

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND**ANNUAL GENERAL MEETING – 9 DECEMBER 2024****REPORT OF LOCAL PENSION COMMITTEE EMPLOYEE REPRESENTATIVES**

1. The provision of a good defined benefit pension scheme, open to all staff such as the Local Government Pension Scheme, is a very valuable benefit. Thus, the performance of the Leicestershire Fund's investments is important to ensure that the scheme can meet its liabilities to pay pension benefits and grants to pensioners and other beneficiaries and remains open to further accrual for existing and new employees.
2. As of March 2024, the fund remains fully funded, with its assets exceeding liabilities significantly. As a result of this all options should be considered to address how contributions for all participants in the fund should be set. The Fund's assets under management (AUM) grew by 48% over the past five years, reaching £6.37billion. The allocation to private markets has increased to 32% and is expected to rise to 40% in the coming years, exceeding LGPS averages. This expansion aligns with the Fund's strategy to diversify and enhance returns.
3. It should be noted that although the funding position was encouraging, the total funding level is only at a single point in time and the markets continue to fluctuate during a turbulent period for the global economy. Pensions require a very long perspective (a few current scheme members can expect to be still receiving pension benefits in 80 years' time), and the Fund should be careful about relaxing employer contributions too much, based on a single snapshot in time.
4. The implementation of the McCloud Remedy remains a key challenge, requiring manual recalculations of historical benefits. The administration team is working diligently to meet these complex requirements. Additionally, preparations are ongoing to adapt to the UK Governments Pension Dashboard initiative and align with upcoming regulations on climate related financial disclosures and transition plans.
5. As part of their Responsible Investment (RI) obligations, Local Government Pension Schemes (LGPSs) have always been required to take account of Environmental, Social & Governance (ESG) factors in their investment decision-making. In common with most LGPSs, the Leicestershire Pension Scheme has recognised climate change as a key ESG risk:
 - a) As employee representatives, we have sought to support & influence the Scheme in its efforts to reconcile increasing climate-related risk with its 'fiduciary' duty to achieve the best risk-adjusted returns from investment, through the development of a Net Zero Climate Strategy. According to the training that the Scheme provides to new Local Pensions Committee members, the pensions industry in general is rapidly coming to the view that a shift to a more environmentally sustainable form of investing need not come at the expense of returns on investment, or the continued

ability to pay out pension benefits.

- b) The Leicestershire Local Pensions Committee agreed a revised Responsible Investment Plan in January 2023 and this was subject to an update in March 2024. Along with all the Leicestershire Pension Fund's key funding and investment strategy documents, this is available to scheme members on the Fund's website here: <https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>
As employee representatives, we have sought to keep the Fund to its timetable for developing a Net Zero Climate Strategy and amending its Investment Strategy Statement accordingly.
6. The Local Pension Committee and Board continue to monitor governance and investment performance rigorously. Key areas of focus included the adoption of best practices under the Good Governance initiative and regular updates to the Fund's risk register, including emerging cyber risks.
7. Employees/pensioners were represented at all Local Pensions Committee and Investment Sub-Committee meetings during the past year.
We would like to thank the LCC Pensions Section for their efficient administration of the benefits of the Fund.
8. To conclude, the Employee representatives are satisfied that the Fund is currently being managed in a professional manner in the best interests of the Scheme members and beneficiaries.

Nick Booth
Clive Pitt
Vipul Bechar

Employee Representatives