

## CMA objectives for investment consultants

### Addressee

This paper is addressed to the Officers of the Leicestershire County Council Pension Fund (“the Fund”). The purpose of this paper is to set out the next steps in the requirement to set objectives and assess Hymans Robertson, as investment consultant to the Fund, against the objectives following the publication of the Competition and Markets Authority (“CMA”) final order, relating to their review of investment consulting and fiduciary management markets.

This paper should not be disclosed to any third parties without our prior written permission. We accept no liability to any third party relying on the advice or recommendations in this paper.

### Background and scope

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. The order made it a regulatory requirement for pension scheme trustees (including pension committees within the LGPS) to set objectives for their investment consultants.

We have summarised the key points below:

- Since 10 December 2019 pension scheme trustees **must set strategic objectives for their investment consultants** before they enter into a contract or continue to receive services from them. The Fund has set and agreed objectives for Hymans Robertson, which are set out in Appendix 1.
- Whilst for private sector Defined Benefit pension schemes this is now overseen by The Pensions Regulator (“TPR”), the CMA has confirmed that LGPS Funds remain under their oversight.
- As such, LGPS Funds are expected to file a compliance statement stating that they have complied with the above requirement. These need to be submitted **by 7 January 2021 and annually thereafter**.
- The format of the compliance statement is a short statement which is stipulated in the CMA order, please see Appendix 2 for details. A scanned copy of a signed statement will need to be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk) by **7 January 2026 at the latest**.
- The CMA order only requires the Committee and Officers to confirm that they have complied with the requirements over the last 12 months and had objectives in place. However, reviewing our performance against the objectives is part of ongoing good governance. It also provides a formal setting to discuss feedback through the year.
- This is in line with [guidance](#) from TPR which suggests performance is monitored annually, with a detailed review every three years. TPR also suggests checking that objectives are still appropriate at least every three years. We have proposed amendments to the current objectives in Appendix 3.

### Next steps for the Fund

- Report compliance relative to the CMA’s requirements to the CMA by 7 January 2026 – see Appendix 2;
- Finalise the assessment of performance against current objectives;
- Confirm the proposed objectives for the coming year.

Prepared by: -

David Walker, Partner

Samuel Hampton, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

November 2025

### **General Risk Warning**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

### **Potential conflicts of interest**

We regularly review potential conflicts of interest and are of the view that Hymans Robertson LLP is not currently conflicted in our role as investment adviser to the Fund. Let us know if you would like to discuss further.

### **Services provided to Fund Employers**

We are not aware of any services provided by Hymans Robertson LLP to any Employers of the Fund and will notify Officers should we become aware that Hymans Robertson LLP provides services to any other Fund Employers.

If it ever becomes inappropriate for Hymans Robertson LLP to continue to provide advice to both Fund and an employer, our primary client will be the Fund and we will resign the employer appointment.

### **LGPS Investment Pooling**

The Fund invests a large proportion of its assets through LGPS Central ("the Pool"). We also provide actuarial and/or investment advice to other funds in the Pool. We do not believe there is currently any conflict of interest in these arrangements, which have been disclosed to all parties, but will of course consider the possibility if this situation changes.

### **Support provided to industry bodies**

Hymans Robertson is an active supporter of the LGPS and we regularly engage with the bodies that oversee and regulate it. For example, we are currently working with the Scheme Advisory Board in England and Wales on the Good Governance project. With this type of work at a national level we are very conscious of the need to provide good quality advice without being influenced by our commercial considerations or the interest of our clients. We therefore always consider the potential for conflicts of interest and only bid for work where we are confident no such conflict will arise. For instance, on the Good Governance project we do not make recommendations to the Scheme Advisory Board, but instead identify options and outline the issues with each option.

### **Manager selection exercises**

Please note that Hymans Robertson LLP and our group companies have a wide range of clients, some of which are fund managers who may be parties in our recommendations to you in various circumstances, including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given. We would be happy to discuss this with you at our next meeting to address any questions you may have.

## Appendix 1: Current objectives

Leicestershire County Council Pension Fund Objectives	Investment Consultant Objectives	Performance Evaluation 2025
<p><b>Strategic</b></p> <p>Ensure members' benefits are met as they fall due.</p> <p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p> <p>The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The long-term median investment return projected as part of the last annual review of investment strategy was 8.7% per annum, relative to the required return of 4.4% per annum calculated for the 2022 funding valuation.</p> <p>Reduce the deficit recovery period for the Fund.</p> <p>Consider the Net Zero Climate Strategy in strategic decisions.</p>	<p>Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward.</p> <p>Deliver an investment approach that supports meeting the Fund's cashflow needs, and likely evolution, and minimises the risk of forced disinvestment. Ensure the approach involves suitable diversification, a level of complexity consistent with the Fund's governance capacity and focuses on predictable returns.</p> <p>Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. Assist in any due diligence of revised net zero targets.</p> <p>This includes a detailed review of private debt, tail-risk protection assets, and any other key areas highlighted in the most recent SAA review or subsequent officer or committee initiated request.</p>	<p>Following the last SAA review, we advised and implemented strategic changes to the target allocations, including reductions in property and private debt and an increase in listed equity exposure. We ensure the strategy continues to align with the Fund's long-term funding and cashflow objectives.</p> <p>We subsequently carried out detailed reviews of both property and private debt, assessing market developments, strategic mix, manager structures, and RI considerations. The resulting recommendations were approved and are now being progressed.</p> <p>We also advanced work on tail-risk protection assets, delivering training to build understanding of their potential role within the Fund's protection framework. This has helped establish a foundation for considering how such strategies could complement existing protection assets and improve downside resilience.</p> <p>In addition, we completed light-touch reviews of private equity and infrastructure. For private equity, we reviewed commitment pacing and projected cashflows to ensure future commitments remain aligned with long-term targets and vintage diversification. For infrastructure, we assessed deployment progress and pipeline visibility, confirming the portfolio remains well aligned with strategic objectives.</p>

		<p>We also flagged the managerial change within LGPS Central's Multi-Asset Credit (MAC) fund, agreeing a short due diligence review to assess any implications for the Fund's exposure. While this was delayed, it remains an active action to be completed shortly.</p> <p>The next SAA review, now underway, will build on this progress by assessing the strategy's resilience underpinning the 2025 actuarial valuation and testing alternative structures under different risk/return scenarios. This will be supported by high-level reviews of key asset classes, including equities, targeted return, and investment-grade credit. In parallel, there are plans to consider the role of local investing, to ensure the strategy continues to support the Fund's primary objective, liquidity and funding.</p>
<p><b>Implementation</b></p> <p>Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance.</p> <p>Ensure cost efficient implementation of the Fund's investment strategy.</p> <p>Ensure and help plan an orderly transition to LGPS Central (where applicable).</p>	<p>Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the SAA review and specific asset class reviews.</p> <p>Advise on the use of solutions provided by LGPS Central as a vehicle for implementing the agreed investment strategy, to support the regulatory direction of travel on pooling whilst also expressing our views on preferred solutions, and where appropriate help in the specification of LGPS Central solutions to meet the Fund's needs.</p> <p>Ensure investment decisions take into account the potential for regulatory change and developments.</p> <p>Provide assistance as requested with understanding and implementing the outcome of the 'Fit for the future' consultation. This includes advising on achieving the</p>	<p>We provided advice focused on the cost-efficient implementation of the Fund's investment strategy, with our recommendations consistently reflecting this priority. For example, in the property review, we considered what elements of the strategy had already been implemented and sought to build on these to avoid unnecessary transition costs. The changes we recommended – including moving more of the portfolio to direct investment with LGPS Central – are expected to deliver cost savings over time, primarily through reduced annual management fees and greater control over implementation efficiency.</p> <p>We advised on the use of LGPS Central solutions in each of the asset classes reviewed during the year. Our advice considered the practical challenges of pooling illiquid assets, including the timing of transitions, the need to manage outstanding commitments, and the limited</p>

	<p>proposed target of moving all assets to the Pool by 31 March 2026, taking into account the implementation routes and associated risks involved with transferring assets, such as costs of sale, difficulties of unwinding illiquid investments etc. Provide oversight on the process of transferring assets over, including managing the highlighted risks as far as possible. The scope of the review depends on the outcome of the consultation, but may include comment and views on the practical consequences of reduced control over more granular asset allocation decisions, including views on the Pool's capabilities in these areas, and any impact on strategic direction this may have. Maintain close links with the Pool in order to fully understand their plans.</p> <p>Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where possible.</p>	<p>availability of suitable pooled vehicles in some areas. We also reviewed concentration limits and their relevance within the pooling framework, with the aim of reducing the governance burden on the Fund.</p> <p>Where pooling was not yet feasible – for example, due to existing lock-up periods or limited product availability – we recommended pragmatic interim solutions to avoid unnecessary disruption and costs. Our recommendations sought to ensure that implementation remains both cost-effective and operationally manageable, while supporting the longer-term direction of travel towards greater use of LGPS Central products.</p> <p>In relation to LGPS Central, we maintained close and regular engagement with the Pool to understand upcoming opportunities and ensure the Fund's needs continue to be reflected in product development. As part of this, we met with Central's teams in Wolverhampton – including representatives from each of the asset classes under review – to discuss current pipeline developments, product design, and implementation timelines. These discussions helped confirm the suitability of upcoming mandates and provided insight into how the Fund's strategy could be best implemented through Central's structure.</p> <p>We also engaged directly with Central's Responsible Investment (RI) committee to gain a deeper understanding of their stewardship priorities, climate policies, and reporting progress. Through this engagement, we ensured that Central's approach remains broadly aligned with the Fund's Net Zero Climate Strategy (NZCS). We highlighted and reported any gaps</p>
--	--	---

		where further alignment or transparency could be strengthened, helping reinforce the integration of RI principles across all investment decisions.
<b>Governance</b>  Ensure the Fund's approach reflects relevant regulatory and legislative requirements.  Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes.  Ensure the Fund's investment objectives are supported by an effective governance framework.	Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance.  Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in investment recommendations and the Strategic Asset Allocation (SAA) where appropriate.  Advise on the actions the Fund should undertake to deliver its Net Zero goals and other Responsible Investment objectives and priorities by both reporting on progress, where a baseline has been established, or doing so once baseline information is available, in areas such as listed credit and private markets, thereby expanding the coverage of the overall portfolio.  Provide relevant and timely advice.	Our advice complied with current regulations and guidance and, where possible, anticipated future requirements.  We ensured that all advice included consideration of responsible investment issues and was consistent with the Fund's other policies and beliefs. Responsible investment goals were considered when reviewing implementation options.  In relation to the Fund's Net Zero goals, we actively advised on practical steps the Fund could take to meet these objectives. During our in-depth reviews of specific asset classes, such as property and private debt, we identified both areas where climate-related disclosures could be improved and where managers are already performing strongly. We set out specific actions (where necessary) to help close any gaps, which should, over time, strengthen the Fund's climate governance and broaden the scope of improved disclosures across the entire portfolio.  We sought to provide timely advice at all times, responding promptly to queries. Most deliverables were on schedule, as we incorporated lessons from past projects by setting earlier milestones. We also arranged interim calls to explain findings and maintain clear communication throughout each project.

## Appendix 2 – CMA compliance statements – the details

### Background

- The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 requires pension scheme trustees to set strategic objectives for their investment consultants before they enter into a contract or continue to receive services from them.
- Part 7 of the Order sets out this requirement. Specifically, stating:

*“Pension Scheme Trustees must not enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider unless the Pension Scheme Trustees have set Strategic Objectives for the Investment Consultancy Provider.”*

- Pension scheme trustees must submit statements to confirm that they have complied with the above requirement.
- **Completing the statement below and submitting it to the CMA between 10 December 2025 and 7 January 2026 will fulfil the requirement to report back to the CMA.**
- We have drafted the compliance statements for the Fund on the following page. A scanned copy of a signed statement should be submitted by email to this address: [RemediesMonitoringTeam@cma.gov.uk](mailto:RemediesMonitoringTeam@cma.gov.uk).

## Leicestershire County Council Pension Fund

### Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the Leicestershire County Council Pension Fund

I, ..... confirm on behalf of the Leicestershire County Council Pension Fund that during the period commencing on 10 December 2024 and ending on 9 December 2025, the Leicestershire County Council Pension Fund has complied with Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

#### Additional Compliance Reporting

- (a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and
- (b) for the period to which the Compliance Statement relates, the Leicestershire County Council Pension Fund has complied in all material aspects with the requirements of the Order and reasonably expect to continue to do so.

For and on behalf of the Leicestershire County Council Pension Fund

Signature: .....

Name: .....

Title: .....

## Appendix 3: Proposed objectives

Leicestershire County Council Pension Fund Objectives	Hymans Investment consultant objectives 2026
<p><b>Strategic</b></p> <p>Ensure members' benefits are met as they fall due.</p> <p>Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.</p> <p>The implications of required returns of this funding objective will be reassessed at each actuarial valuation. The long-term median investment return projected as part of the last annual review of investment strategy was 8.4% per annum, relative to the required return of 6.1% per annum calculated for the 2025 funding valuation.</p> <p>Reduce the deficit recovery period for the Fund.</p> <p>Consider the Net Zero Climate Strategy in strategic decisions.</p>	<p>Advise on a suitable investment strategy and amendments to the strategy reflecting changes in market conditions, impacting the required real return and likelihood thereof, to maintain a long-term steady state of full funding going forward.</p> <p>Deliver strategic advice with an expected range of outcomes that captures the downside risk tolerance preferences of the Committee and considers the Net Zero ambitions. Assist in any due diligence of revised net zero targets.</p> <p>This includes a detailed review of listed equities, targeted return, investment grade credit and any other key areas highlighted in the most recent SAA review or subsequent officer or committee-initiated request.</p> <p>Consider the potential role of local investing as part of the Fund's broader strategic objectives and relative sizing of any new allocations along with deployment considerations, recognising its early-stage development within the LGPS..</p>
<p><b>Implementation</b></p> <p>Ensure the Fund's investment approach is aligned with the objectives of pooling and associated guidance.</p> <p>Comment and advise on how cost efficient implementation of the Fund's investment strategy can be achieved.</p> <p>Ensure and help plan an orderly transition to LGPS Central (where applicable).</p>	<p>Advise on the cost-efficient implementation of the Fund's investment strategy, with a focus on delivering recommendations outstanding from the SAA review and specific asset class reviews.</p> <p>Support the Fund in aligning its investment strategy with the standardised asset class framework for LGPS reporting (expected to comprise nine categories), ensuring the approach remains consistent with the Fund's strategic intent and does not limit flexibility in asset allocation.</p> <p>Support the Fund in exercising effective oversight and scrutiny of LGPS Central's implementation of the ISS. This includes providing independent commentary on proposed solutions, assessing alignment with the Fund's strategic objectives and regulatory requirements, and advising on the implications of pooling developments including from the Fit for the Future proposals.</p>

	<p>Reviewing the pooling approach proposed by Central and in particular the management of legacy assets. This may include providing commentary on implementation routes proposed by the Pool and any associated risks in the recommended approach.</p> <p>Provision of commentary and views on the practical consequences of reduced control over more granular asset allocation decisions, including views on the Pool's capabilities in these areas, and any impact on strategic direction this may have.</p> <p>Commenting on whether there is merit in engaging with the Pool on shared legacy holdings, to offer the same / comparable solution to enable the Fund to achieve its long-term objective.</p> <p>Review the effectiveness of pooled solutions in meeting the Fund's objectives, including value for money, performance delivery, and alignment with responsible investment and climate goals.</p> <p>Review of Central Pool's offerings , to consider whether they can achieve the Fund's objective</p> <p>Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments, where appropriate.</p>
<p><b>Governance</b></p> <p>Ensure the Fund's approach reflects relevant regulatory and legislative requirements.</p> <p>Ensuring the Fund's Net Zero Climate Strategy and approach to responsible investment is reflected in ongoing governance and decision making processes.</p> <p>Ensure the Fund's investment objectives are supported by an effective governance framework.</p>	<p>Ensure our advice complies with relevant pensions' regulations, legislation and supporting guidance.</p> <p>Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment and climate risk, with such considerations reflected in any recommendations and the Strategic Asset Allocation (SAA) where appropriate.</p> <p>Advise on the actions the Fund could consider to deliver its Net Zero goals reflecting new solutions and product developments.</p> <p>Provision of reporting (or commenting on reporting received from Pool) on the Fund's progress relative to agreed baseline position, RI objectives and targets.</p>

**Relationship and Service Standards**

Ensure the timely provision of clear, high quality, relevant and actionable information to the Local Pension Committee/Investment Subcommittee to support effective Fund oversight.

To support openness and transparency in line with the principles set out in the Local Government Act

To achieve value for money.

To provide relevant and timely advice to Fund officers and the Local Pension Committee/Investment Subcommittee in line with agreed timetables with Fund officers.

Where reports contain exempt information (as defined in Schedule 12A of the Local Government Act and set out within Leicestershire County Council's constitution), advisors will set out which category applies and provide public and exempt reporting.

Advisors will agree fee budgets for work in advance of work being undertaken

This page is intentionally left blank