



LOCAL PENSION COMMITTEE – 8 MARCH 2024
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
PENSION FUND POLICY REPORT

Purpose of the Report

1. The purpose of this report is to provide an annual update of the Pension Fund's current strategies and policies, and to seek approval of the revised policies stated.

Background

2. The Local Pension Committee is responsible for the governance of the Leicestershire Fund, which includes setting policies to be included in statutory documents.
3. This is an annual report to provide the Committee with a summary of current policies or strategies for approval. The content of this report was presented to the Local Pension Board on 7 February 2024.

Summary of Current Policies

4. All current policies covering both administration and investments are listed in the table below. Six policy documents have been updated and are attached to this report with the key changes made highlighted in yellow for ease of reference. Other policies can be found on the Pension Fund website [here](#).

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Updated	Date Next Review Scheduled
Investment Strategy Statement	Yes	Yes	Changes detailed elsewhere in this report	March 2023	March 2024
Investment Advisor Objectives	Yes	No	-	November 2022	November 2024
Responsible Investment Plan	Yes	No	-	January 2024	January 2025
Net Zero Climate Strategy (target	Yes	No	-	March 2023	March 2026

Policy	Existing Policy (Yes/No)	Changes Made (Yes/No)	Changes	Date Last Updated	Date Next Review Scheduled
set of Net Zero by 2050)					
Cash Management Strategy	Yes	No	-	October 2023	March 2025
Funding Strategy Statement	Yes	No	-	February 2023	November 2025
Administration and Communication Strategy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026
Fund Training Policy	Yes	-	-	March 2022	June 2024
Pension Fund Budget and Business Plan	Yes	Updated to reflect the draft 24/25 Business Plan	-	January 2024	March 2024
Conflict of Interest Policy	Yes	No	-	June 2021	June 2024
Fund Employer Risk Policy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026
Administering Authority (Fund) Discretions Policy	Yes	Yes	Changes detailed elsewhere in this report	January 2024	December 2025
Administering Authority Distribution of Death Grant Policy	Yes	No	-	November 2023	November 2025
Administering Authority Overpayment of Pensions Policy	Yes	Yes	Changes detailed elsewhere in this report	August 2023	July 2025
Cyber Policy	Yes	Yes	Changes detailed elsewhere in this report	February 2024	January 2026

Investment Strategy Statement

5. Amendments include:
 - a. Inclusion of the Fund's Cash Management Strategy (CMS) which is based on the administering authority's policy on approved organisations for lending. This policy is supported by Link group, the administering authority's external treasury management advisor.
 - b. An update with the most recent Strategic Asset Allocation (SAA) for the Leicestershire County Council Pension Fund which was approved by the Local Pension Committee at the January 2024 meeting.

Fund Employer Risk Policy

6. The Fund Employer Risk Policy has been updated to reflect the Fund's position regarding requests from employers for tailored investment strategies. This is a relatively new area and officers are aware of interest nationally from some employers to influence their Fund's investment policy. Tailored strategies would require a significant amount of time and cost developing a bespoke strategy that differs from the approach for the other employers.
7. There are also employers who have requested a 'partial termination' in respect of their deferred and pensioner members, as they seek to lock in a favourably low value of those liabilities. However, if the value of those liabilities increased in the future there is an increased risk that those extra costs could fall to the other employers.
8. Officers are yet to receive any formal requests of this nature from any employers in the Leicestershire Fund.
9. The Fund is not in favour of these strategies and the Fund Employer Risk Policy has been amended accordingly. It is also proposed that the Funding Strategy Statement will be similarly amended in November 2025 when it is next reviewed.

Administration and Communication Strategy

10. The Administration and Communication Strategy has been updated to state:
 - Where an employer requests significant amounts of additional information for the purposes of an audit then additional costs may need to be recovered from that employing authority.
 - The Fund will consult and/or engage with stakeholders on changes to policies or strategies as appropriate. For example, an engagement exercise was conducted in respect of the Net Zero Climate strategy in 2022/23.

11. Other minor changes have also been made in respect of terminology, to keep the document updated, or to simply tidy up wording.
12. Employers were consulted on the proposed changes between 14th December 2023 and 16th January 2024, but no comments were received.

Administering Authority (Fund) Discretions Policy

13. Item 22 of this Policy has been amended to link the Fund's Distribution of Death Grant Policy.

Overpayment of Pensions Policy

14. Additional details regarding the process officers will follow when managing overpayments and the steps taken to prevent overpayments have been added.

Cyber Policy

15. The Cyber Policy has been amended to remove the expiry dates of the Heywood accreditations although these will still be reviewed annually to ensure that Heywood continue to update these.
16. Details of the 'roles' assigned to Pension Officers when using Altair have been updated to reflect two new roles that have been created in the last twelve months.
17. A paragraph covering two minor products purchased that Pension Officers use has been added for completeness. These are DART, a report writing product and EPIC, a database for storing employer information. Both products are managed by the Administering Authority's ICT.
18. Following the removal of the expiry dates it is now proposed that the Policy is reviewed every two years instead of annually, though the regular reviews described in the Policy will continue. In the event that a significant change in the Cyber Policy emerges, the document will be updated at that time.

Recommendation

19. It recommended that the Local Pension Committee approve the revised policies appended to this report.

Equality Implications

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

Human Rights Implications

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

Appendices

Appendix A – Overpayment of Pensions Policy

Appendix B – Draft Administration and Communication Policy

Appendix C – Draft Administering Authority (Fund) Discretions Policy

Appendix D – Draft Cyber Policy

Appendix E – Fund Employer Risk Policy

Appendix F – Investment Strategy Statement

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