
| Infrastructure | 0 | 70 | | | | |
| Alternative Vehicles | 10 | 270 | | | | |
| Total | 1,668 | 2,304 | | | | |

8. Transition Costs

No transitions in 2021/22

Leicestershire County Council Pension Fund (“the Fund”)

ACTUARIAL STATEMENT FOR 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 formal valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2019 |
|-----------------------------------|---------------|
| Discount rate | 3.8% |
| Salary increase assumption | 2.8% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.5 years | 23.8 years |
| Future Pensioners* | 22.2 years | 25.2 years |

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Tom Hoare FFA

30 November 2022

For and on behalf of Hymans Robertson LLP

FINANCIAL STATEMENTS

Pension Fund

(Registration number: 00328856RQ)

Introduction

The Leicestershire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Leicestershire County Council.

General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Leicestershire County Council to provide pensions and other benefits for pensionable employees of Leicestershire County Council, Leicester City Council, the district councils in Leicestershire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Leicestershire County Council Pension Fund Committee, which is a committee of Leicestershire County Council.

The Pension Committee consists of ten voting members and three non-voting staff representatives. The voting members are split into five County Council members, two from Leicester City Council and two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the funds Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

| | 31-Mar-21 | 31-Mar-22 |
|--|---------------|---------------|
| Number of employers | 283 | 286 |
| Number of employees in the scheme (Actives) | | |
| County Council | 8,474 | 8,554 |
| Other employers | 28,498 | 28,585 |
| Total | 36,972 | 37,139 |
| Number of pensioners | | |
| County Council | 11,641 | 11,962 |
| Other employers | 18,448 | 19,435 |
| Total | 30,089 | 31,397 |
| Deferred pensioners | | |
| County Council | 10,003 | 9,791 |
| Other employers | 20,466 | 20,913 |
| Total | 30,469 | 30,704 |
| Total number of members in the pension scheme | 97,530 | 99,240 |

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers contributions are set based on triennial actuarial funding valuations. In 2021/22 the average employer rate was 25.6% of pay (25.4% 2020/21).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website, <https://www.leicestershire.gov.uk>

Fund Account for the Year Ended 31 March 2022

| 2020/21 £m | | Notes | 2021/22 £m |
|------------------|--|-------|------------------|
| | Contributions | | |
| (183.0) | Employer Contributions | 6 | (192.5) |
| (45.1) | Member Contributions | 6 | (47.0) |
| (5.3) | Transfers in from Other Pension Funds | 7 | (9.9) |
| (233.4) | Total Contributions | | (249.4) |
| | Benefits | | |
| 132.1 | Pensions | 8 | 137.3 |
| 27.5 | Commutation of Pensions and Lump Sum Retirement Benefits | 8 | 34.2 |
| 5.0 | Lump Sum Death Benefits | | 5.7 |
| 6.7 | Payments to and on Account of Leavers | 9 | 17.4 |
| 171.3 | Total Benefits | | 194.6 |
| (62.1) | Net (Additions)/Withdrawals from Dealings with Members | | (54.8) |
| 45.3 | Management Expenses | 10 | 42.5 |
| (16.8) | Net (Additions)/Withdrawals Including Fund Management Expenses | | (12.3) |
| | Returns on investments | | |
| (30.7) | Investment income | 11 | (43.6) |
| (979.5) | (Profit) and Losses on Disposal of Investments and Changes in Value of Investments | 12 | (551.9) |
| (1,010.2) | Net Returns on Investments (Sub Total) | | (595.5) |
| (1,027.0) | Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year | | (607.8) |
| (4,155.2) | Net assets of the scheme Opening | | (5,182.2) |
| (5,182.2) | Net assets of the scheme Closing | | (5,790.0) |

Net Assets Statement as at 31 March 2022

| 2020/21 £m | | Notes | 2021/22 £m |
|----------------|---|-------|----------------|
| 5,183.5 | Investment assets | 12 | 5,771.2 |
| (10.9) | Investment liabilities | 12 | (0.7) |
| 5,172.6 | | | 5,770.5 |
| 15.3 | Current Assets | 15 | 25.4 |
| (5.7) | Current Liabilities | 15 | (5.9) |
| 5,182.2 | Net Assets of the Fund at 31 March | | 5,790.0 |

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 83 to 108 form part of the Financial Statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position as at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take account of the actuarial present value of promised retirement benefits. The Fund has disclosed this information, by appending a copy of the report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

2. Accounting policies

The following principal accounting policies, have been adopted in the preparation of the financial statements:

Fund Account – Revenue Recognition

Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in

Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investments

Interest Income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend Income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the terms of the lease.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/ losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management Expenses

The fund discloses management expenses for administration, oversight and governance, and investment management. The disclosures comply with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year end date. If valuations at the year end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The investment reconciliation table in Note 12 discloses the forward foreign exchange settled trades as net receipts and payments.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Assets

Financial Assets classes as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal as at the year end date.

Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised cost are carried at amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the

fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed for information in Note 26.

Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a plausible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in the introduction to the accounts. Actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance between longer term and short term yield/ return.

Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2022 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018 and b) no dividends to shareholders has yet been declared.

Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS7 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|--|
| Actuarial Present Value of Promised Retirement Benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | For instance: <ul style="list-style-type: none"> • A 0.1% decrease in the discount rate used would result in an increase in the pension liability of £168m • A 0.1% increase in the pension increase rate would increase the pension liability by £151m • A one year increase in assumed life expectancy would increase the liability by approximately £322m. |
| Private Equity Investments | Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Private equity investments are valued at £434m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £121m. |
| Freehold, Leasehold Property and Pooled Property Funds | Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. | Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments by up to 15%, i.e. an increase or decrease of £72m on the carrying value of £483m. |
| Private Debt Investments | Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Private Debt funds are valued at £246m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 10%, an increase or decrease of £25m. |
| Infrastructure Investments | Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available. | Infrastructure funds are valued at £327m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 14%, an increase or decrease of £46m. |
| Timberland Investment | Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports. | Timberland funds are valued at £132m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 16%, an increase or decrease of £21m. |

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before

this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known).

There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

| 2020/21 £m | | 2021/22 £m | |
|---------------|--|---------------|--|
| | Employers | | |
| 169.2 | Normal | 179.9 | Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to |
| 10.7 | Deficit Repair | 9.2 | |
| 0.0 | Voluntary additional | 0.0 | |
| 1.4 | Advanced payments for early retirements | 1.4 | |
| 1.8 | Additional payments for ill-health retirements | 2.0 | |
| | Members | | |
| 44.6 | Normal | 46.5 | |
| 0.4 | Purchase of additional benefits | 0.5 | |
| 228.1 | Total | 239.5 | |

reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

| 2020/21 £m | | 2021/22 £m |
|---------------|-------------------------------|---------------|
| 55.1 | Leicestershire County Council | 48.7 |
| 162.3 | Scheduled bodies | 180.4 |
| 10.7 | Admitted bodies | 10.4 |
| 228.1 | Total | 239.5 |

7. Transfers In

| 2020/21 £m | | 2021/22 £m |
|---------------|--|---------------|
| 5.3 | Individual transfers in from other schemes | 9.2 |
| 0.0 | Bulk transfers in from other schemes | 0.7 |
| 5.3 | Total | 9.9 |

8. Benefits

The benefits paid can be analysed by type of Member Body as follows:-

| 2020/21 £m | | 2021/22 £m |
|---------------|-------------------------------|---------------|
| 56.9 | Leicestershire County Council | 59.8 |
| 99.1 | Scheduled bodies | 108.4 |
| 8.6 | Admitted bodies | 9.0 |
| 164.6 | Total | 177.2 |

9. Payments to and on Account of Leavers

| 2020/21 £m | | 2021/22 £m |
|---------------|---------------------------------------|---------------|
| 0.6 | Refunds to members leaving the scheme | 0.8 |
| 6.1 | Individual transfers to other schemes | 13.3 |
| 0.0 | Bulk transfers to other schemes | 3.3 |
| 6.7 | Total | 17.4 |

10. Management Expenses

| 2020/21 £m | | 2021/22 £m |
|---------------|---|---------------|
| 43.6 | Investment Management Expenses (Note 10A) | 39.7 |
| 1.4 | Pension Scheme Administration Costs | 1.9 |
| 0.3 | Oversight and Governance Expenses | 0.9 |
| 45.3 | Total | 42.5 |

10a. Investment Management Expenses

| 2020/21 £m | | 2021/22 £m |
|---------------|--------------------------|---------------|
| 23.3 | Management Expenses | 23.9 |
| 13.2 | Transaction Costs | 5.9 |
| 7.1 | Performance Related Fees | 9.9 |
| 43.6 | Total | 39.7 |

11. Investment Income

| 2020/21 £m | | 2021/22 £m |
|---------------|--|---------------|
| 0.9 | Dividends from equities | 1.6 |
| 0.0 | Income from Government Bonds | 0.2 |
| 1.4 | Income from index-linked securities | 1.2 |
| 22.5 | Income from pooled investment vehicles | 31.8 |
| 5.8 | Net rents from properties | 5.7 |
| 1.0 | Interest on cash or cash equivalents | 0.1 |
| (0.9) | Net Currency Profit / (Loss) | 3.0 |
| 30.7 | Total | 43.6 |

12. Investments

| | Value at 1 April 2021 £m | Purchases at Cost and Derivative Payments £m | Sales Proceeds and Derivative Receipts £m | Change In Market Value £m | Value at 31 March 2022 £m |
|---|-----------------------------------|--|---|---------------------------------|------------------------------------|
| Equities | 63.1 | 27.8 | (50.9) | 6.0 | 46.0 |
| Government Bonds | 3.3 | 19.0 | (13.6) | (0.2) | 8.5 |
| Index-linked securities | 288.4 | 178.9 | (197.6) | 11.1 | 280.8 |
| Pooled investment vehicles | 4,375.2 | 616.6 | (420.2) | 541.8 | 5,113.4 |
| Properties | 108.6 | 0.5 | 0.0 | 11.2 | 120.3 |
| Derivatives contracts | 3.9 | 30.4 | (3.3) | (18.0) | 13.0 |
| Cash and currency & other investment balances | 330.1 | 0.0 | (141.6) | 0.0 | 188.5 |
| Total | 5,172.6 | 873.2 | (827.2) | 551.9 | 5,770.5 |

| | Value at 1 April 2020 £m | Purchases at Cost and Derivative Payments £m | Sales Proceeds and Derivative Receipts £m | Change In Market Value £m | Value at 31 March 2021 £m |
|---|-----------------------------------|--|--|---------------------------------|------------------------------------|
| Equities | 33.8 | 40.4 | (29.2) | 18.1 | 63.1 |
| Government Bonds | 0.7 | 16.3 | (13.6) | (0.1) | 3.3 |
| Index-linked securities | 339.9 | 160.5 | (218.3) | 6.3 | 288.4 |
| Pooled investment vehicles | 3,527.4 | 1,145.8 | (1,166.9) | 868.9 | 4,375.2 |
| Properties | 99.6 | 9.7 | 0.0 | (0.7) | 108.6 |
| Derivatives contracts | 57.0 | 4.0 | (144.1) | 87.0 | 3.9 |
| Cash and currency and other investment balances | 88.5 | 241.6 | 0.0 | 0.0 | 330.1 |
| Total | 4,146.9 | 1,618.3 | (1,572.1) | (979.5) | 5,172.6 |

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The Fund has the following investments which exceed 5% of the total net value of assets:

| 2020/21 £m | | 2021/22 £m |
|----------------|---|----------------|
| 775.0 | LGPS Central – All World Equity Climate Multi Factor Fund | 890.6 |
| 454.5 | LGPS Central - Global Equity Active Multi Manager Fund | 513.6 |
| 328.4 | Legal and General North America Index Fund | 366.0 |
| 1,557.9 | Total | 1,770.2 |

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| 2020/21 £m | | 2021/22 £m |
|----------------|--|----------------|
| | Equities | |
| 29.3 | UK quoted | 24.0 |
| 1.3 | UK unquoted | 1.3 |
| 32.5 | Overseas quoted | 20.7 |
| 63.1 | | 46.0 |
| | Government Bonds | |
| 0.0 | UK Government Unquoted | 0.0 |
| 2.6 | UK Government Quoted | 0.0 |
| 0.0 | Overseas Quoted | 7.8 |
| 2.6 | | 7.8 |
| | Corporate Bonds | |
| 0.7 | UK unquoted | 0.7 |
| 0.7 | | 0.7 |
| | Index Linked Securities | |
| 255.8 | UK quoted | 269.2 |
| 32.6 | Overseas quoted | 11.6 |
| 288.4 | | 280.8 |
| | Pooled investment vehicles (unquoted) | |
| 267.9 | Property funds | 362.6 |
| 363.9 | Private equity | 433.5 |
| 670.5 | Bond and debt funds | 926.6 |
| 0.1 | Hedge funds | 0.0 |
| 2349.8 | Equity-based funds | 2,581.3 |
| 12.8 | Commodity-based funds | 16.2 |
| 134.1 | Timberland fund | 132.3 |
| 146.7 | Managed futures fund | 184.2 |
| 183.2 | Targeted return fund | 150.2 |
| 246.2 | Infrastructure fund | 326.5 |
| 4,375.2 | | 5,113.4 |
| | Properties | |
| 108.6 | UK (Note 14) | 120.3 |
| 331.1 | Cash and currency | 187.1 |
| | Derivatives contracts | |
| 2.1 | Forward foreign exchange assets | 5.3 |
| 10.1 | Other option assets | 8.4 |
| (8.3) | Forward foreign exchange liabilities | (0.7) |
| 3.9 | Sterling Denominated | 13.0 |
| (1.0) | Other Investment Balances | 1.4 |
| 5,172.6 | Total Investments | 5,770.5 |

At 31 March 2022 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £433m in private equity, £23m in bond and debt funds, £22m in infrastructure and £132m in timberland.

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

| Settlement | Currency Bought | Local Value Millions | Currency Sold | Local Value Millions | Asset Value £m | Liability Value £m |
|---|-----------------|-------------------------|---------------|-------------------------|-------------------|-----------------------|
| Within 1 Month | GBP | 0.3 | AUD | 0.5 | 0.0 | (0.0) |
| | GBP | 13.0 | EUR | 15.6 | 0.0 | (0.2) |
| | GBP | 6.9 | USD | 9.3 | 0.0 | (0.1) |
| 1 - 3 Months | GBP | 374.3 | USD | 489.0 | 2.8 | 0.0 |
| | GBP | 88.6 | TWD | 3,275.0 | 1.2 | 0.0 |
| | GBP | 30.9 | JPY | 4,756.0 | 1.0 | 0.0 |
| | GBP | 36.2 | CNY | 303.0 | 0.1 | 0.0 |
| | GBP | 4.7 | SEK | 57.7 | 0.1 | 0.0 |
| | GBP | 3.8 | HKD | 39.0 | 0.1 | 0.0 |
| | GBP | 41.6 | EUR | 49.3 | 0.0 | (0.1) |
| | GBP | 17.0 | INR | 1,725.0 | 0.0 | (0.1) |
| | GBP | 6.5 | KRW | 10,500.0 | 0.0 | (0.1) |
| | GBP | 13.6 | CHF | 16.4 | 0.0 | (0.1) |
| | GBP | 3.4 | DKK | 30.2 | 0.0 | (0.0) |
| | GBP | 3.8 | THB | 167.5 | 0.0 | (0.0) |
| | GBP | 5.9 | EUR | 6.9 | 0.0 | (0.0) |
| GBP | 9.6 | USD | 12.6 | 0.0 | (0.0) | |
| Open forward currency contracts at 31 March 2022 | | | | | 5.3 | (0.7) |
| Net forward currency contracts at 31 March 2022 | | | | | 4.6 | |

Prior Period Comparison:

| | | |
|---|------------|--------------|
| Open forward currency contracts at 31 March 2021 | 2.1 | (8.2) |
| Net forward currency contracts at 31 March 2021 | | (6.1) |

Options

All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

| 2020/21 £m | | 2021/22 £m |
|---------------|-------------------|---------------|
| 10.1 | Equity rate-based | 8.4 |
| 10.1 | Total | 8.4 |

14.

Property Investments

| 31 March 2021 £m | | 31 March 2022 £m | |
|---------------------|---|---------------------|--|
| 83.5 | Freehold | 96.2 | |
| 17.5 | Long Leasehold (over 50 years unexpired) | 17.5 | |
| 7.6 | Medium/Short Leasehold (under 50 years unexpired) | 6.6 | |
| 108.6 | Total | 120.3 | |

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31st March 2022. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

| 31 March 2021 £m | | 31 March 2022 £m | |
|---------------------|------------------------------|---------------------|--|
| 99.6 | Opening Balance | 108.6 | |
| | Additions: | | |
| 9.6 | Purchases | 0.0 | |
| 0.1 | Subsequent Expenditure | 0.5 | |
| 0.0 | Disposals | 0.0 | |
| (0.7) | Net increase in market Value | 11.2 | |
| 108.6 | Total | 120.3 | |

15. Current Assets and Liabilities

| 2020/21 £m | | 2021/22 £m | |
|---------------|---|---------------|--|
| 10.9 | Contributions due from employers | 20.1 | |
| 4.4 | Other Debtors | 5.3 | |
| 15.3 | Current assets | 25.4 | |
| (1.8) | Due to Leicestershire County Council | (1.7) | |
| (1.8) | Fund Management Fees Outstanding | (2.1) | |
| (2.0) | Other Creditors | (2.1) | |
| (5.7) | Current liabilities | (5.9) | |
| 9.6 | Net current assets and liabilities | 19.5 | |

Contributions due at the year end were received by the due date.

16. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

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| At 31 March 2021 | | | At 31 March 2022 | |
|---|--------------|---|------------------|--------------|
| £m | % | | £m | % |
| Investments Managed by LGPS Central Pool | | | | |
| 775.0 | 15.1 | All World Equity Climate Multi Factor Fund | 890.6 | 15.4 |
| Global equities multi-manager fund: | | | | |
| 129.5 | 2.4 | <i>Harris</i> | 145.8 | 2.4 |
| 173.1 | 3.3 | <i>Schroders</i> | 195.6 | 3.3 |
| 151.8 | 3.0 | <i>Union</i> | 172.3 | 3.0 |
| Global Active MAC Multi Manager Fund | | | | |
| 0.0 | 0.0 | <i>Western Asset Management</i> | 110.6 | 2.0 |
| 0.0 | 0.0 | <i>BMO</i> | 111.4 | 2.0 |
| Emerging market equities multi-manager fund: | | | | |
| 68.7 | 1.3 | <i>BMO</i> | 66.0 | 1.1 |
| 74.9 | 1.5 | <i>UBS</i> | 62.2 | 1.1 |
| 71.1 | 1.4 | <i>Vontobel</i> | 63.1 | 1.1 |
| Global Active Emerging Market Bond MMF | | | | |
| 53.9 | 1.1 | <i>Amundi</i> | 59.6 | 1.1 |
| 53.9 | 1.1 | <i>M&G</i> | 59.9 | 1.1 |
| Global Active Investment Grade Corporate Bond MMF | | | | |
| 53.1 | 1.0 | <i>Neuberger Berman</i> | 62.2 | 1.1 |
| 53.0 | 1.0 | <i>Fidelity</i> | 63.5 | 1.1 |
| 0.0 | 0.0 | LGPS Central Core/Core Plus Infrastructure Partnership LP | 21.7 | 0.3 |
| 3.9 | 0.1 | LGPS central PE primary partnership 2018 LP | 6.6 | 0.1 |
| 0.0 | 0.0 | LGPSC Credit Partnership II | 6.2 | 0.1 |
| 0.0 | 0.0 | LGPSC Credit Partnership I | 3.6 | 0.1 |
| 1,661.9 | 32.3 | Sub Total | 2,100.9 | 36.4 |
| Investments Managed outside of Pool | | | | |
| 883.4 | 17.1 | Legal & General | 975.8 | 16.9 |
| 449.4 | 8.7 | Aegon (Formerly Kames Capital) | 455.8 | 7.9 |
| 334.3 | 6.4 | Adams Street Partners | 394.7 | 6.8 |
| 192.8 | 3.7 | LaSalle | 276.6 | 4.8 |
| 265.9 | 5.1 | Partners Group | 236.0 | 4.1 |
| 146.7 | 2.9 | Aspect Capital | 184.2 | 3.2 |
| 206.0 | 3.9 | Ruffer LLP | 153.6 | 2.6 |
| 183.2 | 3.5 | Pictet Asset Management | 150.2 | 2.6 |
| 129.0 | 2.5 | Colliers Capital UK | 135.9 | 2.5 |
| 134.1 | 2.6 | Stafford Timberland | 132.3 | 2.3 |
| 106.6 | 2.1 | IFM Investors (UK) Ltd | 131.4 | 2.3 |
| 173.6 | 3.3 | Internally Managed | 121.7 | 2.1 |
| 114.1 | 2.2 | JP Morgan Asset Management | 108.7 | 1.9 |
| 71.6 | 1.4 | M&G | 81.6 | 1.4 |
| 38.0 | 0.7 | Kravis Kohlberg Roberts & Co | 39.7 | 0.7 |
| 38.0 | 0.7 | Cristofferson, Robb & Co | 34.2 | 0.6 |
| 24.9 | 0.5 | Aberdeen Standard Life | 31.4 | 0.5 |
| 18.2 | 0.4 | Infracapital | 25.0 | 0.4 |
| 0.8 | 0.0 | Catapult Venture Managers | 0.8 | 0.0 |
| 3,510.6 | 67.7 | Sub Total | 3,669.6 | 63.6 |
| 5,172.6 | 100.0 | Grand Total | 5,770.5 | 100.0 |

7. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

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| Values at 31 st March 2022 | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---------------------------------------|---------------------|-------------------------|--------------------------------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £m | £m | £m | £m |
| Financial assets at fair value | 2,693.0 | 1,160.0 | 1,918.2 | 5,771.2 |
| Financial liabilities at fair value | (0.7) | 0.0 | 0.0 | (0.7) |
| Net financial assets | 2,692.3 | 1,160.0 | 1,918.2 | 5,770.5 |

| Values at 31 st March 2021 | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---------------------------------------|---------------------|-------------------------|--------------------------------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £m | £m | £m | £m |
| Financial assets at fair value | 2,403.0 | 1,030.1 | 1,750.4 | 5,183.5 |
| Financial liabilities at fair value | (10.9) | 0.0 | 0.0 | (10.9) |
| Net financial assets | 2,392.1 | 1,030.1 | 1,750.4 | 5,172.6 |

21. Classification of Financial Instruments

| | 2020/21 £m | | | | 2021/22 £m | | |
|--|------------------------------------|--------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------------|-------------------------------|
| | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost | | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
| | | | | Financial Assets | | | |
| | 63.1 | 0.0 | 0.0 | Equities | 46.0 | 0.0 | 0.0 |
| | 3.2 | 0.0 | 0.0 | Government Bonds | 8.5 | 0.0 | 0.0 |
| | 288.5 | 0.0 | 0.0 | Index-linked securities | 280.8 | 0.0 | 0.0 |
| | 4,339.7 | 0.0 | 0.0 | Pooled investment vehicles | 5,121.7 | 0.0 | 0.0 |
| | 2.1 | 0.0 | 0.0 | Derivatives contracts | 5.3 | 0.0 | 0.0 |
| | 0.0 | 331.2 | 0.0 | Cash and currency | 0.0 | 187.1 | 0.0 |
| | 0.0 | 0.0 | 0.0 | Other investment balances | 0.0 | 0.0 | 0.0 |
| | 0.0 | 1.0 | 0.0 | Sundry debtors and prepayments | 0.0 | 0.8 | 0.0 |
| | 4,696.6 | 332.2 | 0.0 | | 5,462.3 | 187.9 | 0.0 |
| | | | | Financial Liabilities | | | |
| | (8.3) | 0.0 | 0.0 | Derivatives contracts | (0.7) | 0.0 | 0.0 |
| | 0.0 | 0.0 | (2.6) | Other investment balances | 0.0 | 0.0 | 0.0 |
| | 0.0 | 0.0 | (4.1) | Sundry Creditors | 0.0 | 0.0 | (4.4) |
| | (8.3) | 0.0 | (6.7) | | (0.7) | 0.0 | (4.4) |

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

- (iv) The following gains and losses are recognised in the Fund Account:
- (v)

| 2020/21 £m | | 2021/22 £m |
|---------------|------------------------------------|---------------|
| | Financial Assets | |
| 943.8 | Fair value through profit and loss | 578.2 |
| | Financial Liabilities | |
| 0.2 | Fair value through profit and loss | (8.3) |
| 944.0 | Total | 569.9 |

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

| 2020/21 £ | | 2021/22 £ |
|---------------|--------------------------------------|---------------|
| 34,530 | Payable in respect of external audit | 33,193 |
| 34,530 | Total | 33,193 |

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2021/22 reporting period:

| Asset type | Potential market movements (+/-) |
|---------------------------------------|----------------------------------|
| Overseas government bonds | 8% |
| Global credit | 10% |
| Global government index-linked bonds | 8% |
| UK equities | 16% |
| Overseas equities | 19% |
| UK property | 15% |
| Private equity | 28% |
| Infrastructure | 14% |
| Commodities | 14% |
| Hedge funds and targeted return funds | 12% |
| Timberland | 16% |
| Cash | 1% |

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

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| Asset Type | Value at 31 st March 2022 | Percentage change | Value on increase | Value on decrease |
|---|---|----------------------|----------------------|----------------------|
| | £m | % | £m | £m |
| UK equities | 25.3 | 16 | 29.3 | 21.3 |
| Overseas equities | 20.7 | 19 | 24.6 | 16.8 |
| UK Corporate Bonds | 0.7 | 10 | 0.8 | 0.6 |
| Global index-linked bonds | 288.6 | 8 | 311.7 | 265.5 |
| Pooled property funds | 362.6 | 15 | 417.0 | 308.2 |
| Pooled private equity funds | 433.5 | 28 | 554.9 | 312.1 |
| Pooled bond and debt funds | 926.6 | 10 | 1,019.3 | 833.9 |
| Pooled hedge funds | 0.0 | 12 | 0.0 | 0.0 |
| Pooled equity funds | 2,581.3 | 19 | 3,071.7 | 2,090.9 |
| Pooled commodity funds | 16.2 | 14 | 18.5 | 13.9 |
| Pooled targeted return funds | 150.2 | 12 | 168.2 | 132.2 |
| Pooled timberland fund | 132.3 | 16 | 153.5 | 111.1 |
| Pooled managed futures fund | 184.2 | 12 | 206.3 | 162.1 |
| Pooled infrastructure fund | 326.5 | 14 | 372.2 | 280.8 |
| UK property | 120.3 | 15 | 138.3 | 102.3 |
| Cash and currency | 187.1 | 1 | 189.0 | 185.2 |
| Options, futures, other investment balances, current assets and current liabilities | 14.4 | 1 | 14.5 | 14.3 |
| Total assets available to pay benefits | 5,770.5 | | 6,689.8 | 4,851.2 |

| Asset Type | Value at 31 st March 2021 | Percentage change | Value on increase | Value on decrease |
|---|---|----------------------|----------------------|----------------------|
| | £m | % | £m | £m |
| UK equities | 30.6 | 16 | 35.5 | 25.7 |
| Overseas equities | 32.5 | 19 | 38.7 | 26.3 |
| UK Corporate Bonds | 0.7 | 10 | 0.8 | 0.6 |
| Global index-linked bonds | 291.1 | 8 | 314.4 | 267.8 |
| Pooled property funds | 267.9 | 15 | 308.1 | 227.7 |
| Pooled private equity funds | 363.9 | 28 | 465.8 | 262.0 |
| Pooled bond and debt funds | 670.4 | 10 | 737.4 | 603.4 |
| Pooled hedge funds | 0.1 | 12 | 0.1 | 0.1 |
| Pooled equity funds | 2349.6 | 19 | 2,796.0 | 1,903.2 |
| Pooled commodity funds | 12.8 | 14 | 14.6 | 11.0 |
| Pooled targeted return funds | 183.2 | 12 | 205.2 | 161.2 |
| Pooled timberland fund | 134.1 | 16 | 155.6 | 112.6 |
| Pooled managed futures fund | 146.7 | 12 | 164.3 | 129.1 |
| Pooled infrastructure fund | 246.2 | 14 | 280.7 | 211.7 |
| UK property | 108.6 | 15 | 124.9 | 92.3 |
| Cash and currency | 331.3 | 1 | 334.6 | 328.0 |
| Options, futures, other investment balances, current assets and current liabilities | 2.9 | 1 | 2.9 | 2.9 |
| Total assets available to pay benefits | 5,172.6 | | 5,979.6 | 4,365.6 |

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2022 and 31st March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

| As at 31 st March 2021 £m | Asset type | As at 31 st March 2022 £m |
|--|---------------------------|--|
| 331.3 | Cash and Currency | 187.1 |
| 291.1 | Fixed interest securities | 288.6 |
| 622.4 | Total | 475.7 |

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

| Asset type | Carrying amount as at 31 st March 2022 £m | Change in year in the net assets available to pay benefits | |
|---------------------------|---|--|----------------|
| | | +100 BPS £m | -100 BPS £m |
| | | Cash and Currency | 187.1 |
| Fixed interest securities | 288.6 | 2.9 | (2.9) |
| Total | 475.7 | 4.8 | (4.8) |

| Asset type | Carrying amount as at 31 st March 2021 £m | Change in year in the net assets available to pay benefits | |
|---------------------------|---|--|----------------|
| | | +100 BPS £m | -100 BPS £m |
| | | Cash and Currency | 331.3 |
| Fixed interest securities | 291.1 | 2.9 | (2.9) |
| Total | 622.4 | 6.2 | (6.2) |

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are

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denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 25% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2021 and as at the previous period end:

| Asset value as at 31 st March 2021 £m | Currency exposure – asset type | Asset value as at 31 st March 2022 £m |
|--|---|--|
| 32.5 | Overseas equities | 20.7 |
| 32.6 | Overseas government index-linked bonds | 11.6 |
| 363.1 | Private equity pooled funds | 432.7 |
| 0.1 | Pooled hedge Funds | 0.0 |
| 144.1 | Pooled Bond and Debt Fund | 391.7 |
| 2,156.6 | Overseas and Global equity-based pooled funds | 2,366.1 |
| 12.8 | Commodity-based pooled funds | 16.2 |
| 246.2 | Infrastructure pooled funds | 326.5 |
| 134.1 | Timberland pooled fund | 132.3 |
| 107.8 | Emerging Market Debt pooled fund | 119.5 |
| 0.0 | Overseas government Bonds | 7.8 |
| 3,229.9 | Total overseas assets | 3,825.1 |

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Current exposure – asset type | Asset value as at 31 st March 2022 | Change to net assets available to pay benefits | |
|---|---|--|----------------|
| | £m | 13% £m | -13% £m |
| Overseas equities | 20.7 | 23.4 | 18.0 |
| Overseas government index-linked bonds | 11.6 | 13.1 | 10.1 |
| Private equity pooled funds | 432.7 | 489.0 | 376.4 |
| Pooled hedge funds | 0.0 | 0.0 | 0.0 |
| Pooled Bond and Debt Fund | 391.7 | 442.6 | 340.8 |
| Overseas equity-based pooled funds | 2,366.1 | 2,673.7 | 2,058.5 |
| Commodity-based pooled funds | 16.2 | 18.3 | 14.1 |
| Infrastructure pooled funds | 326.5 | 368.9 | 284.1 |
| Timberland pooled fund | 132.3 | 149.5 | 115.1 |
| Emerging Market Debt pooled fund | 119.5 | 135.0 | 104.0 |
| Overseas government Bonds | 7.8 | 8.8 | 6.8 |
| Total change in assets available | 3,825.1 | 4,322.3 | 3,327.9 |

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2022 was £187m (31st March 2021: £331m).

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's

cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2022 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1,377m, which represented 24% of total Fund assets. (31st March 2021: £1085m, which represented 21% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2022 are due within one year.

Refinancing Risk

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2022

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

24. Related Party Transactions

Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.

During 2021/22 a total of £0.9m was payable to LPS Central Ltd for governance, operator and product development fees. Of these £0.9m was a creditor balance at the year end. As at 31 March 2022, £2.1bn of LCC LGPS investments were managed by LGPS Central Ltd (£1.7bn as at 31 March 2021).

25. Contingent Liabilities and Contractual Commitments

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £2m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2022, the Fund had the following contractual commitments:-

| | 31-Mar-21 £m | 31-Mar-22 £m |
|---|-----------------|-----------------|
| Aberdeen Standard Life Capital SOF III Fund | 10.0 | 10.3 |
| Adams Street Partners | 125.9 | 126.0 |
| Catapult Venture Managers | 0.5 | 0.0 |
| Infracapital Greenfield Partners I Fund | 12.4 | 8.8 |
| KKR Global Infrastructure | 22.0 | 12.0 |
| LGPS Central PE Primary Partnership 2018 LP | 7.0 | 4.2 |
| M & G Debt Opportunities Fund IV | 2.8 | 6.3 |
| Stafford International Timberland Funds VII & VIII | 1.1 | 1.2 |
| LGPS Credit Partnership II | 0.0 | 96.4 |
| LGPS Credit Partnership I | 0.0 | 53.5 |
| LGPS Central Core/Core Plus Infrastructure Partnership LP | 0.0 | 48.1 |
| LGPS Central PE Primary Partnership 2021 LP | 0.0 | 30.0 |
| CRC Capital Release Fund V | 0.0 | 44.0 |
| Partners Group Multi Asset Credit VI S.C.A., SICAV-RAIF | 0.0 | 20.8 |
| Total | 181.7 | 461.6 |

25A Key Management Personnel

Key management personnel are members of the pension fund committee and the Director of Corporate Resources. It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33 of the County Councils accounts.

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the Pension Fund Accounts in accordance with Regulation 4(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During the previous financial year, 2021/22, £1.6m in contributions were paid to Prudential. The capital value of all AVC's at year end, 31 March 2021 was £18.6m. The equivalent figures for 2021/22 are not available at the time of the publication of the draft accounts. This will be updated during the audit of the statement of accounts.

27. Policy Statements

The Fund has a number of policy statements which can be found on the [LPGS website](#). They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Investment Strategy Statement (ISS)
Administration and Communication Strategy
Funding Strategy Statement (FSS)

28. Compliance Statement

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2021/22 (or 2020/21). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

Leicestershire County Council Pension Fund (“the Fund”) Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 formal valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2019 |
|-----------------------------------|---------------|
| Discount rate | 3.8% |
| Salary increase assumption | 2.8% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.5 years | 23.8 years |
| Future Pensioners* | 22.2 years | 25.2 years |

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Tom Hoare FFA

06 May 2022

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

| Year ended | 31 March 2022 | 31 March 2021 |
|-----------------------|---------------|---------------|
| Active members (£m) | 4,176 | 4,155 |
| Deferred members (£m) | 1,670 | 1,801 |
| Pensioners (£m) | 2,213 | 2,383 |
| Total (£m) | 8,059 | 8,339 |

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £654m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £43m.

Financial assumptions

| Year ended (% p.a.) | 31 March 2022 | 31 March 2021 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 3.20% | 2.85% |
| Salary Increase Rate | 3.70% | 3.35% |
| Discount Rate | 2.70% | 2.00% |

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--|------------|------------|
| Current pensioners | 21.5 years | 24.0 years |
| Future pensioners (assumed to be aged 45 at the latest formal valuation) | 22.4 years | 25.7 years |

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

| Change in assumption at 31 March 2022 | Approximate % increase to promised retirement benefits | Approximate monetary amount (£m) |
|---|--|----------------------------------|
| 0.1% p.a. decrease in the Discount Rate | 2% | 168 |
| 1 year increase in member life expectancy | 4% | 322 |
| 0.1% p.a. increase in the Salary Increase Rate | 0% | 16 |
| 0.1% p.a. increase in the Pension Increase Rate (CPI) | 2% | 151 |

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2022' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:

Tom Hoare FFA

26 May 2022

For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of its Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts



MR. L. BRECKON
CABINET LEAD MEMBER FOR CORPORATE RESOURCES
30 JUNE 2022

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the Authority's Pension Fund Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2022 and its income and expenditure for the year ended the same date.



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
30

JUNE

2022

**Independent auditor's report to the members of
Leicestershire County Council on the pension fund financial
statements of Leicestershire County Council Pension Fund**

To follow

GOVERNANCE COMPLIANCE STATEMENT

1.1 INTRODUCTION

This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund's governance arrangements against a number of standards set out within guidance issued by DLUHC. The Fund's compliance with these can be viewed at the end of the document, [here](#).

In order to improve the transparency and auditability of governance arrangements the Fund has further produced its governance compliance statement to recognise the Scheme Advisory Board's recommendations set out within the Good Governance Phase 3 report

In accordance with the above, what follows is the Fund's assessment of its compliance with the standards as outlined.

1.2 FUNCTIONS AND RESPONSIBILITIES

The Local Pension Committee (LPC) meets five times a year and its members act in a quasi-trustee capacity. One of these meetings is specifically used to focus entirely on investment strategy. No substantive issues of investment policy will be carried out without the prior agreement of the LPC or, in extreme circumstances and where it is impractical to bring a matter to the LPC, following consultation with the Chair.

The LPC is made up of 13 members, ten of which are Employer Representatives with voting rights comprising of five County Councillors, representing Leicestershire County Council, two City Councillors representing Leicester City Council, two district councillors jointly representing the district councils, one member jointly representing De Montfort/Loughborough Universities. There are also three non-voting employee representatives. The ten voting members are appointed using the due political process or, in the case of the two universities, by joint arrangement. There will be at least one employee representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The LPC are advised and supported by the Director of Corporate Resources, Director of Law and Governance, Assistant Director of Strategic Finance and Property, Head of Pensions and Senior Finance and Legal Officers from Leicestershire County Council. As well as its Investment Advisor Hymans Robertson.

The LPC may delegate certain actions to the Director of Corporate Resources. It is the expectation of the LPC that some of the more administrative matters relating to investment management, such as the appointment of a custodian, are carried out by the Director of Corporate Resources.

An Investment Subcommittee, with its members drawn from the LPC, is a decision-making Subcommittee and will generally deal with more technical aspects of investment (such as looking at potential new investment opportunities or dealing with the appointment of new investment managers), any decisions made by the Subcommittee are reported at the following LPC.

[The Local Pension Committee Terms of Reference.](#)

The Local Pension Board was established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. The LPC, in fulfilling its functions, will have regard to advice of the Board.

The Board is made up of six voting members, three Employer Representatives (two elected members of Leicestershire County Council and one from Leicester City Council) and three employee representatives as well as one reserve employee representative role. There will be at least one employee representative position available annually, as well as for a reserve employee representative, and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The Board publishes an Annual Report which is available on the Fund's website. The Board focuses on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met.

[Local Pension Board Terms of Reference](#)

The Director of Corporate Resources oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas.

[Roles, Responsibilities and Delegated decisions.](#)

An Annual Meeting of the Pension Fund is held annually, to which all employee members and other interested parties are welcome. The purpose of the meeting is to present the Annual Report of the Fund and to report on current issues, as well as to elect employee representatives for any vacant positions on the LPC and the LPB.

A number of other initiatives to involve stakeholders also take place, including:

- Presentations by the Fund/Actuary to employing bodies;
- Pensions roadshows at various venues;
- The Annual Report and Account of the Pension Fund;
- Other communications to members.

Further details can be found within the [Representation and Engagement](#) section of this statement.

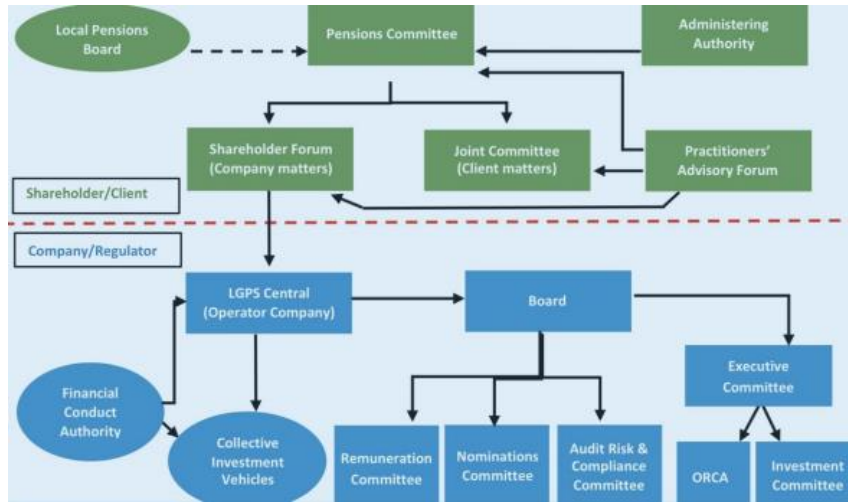
1.3 INVESTMENT POOLING

LGPS Central, an FCA-regulated pool company, was launched on 1 April 2018. Leicestershire Pension Fund together with eight partner pension Funds across the LGPS continue to work with the company to further develop the required business as usual governance oversight and monitoring arrangements.

The Fund recognises the potential conflict posed through the involvement of pooling with LGPS Central. 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. The Company's investment performance and capability is overseen on a day to day basis by the Senior Fund Officers via the

Practitioner's Advisory Forum and on a bi-annual basis by the Joint Committee which is constituted of representatives from each of the Partner Funds.

The Chairman of the Local Pension Committee acts as the Fund's representative at both the Shareholders Forum and the Joint Committee and reports back to the Local Pension Committee as appropriate.

The Partner Funds and the Company work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver the strategic asset allocations in line with regulation and guiding principle. To hold the company to account and to meet FCA requirements for a regulated asset manager. The governance structure is designed to ensure sufficient independence from between Partner Funds and the Company during implementation and ongoing management of the Investment Sub-Funds.

The Investment Strategy Statement further sets out the Fund's approach to Pooling and the Pensions Committee and Board receives 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 References.

1.3.1 Dual interests as Administering Authority and Employer

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 its Conflict of Interest Policy that was approved June 2021. The Policy and other related policies for the management of the Fund can be viewed [here](#).

Ultimately Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's finances. 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.

1.4 SUFFICIENCY OF RESOURCES FOR SERVICE PLANNING AND DELIVERY

In order to ensure that the Fund has appropriate resource to deliver its statutory obligations it has adopted a three-stage approach:-

1.4.1 Business planning and budget setting.

The Fund operates a business plan which sets out the priorities for the Fund's services which is approved annually by the Local Pension Committee, with the oversight of the Pension Board. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis.

The latest business plan and budget is publicly available [here](#).

The business plan takes into account the risks facing the Fund, performance of the Fund (including workloads) and anticipated regulatory changes. The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan. The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan, and the Board monitor it on a quarterly basis.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published within the Fund's Annual Accounts.

1.4.2 Service Delivery

The Fund publishes an Administration and Communication strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;
- the Fund's approach to the use of technology in pension administration.

The policy can be viewed [here](#).

1.5 MONITORING DELIVERY AND CONTROL ENVIRONMENT

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

Performance against KPIs is reported to the Local Pension Board on a quarterly basis. The Pension Committee further receives regular updates. KPI performance is reported in the Fund's annual report. Plans to address any workloads are added to the business planning process above.

The Pension Manager monitors cost and resource levels to balance value for money with service delivery, which is set out elsewhere in the report.

1.5.1 Internal Audit Plan

Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. One audit, outstanding from the previous year was concluded and four assurance audits were undertaken in 2021/22. The assurance grading was overall positive and there were no high importance recommendations. Final reports for all completed audits were also shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

In the year, Internal Audit reviewed several areas of the Fund's administration and investment. These areas included, contribution banding changes, contribution calculations, annual Pensions Increase, Pension Creation and Pension Pooling in relation to Transitions. Work was also undertaken on the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Progress continues to be made on the one remaining case identified during an earlier NFI exercise. In addition a review of progress on implementing recommendations from the Good Governance Project and the McCloud remedy were reviewed, with further work planned in 2022/23. Ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback to the wider group. Internal Audit continue to review and comment on the Risk Register prior to Board and Committee meetings.

Officers also share the Risk Register with Internal Audit prior to Board and Committee meetings.

1.6 REPRESENTATION AND ENGAGEMENT

1.6.1 Local Pension Committee Membership and Attendance to March 2022.

The Local Pension Committee representation policy, as set out [above](#) recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains its representation on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain an equal share of voting members on the Pension Committee.

| | REPRESENTING | 2021/22 | | | | | ATTENDANCE |
|---|-------------------------|---------|-----------|----------|-----------------|-------|------------|
| | | June | September | November | January | March | |
| VOTING MEMBERS (EMPLOYER REPRESENTATIVES) | | | | | | | |
| MR. T. BARKLEY(CHAIRMAN) | Administering Authority | ✓ | ✓ | ✓ | Substitute sent | ✓ | 80% |
| MR. D. GRIMLEY CC | Administering Authority | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| MR. K. MERRIE MBE CC | Administering Authority | ✓ | ✓ | ✓ | X | ✓ | 80% |
| DR. R. K. A. FELTHAM CC | Administering Authority | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| MR. D. GAMBLE CC | Administering Authority | ✓ | X | X | ✓ | X | 40% |
| CLLR. R. GOVIND (TO SEPTEMBER 2021) | Leicester City Council | ✓ | X | | | | 50% |
| CLLR. S. WADDINGTON (FROM DECEMBER 2021) | Leicester City Council | | | | ✓ | ✓ | 100% |
| CLLR. A. CLARKE | Leicester City Council | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| CLLR. M. GRAHAM MBE | District Councils | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| CLLR. C. FROST | District Councils | X | X | X | X | X | 0% |
| MR. Z. LIMBADA | Universities | ✓ | X | ✓ | ✓ | X | 60% |
| NON-VOTING MEMBER (SCHEME MEMBER REPRESENTATIVE) | | | | | | | |
| MR N. BOOTH | Elected 2019 | ✓ | ✓ | X | ✓ | X | 60% |

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| | | | | | | | |
|---|---|---|---|---|---|---|----------------------|
| MRS J. DEAN (TO DECEMBER 2021) | Elected 2018 | X | x | ✓ | | | 33% |
| MR. G. LAWRENCE (FROM DECEMBER 2021) | Elected 2021 | | | | ✓ | ✓ | 100% |
| MR A. WILSON | Elected 2020 | X | x | X | ✓ | ✓ | 40% |
| | Proportion of voting members not from the Administering Authority | | | | | | 5 out of 10 (50%) |

1.6.2 Local Pension Board Membership and Attendance to March 2022

The Local Pension Board's Representation equally comprises three Employer Representations and three Employee Representatives. The Scheme Member Representatives represent active, deferred and pensioner Scheme members and are appointed by an open election process, as set out [above](#).

A Reserve Scheme Member Representative was first appointed December 2020, where a Scheme Member is unable to attend they will act as nominated substitute.

| | REPRESENTING | MEETINGS 2021/22 | | | | ATTENDANCE |
|---------------------------------------|--|------------------------|--------|----------|----------|------------|
| | | May | August | November | February | |
| MRS. R. PAGE (CHAIRMAN) | Administering Authority | ✓ | ✓ | ✓ | ✓ | 100% |
| MR. R. SHEPHERD | Administering Authority | ✓ | ✓ | ✓ | ✓ | 100% |
| CLLR. E. PANTLING | Leicester City Council | X | X | x | X | 0% |
| MRS. C. FAIRCHILD (VICE-CHAIR) | Term ends December 2023. | ✓ | ✓ | ✓ | ✓ | 100% |
| MS. D. HALLER | Term ends December 2021 Resigned November 2021. | Reserve Substituted | x | | | 0% |
| MS. R. GILBERT | Term ends December 2022. | ✓ | x | X | ✓ | 50% |
| MR. M. SAROYA | Reserve Member up to December 2021. Elected Scheme Member Representative December 2021 to 2024 | ✓ | x | ✓ | ✓ | 75% |

1.6.3 Engagement with Employers

The Fund carries out a range of activities that are designed to engaged employers. These are set out within the Fund's Administration and Communication Strategy and includes

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A regular employer bulletin provides updates on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

1.6.4 Engagement with Members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointment, by phone or at our offices, with members of the pension team to discuss specific matters.

1.7 TRAINING

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on the role of Funds' Governing Bodies their knowledge and understanding

The Fund's Pensions Committee and Pensions Board training policy is reviewed and approved by the Pensions Committee, in accordance with the policy training activity undertaken is monitored, recorded and reported to each body. By implementing and participating in training, Committee and Local Pensions Board members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the scheme.

A major factor in the governance arrangements of the Fund is to ensure that the Committee and the Local Pension Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Arrangements for regular training are in place with training delivered through various means including in-house structured training events for

both Pensions Committee and the Local Pensions Board, conferences, training delivered at Committee meetings, as well as briefings and research material.

1.7.1 Training Policy

The Fund's Training Policy was first adopted in November 2019 and had been reviewed, updated and approved in March 2022 by the Committee. The policy applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. In relation to training for those involved in the governance and the day to day management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified. The Fund will measure and report on progress against the training plans as set out below.

A copy of the policy can be found [here](#).

1.7.2 Evidencing Standards of Training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in this statement. Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed, and any gaps identified are addressed as part of the ongoing training plans. Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal. All Members are required to take induction training prior to taking up their role and are provided with an Information Pack including all relevant reading material to keep up to date with pensions issues.

Members of the Committee and Board complete self-evaluation forms on an annual basis assessing their General Understanding, and knowledge on Funding, Investment and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and Committee and following meetings delivered by officers or the Fund's providers such as the Actuary, independent advisers and investment managers.

Given there have been a number of recent changes both within the LGPS, and externally in the broader pensions environment all Board and Committee Members are encouraged to complete training modules on Hymans Robertson Aspire Website (introduced 2021), The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central's at its Annual Stakeholder Day.

The CIPFA requirement for continuous professional development for the Fund's s151 officer now includes a regular LGPS element. This requirement applies to the s151 officer for the Council. The Fund has complied fully with this requirement.

LOCAL PENSION COMMITTEE

| | | JOINT PENSION BOARD AND COMMITTEE TRAINING - GOVERNANCE AND ADMINISTRATION | GOOD GOVERNANCE AND THE PENSION REGULATOR CODE | ISC TRAINING PRIVATE DEBT/INFRASTRUCTURE | HYMANS ROBERTSON VALUATION | CLIMATE RISK REPORT TRAINING / WORKSHOP | ACTUARIAL VALUATION | IFM INFRASTRUCTURE |
|--|-----------------------------------|---|--|---|-------------------------------|--|---------------------|--------------------|
| TOM BARKLEY CC | Leicestershire County Council | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| CLLR R. GOVIND (TO NOVEMBER 2021) | Leicester City Council | x | ✓ | ✓ | | | | |
| CLLR A. CLARKE | Leicester City Council | ✓ | ✓ | ✓ | x | ✓ | ✓ | ✓ |
| CLLR. M. GRAHAM | District Representative | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| CLLR. FROST | District Representative | x | x | | | x | x | x |
| MR.Z. LIMBADA | Universities Representative | x | ✓ | ✓ | x | ✓ | x | x |
| MR GAMBLE (FROM MAY 2021) | Leicestershire County Council | ✓ | ✓ | x | x | ✓ | ✓ | ✓ |
| DR FELTHAM (FROM MAY 2021) | Leicestershire County Council | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| MR. MERRIE MBE (FROM JUNE 2021) | Leicestershire County Council | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| MR. GRIMLEY (FROM MAY 2021) | Leicestershire County Council | ✓ | ✓ | x | ✓ | ✓ | ✓ | ✓ |
| CLLR. S. WADDINGTON (FROM JANUARY 2022) | Leicester City Council | | | | ✓ | ✓ | ✓ | ✓ |
| <u>SCHEME MEMBER REPRESENTATIVES</u> | | | | | | | | |
| MR. A. WILSON | Employer Rep Elected 2019 AGM | x | ✓ | | x | ✓ | ✓ | ✓ |
| MR. N. BOOTH | Employer Rep Elected 2020 AGM | ✓ | ✓ | | ✓ | ✓ | x | x |
| MR. G. LAWRENCE (FROM DECEMBER 2021) | Employer Rep Elected 2021 AGM | | | | | ✓ | ✓ | ✓ |
| MS. J. DEAN (TO DECEMBER 2021) | Employer Rep Elected January 2018 | ✓ | x | | x | | | |

Hymans Aspire Learning Training

The Fund introduced the Hymans Aspire Learning Academy during November 2021 and was designed to support the training needs of the Pension Committee, Local Pension Board and Fund Officers and supplements the Fund's own training plan. It consists of a series of video presentations with supplemental learning material and quizzes. Committee and Board progress to March 2022 is set out below.

| | An introduction to the LGPS Module 1 | LGPS Governance and Oversight Bodies Module 2 | Administration and Fund Management Module 3 | Funding and Actuarial Matters Module 4 | Investments Module 5 | Current Issues Module 6 |
|---|--------------------------------------|---|---|--|----------------------|-------------------------|
| <i>Local Pension Committee</i> | | | | | | |
| <i>Tom Barkley CC</i> | P | P | S | S | S | S |
| <i>Cllr A. Clarke</i> | P | P | S | S | S | S |
| <i>Cllr. M. Graham</i> | C | C | C | C | C | C |
| <i>Cllr. Frost</i> | P | S | P | S | S | S |
| <i>Mr.Z. Limbada</i> | S | S | S | S | S | S |
| <i>Mr. A. Wilson</i> | C | C | C | C | C | C |
| <i>Mr. N. Booth</i> | C | S | S | C | C | C |
| <i>Mr. G. Lawrence (From December 2021)</i> | C | C | S | C | P | P |
| <i>Mr Gamble (from May 2021)</i> | S | S | S | P | S | S |
| <i>Dr Feltham (From May 2021)</i> | C | P | S | C | S | S |
| <i>Mr. Merrie MBE (from June 2021)</i> | C | C | C | C | C | C |
| <i>Mr. Grimley (from May 2021)</i> | C | C | C | C | C | C |
| <i>Cllr S. Waddington</i> | P | S | S | S | S | S |

S – Subscribed P – In progress C – Completed

Progress from the Local Pension Board is compiled within its own Annual Report available on the Fund's Website.

In summary, the Fund invests significant resources into the development of its Committee and Local Pensions Board members, firmly believing that the benefits over the long term are essential to the effective governance and management of the Fund. The Fund further encourages Members to attend external events such as:

- The Pension Fundamentals
- LGPS Central Stakeholder events
- LGA Governance Conference

1.8 REVIEW AND COMPLIANCE WITH BEST PRACTICE

This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Pension Fund.

The regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This guidance contains a number of best practice principles and these are shown below with the assessment of compliance.

| Principle | Compliance/Comments |
|--|--|
| Structure | |
| The strategic management of fund assets clearly rests with the main committee established by the appointing council. | Fully compliant |
| That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee. | Fully compliant |
| That where a secondary committee has been established, the structure ensures effective communication across both levels. | Fully Compliant |
| That where a secondary committee has been established, at least one seat on the main committee is allocated for a member of the secondary committee | Fully Compliant - All Investment Subcommittee will be full LPC members |
| Representation | |
| That all key stakeholders are afforded the opportunity to be represented within the main committee structure (including employing authorities, scheme members, independent professional observers and expert advisors) | Fully Compliant |
| That where lay members sit on a main committee, they are treated equally and are given full opportunity to contribute to decision making, with or without voting rights | Fully Compliant |
| Selection and Role of Lay Members | |
| That committee members are fully aware of their status, role and function they are required to perform. | Fully Compliant |
| Voting | |
| The policy of the administering authority on voting rights is clear and transparent, including the justification for not extended voting rights to certain groups | Fully Compliant |
| Training/Facility Time/Expenses | |
| That the policy applies equally to all members of committees | Fully Compliant |
| Meetings (frequency/quorum) | |
| That the main committee meet at least quarterly | Fully Compliant |

| | |
|--|---|
| That secondary committees meet at least twice a year and the meetings are synchronised with the main committee | The Investment Subcommittee meets regularly, so Fully Compliant |
| If lay members are not included in formal governance arrangements, a forum is available outside of these arrangements by which their interests can be represented | Lay members are included on main committee, so not relevant |
| Access | |
| That, subject to any rules in the Council's constitution, all members have equal access to committee papers, documents and advice that falls to be considered by the main committee | Fully Compliant |
| Scope | |
| That administering authorities have taken steps to bring wider scheme issues within the scope of the governance arrangements | Fully Compliant |
| Publicity | |
| That the administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements | Fully Compliant. A copy of this statement has been sent to all employing authorities. |



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
8 AUGUST

2022

GLOSSARY

A list of acronyms used within the report has been provided below:

| | |
|-------|---|
| AGM | Annual General Meeting |
| AVC | Additional Voluntary Contribution |
| CETV | Cash Equivalent Transfer Value |
| CIPFA | The Chartered Institute of Public Finance and Accountancy |
| CRR | Climate Risk Report |
| DLUHC | Department for Levelling Up, Housing and Communities |
| ESG | Environmental, Social and Governance |
| FCA | The Financial Conduct Authority |
| FSS | Funding Strategy Statement |
| FTE | Full Time Equivalent |
| IDRP | Internal Disputes Resolution Procedure |
| IFRS | International Financial Reporting Standards |
| ISS | Investment Strategy Statement |
| KPIs | Key Performance Indicators |
| LAPFF | Local Authority Pension Fund Forum |
| LGIM | Legal and General Investment Management |
| LGPS | Local Government Pension Scheme |
| LIBOR | London Interbank Offered Rate |
| LPB | Local Pension Board |
| LPC | Local Pension Committee |
| NAV | Net Asset Value |
| RI | Responsible Investing |
| SAB | LGPS Scheme Advisory Board - England and Wales |
| TCFD | Taskforce on Climate-related Financial Disclosures |