

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND**ANNUAL GENERAL MEETING – 15 DECEMBER 2025****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 December 2025, the fund remains fully funded, with its assets exceeding liabilities. On 31 March 2025 valuation, the fund was 140% funded. As a result, Committee approved a 6% rate reduction for the stabilised employers (City, County, Boroughs, Districts, Police and Fire) from the 1 April 2026 to 31 March 2029. Other employers received their indicative rates in November 2025. Committee considered the funding position, balancing the long-term aim of the pension fund and not overly burdening employers, whilst retaining the 120% funding buffer.
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 new pooling arrangements are the area of focus for the time being. Government is keen to consolidate pools so that they become larger, can deliver better for national priorities, and to reduce administration costs. Committee has raised the risks around losing local input, but we are confident as a member of the Local Government Pension Scheme (LGPS) Central Pool that it is more likely other Funds will be joining Central rather than any major disruption to our existing pooling arrangements. There is also some questions still live around the future of transferring assets to management of the pool, but for the time being we have already sufficiently and proactively been pooling proactively.
5. 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.
6. As part of their Responsible Investment (RI) obligations, 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 continued 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. We have also raised the fact that climate related risks are likely to impact returns for members paying into the scheme today – and that those risks are not hypothetical but something that needs to be seriously considered in investment decisions.

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 Local Pension Committee agreed a revised Responsible Investment Plan in January 2025. 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.

7. 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.
8. Current, deferred and retired Scheme Members were represented at all Local Pension Committees 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.
9. 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.

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Employee Representatives