LOCAL PENSION COMMITTEE – 11 SEPTEMBER 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2025/26

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's (LPC) approval of the appended Annual Report and Accounts of the Pension Fund for the financial year 2025/26.

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 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.

Fund Annual Report and Accounts

3. The Fund follows guidance issued in May 2024 by the Scheme Advisory Board, Chartered Institute of Public Finances and Accountancy and the Department for Levelling Up, Housing and Communities as it was formerly known, on details for the preparation and publication of the pension fund annual report as required in regulation 57 of the LGPS Regulations 2013. The guidance

4. The format and content of the Fund's report is based on the structure and terminology used within the guidance and covers:

   a. Overall Fund Management
   b. Governance and Training
   c. Financial Performance
   d. Fund Account, Net Assets Statement and Notes
   e. Investment and Funding
   f. Administration
   g. Actuarial Report on Funds
   h. External Audit Opinion
   i. Additional Information

5. In the Local Pension Board's role in assisting the Administering Authority in ensuring the effective and efficient governance and administration, the Board considered the draft report on 29 July, comments are set out below:

    a. Members sought clarification on the intended audience for the report. Officers advised that whilst the report was a statutory requirement, it also served as an important source of information and assurance regarding Fund performance and governance.

    b. Members suggested that a concise executive summary be produced in future years, highlighting key issues, trends and performance information.

    c. Members welcomed the inclusion of trend information and requested that such analysis be made more accessible in future versions of the report.

    d. Clarification was provided regarding investment performance against benchmarks, with officers explaining that benchmarks had been intentionally set at a challenging level and that overall returns remained comfortably ahead of those required to meet funding objectives.

6. Following comments by the Board, officers have drafted an executive summary that is included in the draft report, which also looks to provide an overview of general trends across administration and investment.

7. 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

8. 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 2025/26 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts later in the year.

9. LPC is asked to approve the annual accounts of the Fund subject to external audit, noting that the County Council's Corporate Governance Committee will receive the External Audit of the 2025/26 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts later in the year.

10. The Pension Fund Annual Report and Accounts will go to the Pension Fund Annual General Meeting on 14 December 2026 and is supported by a presentation on key areas within the Annual Report.

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 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

12. That
    a. The Annual Report and Accounts of the Pension Fund for the financial year 2025/26 be approved subject to External Audit;

    b. It be noted that the Corporate Governance Committee would receive the External Audit of the 2025/26 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

Environmental Implications

13. 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 2025/26 are included within the Annual Report and there are no changes to this approach as a result of this paper.

Equality Implications

14. 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

15. 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

Leicestershire County Council Pension Fund Annual Report 25/26

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