



LOCAL PENSION COMMITTEE – 26 SEPTEMBER 2025
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024/25

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval of the appended Annual Report and Accounts of the Pension Fund (the Fund) for the financial year 2024/25.

Background

2. There is a statutory requirement for the Annual Report and Accounts to be available on or before 1 December following the end of a scheme year. The Accounts are in the process of being audited and the Local Pension Board and Local Pension Committee will be updated at the earliest possible opportunity on the opinion given by the Auditor once this process has been completed.
3. The Fund follows revised guidance published in May 2024 by the Scheme Advisory Board, Chartered Institute of Public Finances and Accountancy and the Department for Levelling Up, Housing and Communities (now the Ministry for Housing, Communities and Local Government), on details for the preparation and publication of the pension fund annual report as required in regulation 57 of the LGPS Regulations 2013.
4. In the Board's role in assisting the Administering Authority in ensuring the effective and efficient governance and administration, the Board considered this report on 3 September 2025. Following comments officers are looking at whether data can be compared across investment costs with other LGPS funds, this will be provided as part of a future summary valuation report to Committee, and further consideration will be given to whether it can be included as part of future annual reports, subject to reporting constraints as structure and content were prescribed by the Scheme Advisory Board.

5. A comment was further noted around a concern about the Fund's approach to net zero, including shareholder activism, divestment from certain sectors, and investments driven by ideology rather than financial return, and suggested the Fund should focus on maximising returns, and queried how the current approach could be re-evaluated. It was explained that climate and responsible investment strategies fell under the Local Pension Committee's remit and were approved by the Committee. It was noted that a review of those strategies was underway, and would include a consultation with scheme members, following which results would be presented to the Committee.
6. Members were informed the Fund maintained fiduciary duty to maximise returns, whilst managing risks associated with climate and responsible investment in a balanced way.

Ongoing areas of consideration

7. While the Fund has complied as far as possible with the revised guidance, one area states that Fund's 'must' report "*Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class must be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark must be stated.*" Whilst the Annual Report sets out performance against its benchmarks for growth, income and protection, it is unable to do this for each fund manager and name the benchmarks used under the terms of the current contract with the Fund's performance information provider and the underlying benchmark providers, however this information is available to the Committee in the exempt part of the agenda.
8. The guidance sets out that the Fund 'should' indicate how it is responding to the SAB's Code of Transparency. Steps need to be taken by the Fund to fully review this position and encourage compliance by investment managers. Presently, approximately 65% of the Fund's investment managers are signed up to the scheme. However, it should be noted that the majority of investment managers provide cost information to the Fund through the use of the Cost Transparency Initiative (CTI) templates required by the Code of Transparency, which supports accounting of the underlying costs of investments as disclosed in the Annual Report.
9. The Fund will look to work with LGPS Central to be able to report on gross and net savings achieved to date for the Fund.

Next Steps

10. The Fund accounts are subject to external audit by Grant Thornton LLP. The External Audit of the Accounts is reported to the Corporate Governance

Committee and the Chair of that Committee is required to sign a Letter of Representation assuring the auditors that the financial statements are complete, and that all required information has been disclosed in the accounts and to the external auditors.

11. Approval of this report will be subject to external audit, noting that the County Council's Corporate Governance Committee will receive the External Audit of the 2024/25 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts later in the year.
12. The pension fund Annual report and Accounts will go to the Pension Fund Annual General Meeting on 15 December 2025.

Leicestershire Pension Fund Conflict of Interest Policy

13. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with four managers with whom the Leicestershire County Council Pension Fund invests, namely Partners Group, JP Morgan, DTZ investors and Christofferson Robb and Company (CRC). Decisions on the County Council's investments were made after the Fund had made its own commitments.

Recommendation

14. That:

- a. The Annual Report and Accounts of the Pension Fund for the financial year 2024/25 be approved subject to External Audit;
- b. It be noted that the Corporate Governance Committee would receive the External Audit of the 2024/25 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

Environmental Implications

15. The Leicestershire LGPS has developed a Net Zero Climate Strategy (NZCS) for the Fund. This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. Highlights from 2024/25 are included within the Annual Report and there are no changes to this approach as a result of this paper.

Equality Implications

16. 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

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

Appendix

Pension Fund Annual Report

Officers to Contact

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