Agenda Item 6

Leicestershire County Council

LOCAL PENSION COMMITTEE – 11 SEPTEMBER 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL PRESENTATION

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update the private markets investments the Fund holds with LGPS Central (Central). A PowerPoint presentation is appended to the report, which will be delivered at the meeting by representatives from Central.

2. The presentation also includes information on the Central project to deliver services to the Fund.

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Policy Framework and Previous Decisions

4. The Leicestershire County Council Pension Fund (the Fund) is an equal owner of Central, which is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. The Fund owns Central alongside Cheshire, Derbyshire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. As set out in the Investment Strategy Statement (ISS) it is the Fund's intention to invest its assets through Central as and when suitable pool investment solutions become available.

5. Central has been in operation since 1 April 2018. As of 30 June 2026, the Fund has circa £5.3bn invested in Central's investment products including Legal and General investment management (LGIM) products, around 66% of the Fund's total assets. In addition, the Fund has over £800m in uncalled commitments to Central private market investment products. The total value of the Fund as at 30 June 2026 is £8.0bn.

Background

6. Leicestershire County Council (LCC) is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. LCC has a statutory obligation, as defined under the Public Service Pensions Act 2013, to administer a Pension Fund for eligible employees of all local authorities within the County boundary and also the employees of certain other scheduled and admitted bodies.

7. In accordance with Section 101 of the Local Government Act 1972, the County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the LPC.

8. By leveraging the scale of the underlying partner funds, Central aims to reduce costs, enhance investment returns, and expand the range of available asset classes, all for the benefit of local government pensioners, employees and employers.

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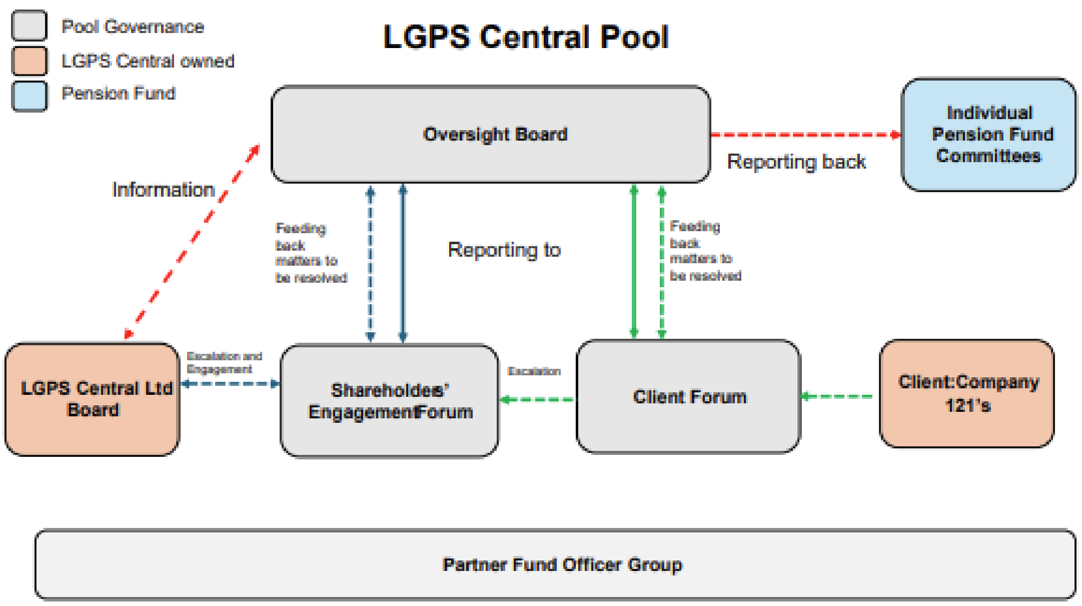
10. The Fund is a stakeholder in Central from two different perspectives:
    a. A co-owner of the company (shareholder) alongside the other owners; and,
    b. As a recipient of investment services (client)

11. In anticipation of the Fit for the Future reforms, a review of the Pool's governance was undertaken externally which focused on the following three areas of governance: client; shareholder; and company. The new governance arrangements for the Pool, which were developed following consideration of the recommendations, are set out in the chart below.



12. In November 2024 Government initiated the 'Local Government Pension Scheme (England and Wales): Fit for the Future' consultation. The focus of which was to look at how tackling 'fragmentation and inefficiency' can unlock the investment potential of the scheme, including through asset pooling and enhanced governance, while strengthening the focus on local investment. On 29 November 2024 the LPC considered key themes and initial views, and authorised the Director of Corporate Resources, following consultation with the Chairman of the LPC to prepare a detailed response.

13. From 1 April 2026, in accordance with 'Fit for the Future' (FFTF) regulations which the Fund, other existing shareholders of Central and prospective new shareholders are working towards, all investment mandates will come within the Pool's oversight remit as they transition toward a larger asset management business. From 1 April 2026 all assets have become essentially pooled with common oversight of all investment mandates by Central.

<u>Fit for the Future Developments</u>

14. Since early 2025, officers, Central, partner funds and new prospective partners from the disbanded Access and Brunel pools have been working closely to progress the outcomes from the FFTF consultation, including the four parts listed below. The Fund is compliant with the points listed below.

    a. All Administering Authorities will be required to delegate investment strategy implementation and take their principal investment advice from their pool.

    b. A 31 March 2026 deadline for Funds and pools to meet these minimum requirements, including transferring all assets to the Pool for management.

c. Local and Regional Investment - Fund's will be required to set target ranges for local investment in their ISS's and be required to collaborate with local authorities, regional mayors and pools. Pools will conduct due diligence on local investment opportunities, including the final decision whether to invest and be responsible for impact reporting.

d. Commencing work on the legal agreements that need to be amended in order for administering authorities and the pool to adhere to the FFTF requirements.

15. To enact these proposals the Government have introduced the UK Pensions Bill which achieved Royal Assent on 29 April 2026 becoming the Pension Schemes Act 2026.

16. Of eight original pools across England and Wales, Government support was expressed for six (including Central). The two other pools represented 21 LGPS funds who Government invited to engage with the remaining pools to determine which they wish to form a new partnership with.

17. On 1 April 2026 the original eight LGPS Central partners admitted six new partners. Together, these fourteen LGPS funds collectively formed one of the largest LGPS Pooling companies in the UK with more than £100billion of assets. All fourteen partners are equal owners of the larger LGPS Central.

LGPS Central Presentation

18. Representatives from Central will be in attendance to deliver a presentation to Committee, appended to this report highlighting new LGPS services as a result of the FFTF reforms and private market investments and will cover:

a. New services to the Fund from Central and progression to being available.

b. A Private Markets overview – summarising the investments the Fund has invested in and general total markets performance.

c. The four private market asset classes the Fund invests in; infrastructure, property, private credit and private equity. There is an added focus on the private credit asset class.

19. The Fund has c£470m invested into the private credit asset class, 5.9% of total Fund assets against a target of 9.5% and so is underweight. The Fund has made material commitments to Central private credit investment products in order to

close the underweight but the pace of closing the underweight is dependent on how quickly commitments are called against distributions received from maturing investments. Central are also due to launch new private credit investment products later this financial year which the Fund can commit to if required.

Resource Implications

20. It is noted that while pooling has delivered substantial benefits so far these proposals will accelerate the transfer of assets and responsibilities to pools.

21. Officers will address potential resource implications as part of working through the outcome of the consultation and further awaited guidance to consider how this may impact Fund resources.

Recommendations

It is recommended that the Local Pension Committee note the report and presentation.

Background papers

31 January 2025 Local Pension Committee: Fit for the Future Consultation response
https://democracy.leics.gov.uk/ieListDocuments.aspx?MId=7986

Equality Implications

22. 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

23. 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.

Appendix

LGPS Central presentation

Officer to Contact

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