



LOCAL PENSION BOARD – 4 FEBRUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

DRAFT INVESTMENT STRATEGY STATEMENT

Purpose of the Report

1. The purpose of this report is to present for the Board's consideration the key changes expected for the Fund's Investment Strategy Statement (ISS), attached as an appendix to the report.

Policy Framework and Previous Decisions

2. The current ISS was approved by the Local Pension Committee (LPC) in March 2025.

Background

3. All LGPS funds in England and Wales are required to have an ISS. The ISS is composed in accordance with Regulation 7 of the Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 ("the Regulations").
4. The ISS sets out the Fund's investment objectives, how investments are managed, asset allocation, the approach to risks, including the ways in which risks are to be measured and managed, the approach to pooling, and how social, environmental or corporate governance considerations are taken into account.
5. The primary purpose of the ISS is to achieve long-term returns needed to pay pensions obligations as they fall due. These strategic decisions are recognised as being the most important drivers of long-term investment performance. With the fit for the future proposals, set out elsewhere on the agenda, the ISS remains a key strategy for the LPC with its responsibility for management of the Fund in line with its primary purpose.
6. LGPS Central will be responsible for implementing the ISS with an investment portfolio that seeks to meet the objectives and comply with the asset allocation agreed by LPC.

Draft Investment Strategy Statement

7. As set out elsewhere on the agenda there are a number of changes due which will impact the LGPS, the Fund and pooling, which have implications for the Fund's ISS. This draft ISS looks to comply as far as possible with draft regulations, as well as draft guidance as it is currently understood.
8. It is expected more changes may be required following the Pension Bill being made into law, and other regulations and guidance that are expected. It is intended to include these changes for the version that the LPC will receive in March 2026, alongside any updates to the Fund's responsible investment approach following the responsible investment survey outcomes.
9. Alongside amendments to streamline the strategy, key changes within the draft ISS are set out below:
 - i. The draft ISS references the Fund's current Fit for the Future (FFtF) position and acknowledges that its role will evolve as LGPS Central assumes its required responsibilities.
 - ii. The investment beliefs have been expanded to include preferences, offering clearer direction on the Fund's expectations. While the Fund will not be able to intervene implementation, these preferences provide LGPS Central with a strong steer. Where LGPS Central is unable to reflect these preferences, the Fund expects transparent and constructive dialogue.
 - iii. The revised ISS introduces a target and sets out a broad framework for local investment in partnership with LGPS Central. The approach is intentionally flexible and expected to evolve over time, but is currently aligned with the principles and considerations established within the Strategic Asset Allocation discussed elsewhere on the agenda.
 - iv. The responsible investment section has been streamlined and updated to reflect the latest draft regulations and requirements. Further refinements may follow, informed by the outcomes of the responsible investment survey and ongoing regulatory developments.
10. Officers will begin a consultation with employers on the ISS following the LPC meeting on 30 January 2026, ahead of presenting the updated version on 20 March 2026.

Leicestershire Pension Fund Conflict of Interest Policy

11. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with three managers which the Leicestershire County Council Pension Fund invests with, namely Partners Group, JP Morgan and Christofferson Robb and Company (CRC). The County Council's investments were made following due diligence Hymans Robertson had provided the Fund.

Recommendations

12. The Board is asked to comment on the revised ISS ahead of the LPC meeting on 20 March, where approval will be sought.

Appendix

Draft Investment Strategy Statement 2026

Background papers

Draft regulations: The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026:

https://assets.publishing.service.gov.uk/media/691f357e3735e57039f985ca/Local_Government_Pension_Scheme_Pooling_Management_and_Investment_of_Fund_Regulations_2026.pdf

Equality Implications

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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.

Human Rights Implications

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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.

Officer to Contact

Declan Keegan, Director of Corporate Resources

Tel: 0116 305 7668

Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning

Tel: 0116 305 7066

Email: Simone.Hines@leics.gov.uk

Bhulesh Kachra, Senior Finance Business Partner - Investments

Tel: 0116 305 1449

Email: Bhulesh.Kachra@leics.gov.uk

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