

LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2023

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The Fund has a number of policy statements including:

- Funding Strategy Statement
- Investment Strategy Statement and Investment Advisor Objectives
- Administration and Communication Strategy
- Net Zero Climate Strategy

These are available on the link below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been approved by the Pensions Committee.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

INTRODUCTION

Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the geographic boundaries of Leicestershire and Rutland and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, lecturers, police or fire-fighters as they have their own schemes.

This report has been produced in accordance with Section 57 of the Local Government Pension Regulations 2013. It sets out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund's assets.

The benefits within the scheme are determined by regulation and guaranteed by statute. The pension fund exists to help defray the cost of paying pension benefits. Contributions to the pension scheme are made by both employees and employers. Any new employee is automatically brought into the scheme unless they opt out.

$$\boxed{\text{Employee Contributions}} + \boxed{\text{Employer Contributions}} + \boxed{\text{Investment Returns}} = \boxed{\text{Pension Payments}}$$

The Fund's membership increased by 3,954 during 2022/23 and at the year-end stood at 103,194. Figures for Active, Preserved and Pensioner Members all saw an increase during the year.

SCHEME MANAGEMENT AND ADVISORS

The Local Pension Committee is responsible for the management of the Fund, and considers pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. The Committee comprises of five County Council members, two from Leicester City Council, two members nominated by the District Councils, one representative of De Montfort/Loughborough Universities and three non-voting staff representatives. The Committee acts in the interest of all scheme employees and employers regardless of their nominating organisation. In order to ensure continuity, staff representatives, who are chosen at the Fund's Annual General Meeting, are appointed to the Committee for a three-year period but arrangements have been made to ensure that at least one staff representative place becomes available each year. The Local Pension Committee sets the overall investment strategy for the Fund and will deal with all investment governance issues. The Committee meets quarterly and also has a separate annual meeting to consider strategic issues relevant to the Fund.

The Investment Subcommittee consists of six voting members (the Chair, Vice Chair, one other elected member of the County Council, the Universities representative and one member from each of the City and District Councils, all of whom are members of the Local Pension Committee) and one non-voting staff representative. Its role is to consider action that is in-line with the strategic benchmark agreed by the Committee and to take a pro-active approach to the Fund's investments, and also to deal with 'tactical' issues associated with implementing the strategy, such as investment manager appointments and the timing of asset allocation changes.

The Committee and Subcommittee receive investment advice from Hymans Robertson LLP. Other consultants will also be utilised if there is felt to be an advantage to this.

The Local Pension Board was established by the Administering Authority under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) and operates independently of the Local Pension Committee. The Board's role is to assist the County Council as the Administering Authority and Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

Membership of the Local Pension Board consists of six voting members. Three employee representatives elected in the same manner as those employee representatives on the Local Pension Committee, and three employer representatives comprising two elected members of Leicestershire County Council and one elected member from Leicester City Council.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement, and this is replicated in full in the [Governance Compliance Section here](#).

At a national level the LGPS is governed by the Department for Levelling Up, Housing and Communities (DLUHC) and the LGPS Scheme Advisory Board (SAB). The LGPS also takes account of guidance issued by the Pensions Regulator and Pensions Ombudsman determinations.

The role of the SAB is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations. The SAB aims to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

Scheme Management and Advisors as of March 2023.

<u>Local Pension Committee</u>	
<u>Leicestershire County Council</u> Mr. T. Barkley CC (Chairman) Mr. D. Grimley CC (Vice-Chairman) Mr. K. Merrie CC MBE (up to May 2022) Dr. R. K. A. Feltham CC (up to May 2022) Mr. D. Gamble CC (up to May 2022) Mr. P. King CC (from May 2022) Mrs A. Wright CC (from May 2022) Mr. D. Bill CC (from May 2022)	<u>Leicester City Council</u> Cllr. A. Clarke Cllr. S. Waddington <u>District Council Representatives</u> Cllr M. Graham MBE Cllr. N. Grundy
<u>Employee Representatives</u> Mr. A. Wilson (up to December 2022) Mr. N. Booth Mr. G. Lawrence Mr. C. Pitt (from December 2022)	<u>University Representative</u> Mr. Z. Limbada
<u>Up to date Membership of the Local Pension Committee can be viewed here.</u>	
<u>Local Pension Board</u>	
<u>Employer Representatives</u> Mr. R. Shepherd Mrs. R. Page CC (Chairman) Cllr. D. Bajaj (appointed as of 31 March 2022 to September 2022) Cllr. V. Riyait (appointed as of November 2022)	<u>Employee Representatives</u> Ms. C. Fairchild (Vice-Chairman) Ms. R. Gilbert Mr M Saroya
<u>Up to date Membership of the Local Pension Board can be viewed here.</u>	
<u>Officers responsible for the Fund</u>	
<u>Finance</u> Chris Tambini – LGPS Senior Officer (Director of Corporate Resources – Leicestershire County Council)	<u>Pensions Administration</u> Ian Howe - Pensions Manager - Leicestershire County Council
<u>Investment Managers</u>	
Investments managed by LGPS Central Pool:	
All World Equity Climate Multi Factor Fund	LGPS Central PE Partnership 2018 & 2021 LP
Emerging market equities multi-managers fund (<i>BMO, UBS, Vontobel</i>),	Global active emerging market bond multi manager fund (<i>Amundi, M&G</i>)
Global active corporate bond multi-manager fund (<i>Neuberger Berman, Fidelity</i>)	Global equities multi-manager fund (<i>Harris, Schroders & Union</i>)
Infrastructure core / core plus multi manager fund	LGPSC Credit Partnership I
Global active MAC multi-manager fund (<i>Western Asset Management, BMO</i>)	LGPSC Credit Partnership II
Others:	
Adams Street Partners	Aegon Asset management (formerly Kames Capital)
Aspect Capital	Kravis Kohlberg Roberts (KKR)
La Salle Investment Management	Legal & General Investment Management
Catapult Venture Managers	Partners Group
Colliers Capital UK	Permal (formerly Fauchier Partners)
Cristofferson, Robb & Company	Pictet Asset Management
Infrastructure Funds Management	M&G Investments
JP Morgan Asset Management	Ruffer LLP
Standard Life Aberdeen	Quinbrook

DTZ Investment Management	Stafford Capital Partners
<u>Pooled investments</u> LGPS Central	
<u>Fund Custodian</u> JPMorgan, Bournemouth	<u>Legal Advisor</u> County Solicitor, Leicestershire County Council
<u>Auditor</u> Grant Thornton LLP	<u>Actuary and Investment Consultant</u> Hymans Robertson LLP, Glasgow
<u>Banker</u> National Westminster Bank, Leicester	<u>AVC Provider</u> Prudential, London
<u>Scheme Administrator</u> Leicestershire County Council	

RISK MANAGEMENT

There are many risks associated with the Local Government Pension Scheme, covering both the investment of the assets and the administration of the benefits payable. Officers monitor Fund risk and bring a risk report to each Local Pension Committee and Local Pension Board meeting, to provide the latest position on key risks.

The risks are individually scored and each has additional controls applied to mitigate the risk. Any risk score of 15 or over is classed as a very high risk and escalated within Leicestershire County Council. There are no scores on the Pension Fund risk register 15 or over.

The ongoing risk for the Fund is that the value of assets held will ultimately be insufficient to pay for all the benefits due. This risk is quantified by a triennial actuarial valuation, which compares the value of assets to the accrued liabilities and sets employer contribution rates that are considered appropriate to ensure that all benefits can be paid. The 31 March 2022 triennial valuation detailed an improved funding position, with the Fund at 105% funded.

The performance of the assets of the Fund is an important element in helping to maintain affordable employer contribution rates – the higher the long-term investment return achieved, the more of the benefits will be funded by investment returns rather than employer contributions, with employee contributions assumed to be fixed. A long-term approach is taken to agreeing an asset allocation benchmark, with both return and risk considered. The Fund’s asset allocation policy is reviewed annually.

Individual investment manager performance is usually of lower importance than the asset allocation benchmark, but individual manager performance does have an impact and their performance is considered and reviewed regularly. When there are doubts about a manager’s ability to generate future performance that is in line with the Fund’s requirements/expectations appropriate action will be taken, and this may include the release of a manager. It is not generally optimal to change managers on a frequent basis due to the associated costs (which are mainly the impact of bid/offer spreads and charges within markets), and as a result changes are considered very carefully before they are agreed.

The Local Pension Committee receives advice from the investment practice of Hymans Robertson and this assists in making decisions in respect of both overall investment policy, manager selection/retention and good governance.

The Fund employs a large number of investment managers, and all of these invest in a specific asset class and can be termed ‘specialist’. Many of these managers are required to have external assessments of their systems and operations and these are reviewed to ensure that there are no issues which put the Fund’s investments at risk.

Other investment managers that the fund employs are appointed by LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other pension funds is a joint owner of the company. The company has its own governance and risk management structures in place.

Under the Pensions Regulations all employers must pay over contributions deducted from employees, plus the required employer contributions, to the administering authority within certain timescales. These payments are monitored closely, and immediate action is taken in the event of a late payment. Late payment does not put the benefits of individuals at risk.

Many of the risks associated with providing efficient and cost-effective Pensions Administration are mitigated by ensuring that officers involved in LGPS are knowledgeable and well-trained on an on-going basis. Ensuring that employers understand their responsibilities to the Fund and fulfil them efficiently is also crucial, and an on-going programme of support for them is in place.

FINANCIAL PERFORMANCE

Non-investment cash flows

Non-investment cash inflows for the fund come via payments from Employers of their and employees' contributions. There were a small number of incidences of late payment of contributions by employers over the year, and these were exclusively because of administrative failings on their part. On each occasion the employer was reminded of their responsibilities, and it was not felt necessary to levy interest on overdue contributions. Employer contributions ranged from 0% to 35.7% with the average employer rate being 26.3%.

Administrative costs (includes investment management costs and transaction fees) were £54.5m for the year compared to £42.4m in the previous year (2021/22). This increase was largely driven by a rise in performance related investment manager costs, one manager significantly outperformed and accounted for the majority of the increase. There was also an increase to transaction fees which includes equalisation interest on some products which had increased year on year. Action was taken during the year to reduce investment management costs where there was opportunity to do so. There were no material movements in non-investment assets and liabilities.

The general trend of overall net cash flows is monitored, whether these are derived from investment or non-investment related sources. Non-investment cash flows were positive by £72.6m in 2022/23, compared to £54.8m in 2021/22. In addition, the Fund received investment income of £43.8m. In the context of the funds, £6billion of assets, the cash flow movements are not material. Any short-term cash surpluses or shortfall can be managed through the funds passive investments that have good levels of liquidity.

Cash flows are unlikely to reduce in the near future. Benefits paid are increasing, due to increasing numbers of pensioners and inflation-linked annual increases, the value of this increase is offset by the increasing rate of employers' contribution. In future years this could result in a reduction in the available cashflow and will require monitoring. The Fund also has significant investments in accumulation funds where the investment income is reinvested rather than distributed, and these could, if required, be changed to income producing funds.

The overall impact of a strong positive cash flow is that the Fund has flexibility in the selection of investments and fewer restrictions due to liquidity concerns. There are strong controls in place for ensuring that all income due is received and that benefits are not overpaid. A monthly automated check of pensioners is carried out through a reliable tracing agency to ensure that UK based pensions cease upon death, and the Fund has a very low incidence of overpayments that occur either as a result of fraud, late notification, or error.

Details of contributions in and payments out of the fund are shown overleaf:

Pension Fund Annual Report

2021/22		2022/23
£m	Payments in:	£m
(192.5)	Employer Contributions	(212.0)
(47.0)	Member Contributions	(50.2)
<u>(9.9)</u>	Transfers in from other pension funds	<u>(12.4)</u>
(249.4)	Total Inflows	(274.6)
	Payments out:	
137.3	Pensions	146.5
34.2	Lump Sum Retirement Benefits	37.8
5.7	Lump Sum Death Benefits	4.1
<u>17.4</u>	Payments to and on Account of Leavers	<u>13.6</u>
194.6	Total Outflows	202.0
(54.8)	Net Cash (inflows)	(72.6)

2022/23 Performance Vs Budget

The outturn for 2022/23 was:

Heading	Budget	Actual	Variance
	£000s	£000s	£000s
Investment Management Expense:			
o Management	27,400	23,749	-3,651
o Transaction	8,490	7,657	-833
o Performance	11,920	19,192	7,272
Sub Total	47,810	50,598	2788
LGPS Central costs	986	1,019	33
Staffing and other admin expenses	1,470	1,634	164
IT costs	510	475	-35
Actuarial costs	400	183	-217
Support Services	490	627	137
Total	51,666	54,536	2,870

Forecast v Outturn report on Pension Fund cash flows

Due to the positive cash flow the monitoring is focused on making investments to keep the variance to the strategic asset allocation as low as possible. An overview of the funds cashflow and forecasting approach is shown below.

Cash Flow	£ millions	Forecast approach
Opening Cash Balance 01 April 2022	187	
Net investment activity	(126)	Significant underlying activity, purchases of £771m and sales of £645m. Large net investment reflects the fact the Fund was underweight in private and illiquid markets at the start of the reporting period. Committed capital in these markets has started to be drawn down during 2022/23. Guidance by managers tends to be short term so it can be difficult to predict overall flows but as spread through year can 'mop-up' when investing.
Currency hedge profit or loss	(35)	Dependent upon relative currency performance and Aegon's decisions. Very hard to forecast and necessitates the holding of a cash buffer.
Investment, management, and administration expenses	(10)	This is the element of fund management and administration fees which result in a cash flow out. Most investment fees paid are embedded in the underlying fund so do not generate a cash flow. Able to make good level of prediction, although elements are performance dependant.
Investment income	44	Primarily from infrastructure, timberland, private debt, and property assets, usually predictable.
Non-investment income	73	Employer and employee contributions exceed the benefit payments made. This net inflow is predictable year-on-year. There is also an impact from transfers in/out of the scheme, which are difficult to predict reliably.
Change in working capital	(4)	Working capital is the capital the Fund uses for its day-to-day operations and is calculated as current assets minus current liabilities. This is usually predictable as it generally relates to contributions due from employers, investment income, fees, and expenses.
Total increase/(decrease) in cash balance	(58)	Aim to keep cash level minimal as per strategic allocation. Cash balances were high at the start of the reporting period due to the Funds underweight position in illiquid markets. The large decrease in cash in 2022/23 reflects efforts to reinvest in these markets and the availability of new products from LGPS Central.
Closing Cash Balance 31 March 2023	129	

Details of over payments, recoveries and amounts written off, Including the results of participation in National Fraud Initiative exercises

Work was undertaken on the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Reports for the latest exercise (2022/23) were released shortly afterwards and investigations are ongoing.

The most recent National Fraud Initiative (NFI) Screening Service was undertaken in June 2022, which identified six cases where pensions were continuing to be paid to deceased persons so monthly payments were suspended immediately. All six cases have been pursued, with two cases satisfactorily closed off, and four cases still being pursued. The overall amount outstanding is less than £6,000.

There is no suggestion of any fraudulent activity relating to these cases.

No overpayments were identified outside of the NFI exercise.

PENSION SCHEME ADMINISTRATION

The number of scheme members who are either active contributors, receiving a benefit or who have a future entitlement to a benefit increased by 3,954 over the course of the year. This figure excludes the 5,905 members who have no entitlement to a benefit from the fund but do retain the right to either a refund of contributions or a transfer to an alternative pension arrangement.

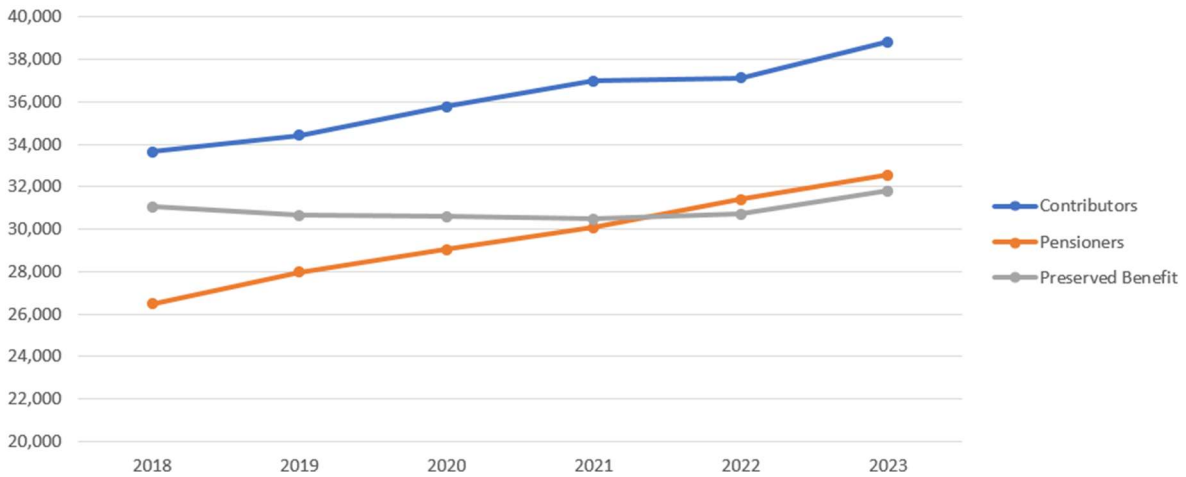
Active membership increased by 1,684 from 37,139 to 38,823

Pensioners increased by 1,163 from 31,397 to 32,560

Preserved membership increased 1,107 from 30,704 to 31,811

The Fund's employers continue to complete the auto enrolment cycle. The auto enrolment process forces employing bodies to bring eligible staff who are not currently paying into a pension, into the scheme. This is reflected by the continued increase in active members over the past 5 years.

Membership numbers over the last six years are shown in the graph below.



Leicestershire County Council Pension Fund contributions:

Employer Name	Employer Contributions	Employee Contributions
	£000	£000
Leicester City Council	55,869	12,831
Leicestershire CC	50,174	11,454
Academies, Free Schools and others	39,264	9,512
The Chief Constable & The OPCC	12,922	3,415
Leics De Montfort University	12,670	3,111
Loughborough University	7,646	1,743
FE and Sixth Form colleges	7,057	1,773
Charnwood Borough Council	4,576	855
Rutland CC	3,516	929
Hinckley and Bosworth BC	3,289	781
Blaby District Council	3,098	664
North West Leics DC	2,681	985
ESPO	2,438	573
Harborough District Council	1,791	380
Oadby and Wigston BC	1,613	326
Melton BC	1,414	370
Leics Fire Service (Civilians)	1,247	320
Town & Parish Councils	740	202
Total	212,005	50,224

The Leicestershire Local Government Pension Fund provides services in line with the requirements of a fund of this nature. This includes the correspondence with members, calculation of benefits, maintenance of members records and data and Pension payments through the payroll service. A service is also provided for members to log onto the online member site and a service for employers to upload member data monthly.

Value for Money Statement

The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance states Pension Funds need to produce a Value for Money Statement. The Value for Money Statement is in respect of

- i. Administration costs
- ii. Service to scheme members
- iii. Workloads
- iv. Data quality
- v. Fund risk management

i. Administration Costs

Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership on 31 March 2023. To compare the 2022/23 costs, information from three years prior is included.

The Fund has 36 full time equivalent working in Pension Scheme Administration and two additional full time temporary staff, working on the McCloud remedy. Scheme membership is 103,194 equating to 2,716 members per FTE.

The pension administration costs include staffing, IT, actuarial and support services. It does not include the costs relating to investment activity.

Year	Members	Full Time Equivalent – Pensions Administration	Administration Costs £000	Cost per member (Admin cost / members)
2019/20	95,401	33	2,300	£24.11
2020/21	97,530	33	2,155	£22.10
2021/22	99,240	36	2,576	£25.96
2022/23	103,194	38*	2,919	£28.29
2023/24 Forecast	105,000	37*	2,851	£27.15

*Includes two full time temporary staff working on the McCloud remedy.

There was increased spend in all the four key areas in 2022/23 compared to 2021/22, as detailed in the following table.

Year	Staffing	IT	Actuarial	Support Services	Other
2021/22	1,382,000	448,000	163,000	492,000	91,000
2022/23	1,520,000	475,000	183,000	627,000	114,000
Increase	138,000	27,000	20,000	135,000	23,000

Staffing - The increase in staff costs were for the additional two colleagues working full time on McCloud. There was also an inflationary increase to staff salaries and pay progression for colleagues moving through the pay bands.

IT – increased costs were predominantly inflationary increases to the existing pensions administration system, and the purchase of a new bank account verifier to help reduce the risk of human error and/or fraudulent activity, when active and preserved members claim payment of their benefits.

Actuarial - Every three years the Fund completes an actuarial valuation, the most recent one taking place on the 31 March 2022. There is always increased actuarial activity during a valuation period, so officers took the decision to spread the expected cost over 2021/22 and 2022/23. This also assisted with the administration of the valuation exercise. The actual spend over the two years compared to budget over the same two-year period, was an £150,000 underspend.

Support Services - There were increases in the support services to cover increasing workloads, the main one being the Fund’s new climate consultation and strategy. There was also inflationary increases and the increased use of the print/post/scanning solution.

Other - These relate to other general costs e.g., LGA training, CIPP qualifications, Club Vita membership, tracing service, external legal costs, SAB annual levy etc.

Total – Comparing budget of £2,870,000 to actual spend £2,919,000 showed an overspend of £49,000 in 2022/23. This was predominately due to higher than anticipated staff costs due to inflation and increased support services.

Fund Administration Charge

Funds charge a percentage of the employer primary contribution rate to fund pension administration. Given the differences in the demographics of Funds this is not considered a reliable measure of costs between Funds. For example, a Fund with a greater percentage of active members and low fund maturity will receive more income, compared with a more mature Fund that has a greater percentage of pensioners and preserved members. Officers feel the cost per member provides a more transparent way to measure administration cost between Funds.

ii. Service to Scheme Members

Fund Officers measure key performance indicators (KPIs) for both business process and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board. The full year KPI’s are set out below and demonstrate a good service continues to be provided to the Fund’s Scheme Members.

Full Year - 1 April 2022 to 31 March 2023

Business Process Perspective	Target			Customer Perspective - Feedback	Target		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	91%	▶	Establish members understanding of info provided - rated at least mainly ok or clear	95%	97%	▲
Pension payments made within 10 working days of receiving election	95%	96%	▲	Experience of dealing with Section - rated at least good or excellent	95%	91%	▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	85%	▶	Establish members thoughts on the amount of info provided - rated as about right	92%	94%	▲
				Establish the way members are treated - rated as polite or extremely polite	97%	100%	▲
Good or better than target	▲			Email response - understandable	95%	99%	▲
Close to target	▶			Email response - content detail	92%	99%	▲
Below target	▼			Email response - timeliness	92%	93%	▲

During 2022/23 the Fund had seven Stage 2 complaints via the formal Internal Resolution Disputes process. Five were resolved and two remain ongoing. Details on how to make a complaint are available later in the report.

iii. Workloads

The 2022/23 figures are included in the table below.

Area of work	Cases Completed
Preserved Benefits	2,155
Retirement Options	2,850
Retirements Paid	2,152
Deaths	1,281
Refunds Paid	1,146
Estimates	845
Transfers in and out (excluding interfunds out) ¹	71
Aggregations	1,518
New starters	10,270

Details of new pensioner analysed by retirement type.

Type of retirement	Cases Completed
Early	1,576
Ill Health	56
Normal	107
Late	267
Redundancy/Efficiency/Flexible	146
Total	2,152

Scheme Membership in the last three years is set out below:

Year	Active Members	Preserved Members	Pensioner Members	Total
2020/21	36,972	30,469	30,089	97,530
2021/22	37,139	30,704	31,397	99,240
2022/23	38,823	31,811	32,560	103,194

vi. Data Quality

Officers monitor and improve data quality. This is reported to The Pensions Regulator each year. Data is split between common and scheme specific data.

- Common data is primarily used to hold members information e.g., NI number, Date of Birth etc.
- Scheme specific data is primarily used in the calculation of member benefits.

¹ Interfunds out have a one-year window for a member decision and are therefore excluded.

The Fund data scores in the last three years

Year	Common Data Score	Scheme Specific Data Score
2020/21	99.20%	90.90%
2021/22	97.20%	97.59%
2022/23	97.30%	97.75%

The common and scheme specific data scores were high in 2021/22, but small improvements were achieved in 2022/23.

During 2021/22 improvements were made in the reporting tool, enabling further data analysis to take place. This is reflected in the changes to the scores between 2020/21 and 2021/22.

v. Fund Risk Management

Officers maintain the Fund’s risk register that is reviewed quarterly and taken to Committee and Board meetings as a standing item. There are currently 18 risks split between 6 risk categories.

- Investment
- Liability
- Employer
- Governance
- Operational
- Regulatory

Each risk is assessed against likelihood and impact and scored. Mitigating actions are then taken and the score reassessed to determine the new risk score. Risk scores 15 or over are escalated, however there are currently no risk scores of 15 or over.

A list of the Fund’s strategies and policies can be found on the following link.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

Other Fund information:

Help desk arrangements and information are as follows:

Contact Type	From	To	Contact
MSS Helpdesk Phones	08:00	14:00	0116 3057886

Pensions Benefits Queries Pensionsbenefits@leics.gov.uk
 Email MSS Queries PensionsMSS@leics.gov.uk
 General Pensions Queries Pensions@leics.gov.uk

Address: Pensions Section
Leicestershire County Council
County Hall
Glenfield
Leicester
LE3 8RB

Internal Disputes

If you are not satisfied with any decision given by either the Pension Section or your employer/ former employer, relating to your Local Government Pension Scheme (LGPS) benefits, you may appeal in writing under the Internal Disputes Resolution Procedure (IDRP). You must write within six months of receiving the decision.

Any points of difference should firstly be addressed with the Pensions Office on an informal basis. You can write to:

The Leicestershire County Council Pension Section, County Hall, Glenfield, Leicester, LE3 8RB

Or contact the Pensions Officer who has dealt with your case. Their name and contact details will be on your correspondence.

We will then try to resolve the matter for you. Should you still be unhappy and wish to take the matter further you can request an information sheet and form to complete. This will contain the name and address of the 'Specified Person' nominated by your employer or former employer who would formally investigate your complaint.

[A copy of the form is available here.](#)

Following this, if you are still dissatisfied with their decision, a 'second stage' of complaint can be requested, which will be looked at by the Legal Services team at Leicestershire County Council in most cases.

Should you be dissatisfied with the outcome of this, further details of the next stages of complaint would be provided at the time, should this be necessary.

Further advice can be found at the following:

Money Helper

Web: <https://www.moneyhelper.org.uk>

LGPS Regulation & Guidance

Web: <https://www.lgpsregs.org/>

INVESTMENT POLICY AND PERFORMANCE

The Fund's target strategic asset allocation (SAA) as at the January 2022 and January 2023 is shown below. The difference to the January 2022 is shown given changes to the revised January 2023 SAA will take a significant amount of time to enact. The benchmark is updated once a year usually in the first calendar quarter when a Local Pension Committee meeting is scheduled to present and discuss the SAA proposals. Changes to the portfolio holdings are then enacted over the year and sometimes over multiple years to adjust towards the target SAA. In most circumstances specific advice from the Fund's investment consultant is requested.

Asset Group	Actual Weighting 30 March 2023	Target SAA Jan 2022	Difference actual to Jan 2022 SAA target	Target SAA Jan 2023	Difference actual to Jan 2023 SAA target
Growth	59.0%	55.25%	3.75%	50.00%	9.0%
Income	31.3%	36.75%	-5.45%	42.00%	-10.7%
Protection	8.5%	8.00%	0.5%	8.00%	0.5%
Cash	1.2%	0.00%	1.2%	0.00%	1.2%
	100.00%	100.00%		100.00%	

At the year end the major differences to the 2022 target SAA is described as being overweight 'growth' assets by 3.75% and underweight 'income' assets by 5.45%. Growth assets contain the Funds equity holdings which have performed in line with their benchmarks during a difficult year for markets when many major asset classes experienced losses.

The most recent SAA meeting held in January 2023 amended the previous SAA by allocating more assets towards the income asset group by reducing the weighting to the growth assets group. Officers for the Fund will work towards closing the differential between the actual allocation and the new SAA target, this could take a number of years given the nature of illiquid private market investments which take time to invest into and out of.

During 2022 Investment Subcommittee decisions to invest into 'income group' assets were taken which continued the theme from the previous year. At the April, July and October 2022 Investment Subcommittee meetings, decisions were approved to increase commitments to property, infrastructure, and private credit. In all cases LGPS Central products were approved as part or all of the decisions recommended.

The setting of the SAA is the one of the most important decisions that the Committee makes. It is this decision that will have the most significant impact on the investment return achieved. Both careful asset allocation and rebalancing are important for investment returns because they can help to reduce risk adjusted returns by tilting towards better asset classes and away from others that may be deemed overvalued from a risk versus returns perspective and increase potential returns by rebalancing mechanically by divesting from assets that have increased in value and reinvesting in those which have fallen. Neither is a guarantee for success however both form part of the Fund's long term investment strategy.

Individual investment manager choices are important as they can produce added value by outperforming their benchmarks, but their influence is small in comparison to the choice of benchmark. Variances to benchmark positions can take time to close especially when investments or

divestments need to be made to illiquid products such as infrastructure and property that usually have a time lag between committing capital and the money being requested (called) by the investment manager.

Although some investments have moved over to LGPS Central as part of asset pooling, the Local Pension Committee still retain full responsibility for asset allocation and will continue to be accountable for the majority of the Fund’s investment performance.

A comprehensive analysis of investment holdings by manager and their associated performance is provided in Appendix A. A summary is provided below:

	1 Year %		3 Years % p.a		5 Years % p.a	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Growth assets	0.9	0.9	15.4	13.5	8.6	7.9
Income assets	0.4	0.3	4.7	4.2	4.4	4.2
Protection assets	-17.0	-19.1	-4.5	-4.8	-1.1	-1.4
TOTAL FUND	-1.3	-1.3	10.4	8.8	6.3	5.8

The Fund has a large number of investment managers, and it is inevitable that some of them will have periods of disappointing performance and sometimes this disappointing performance can last multiple years, and can be the result of a particular investment ‘style’ not being in favour with market sentiment. It is therefore expected that at any given time there will be parts of the Fund that are not performing as well as others.

It is, however, important to understand why managers are performing as they are, regardless of whether this is above or below their benchmark and to assess whether this is a cause for concern. Spontaneous reactions that are based on relatively short periods of poor performance are not usually sensible and understanding the reasons for poor performance is vital.

It is implausible to believe that all managers appointed by the Fund can simultaneously perform well, in fact the Fund is positioned such that some assets should perform well in traditional market downturns. The Fund needs to have a reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they provide diversification of returns from other managers within the overall portfolio. There are a number of managers that the Fund employs that evidenced this in 2022 when both equity and bond markets fell in tandem. A small negative return in 2022/23 (which was in line with the benchmark) can be considered a reasonable ‘return’ considering the turbulent world economics over the year.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate. There is a comprehensive review of manager performance at each quarterly Local Pension Committee meeting. An investment manager is usually invited to present their strategy, performance, view on market outlook and how they demonstrate their responsible investing credentials in practice. In addition, all manager reports are included in the pack that is circulated to members of the Local Pension Committee each quarter.

The management of the individual asset classes is carried out as follows:

Growth Assets

The Fund has a global passive equity manager (Legal and General) that manages against both market capitalisation benchmarks and also against alternative benchmarks. The Fund has two active equity investments with LGPS Central (the pooling company), a global equity multi manager investment and an active emerging market multi manager product. The Fund also has invested into a passive product with LGPS Central, a climate multi factor fund.

Within growth assets group, the Fund also has private equity investments (investments in unquoted companies), the vast majority of which is managed by Adams Street Partners as well as investment in two LGPS Central Private Equity vintages.

The final constituents of the growth asset group are three managers classed within targeted return class. This exposure can generally be categorised as investments that are seeking to make a return of 4% p.a. more than could be achieved by an investment in cash and with the expectation that the return will be achieved with relatively low volatility. There are many different ways of achieving this goal and the Fund has three different managers employed in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Income Assets

Property - Colliers Capital UK manage a directly owned property portfolio but have scope to invest in specialist pooled property funds which are in areas that they find attractive but would not be practical to buy directly, usually due to the size of individual investments (for example leisure complexes based around multiplex cinemas or Central London offices).

La Salle Investment Management manage a portfolio of pooled property funds, which includes a wide range of property types and some which are specialist in nature. Via their ability to research the underlying holdings and the skills of the property managers, it is expected that they will add value to the Fund.

The Fund has also invested in two stand-alone property 'recovery' funds, managed by Aegon Asset Management.

A comprehensive review of the property asset class was undertaken during 2022/23 with a report presented to the ISC by officers and the Fund's investment advisor. Recommendations from this meeting in April 2022 will take a number of years to fully enact.

Infrastructure – The Fund employs seven managers covering a broad range of global infrastructure with exposure to core infrastructure such as toll roads, ports and timber farms to value add / opportunistic exposure including asset leasing, data centres and renewables.

Other asset classes included within the income class include various types of credit investments. Emerging market credit and private credit to corporate enterprises feature in this class. Partners Group are the single largest private credit manager based on assets under management with whom the Fund invests. Over time this will change as more assets are pooled via LGPS Central who have developed a range of private credit solutions.

Protection assets

UK inflation is one of the Fund's biggest risks, due to the direct link to benefits and the less-direct link to salary growth of active members. Protecting against this risk is therefore sensible but can be expensive. It involves taking money out of assets that are seeking investment growth (e.g. equities) and investing it in safer, and therefore lower-returning, index-linked bonds. The Fund at the latest review of the SAA agreed to maintain this allocation at 4.5% of total Fund assets. Aegon Asset Management manages a portfolio of global index-linked bonds for the Fund.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds, these have in recent history been an expensive asset as there are a number of price-insensitive buyers and a lack of supply. This asset class has suffered over the last year as a combination of negative factors pushed prices lower. The Fund in accordance with its SAA rebalances where possible by adding to or divesting from an asset class when valuations deviate from the target allocation.

The Fund has other avenues to obtaining protection against inflation, investment in property, infrastructure, and timberland, all of which have a good historic link to inflation. In the case of infrastructure inflation protection is afforded by exposure to underlying assets which are subject to contracted or regulated income.

Other mandates included within protection assets include a short dated investment grade bond fund with Aegon Asset Management and a LGPS Central investment grade corporate bond fund. Both aim to provide stable and safer rates of returns in a variety of economic conditions.

Other portfolios

Active foreign exchange hedging is undertaken by Aegon Asset Management to reduce the impact of currency fluctuations from the Fund's holdings which are held in currencies other than sterling. At the year end the benchmark level of hedge as advised by Hymans and approved by the Pension Committee is 30% of foreign currency exposure. Aegon actively manage the level of hedge of currencies the Fund is exposed to between fully unhedged and fully hedged based on their view of the prevailing market conditions and costs of hedging.

RESPONSIBLE INVESTING

The term ‘responsible investment’ (RI) refers to the integration of financially material Environmental, Social, and Governance (ESG) factors into investment processes. RI is relevant both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from ‘ethical investment,’ which prioritises an organisation’s moral persuasions over its investment considerations.

As a long-term asset owner, the Fund believes that RI can enhance long-term investment performance. The Fund has integrated this belief into its Investment Strategy Statement and is committed to continual improvement through its annual RI Plan. The Fund’s approach is integrated in two key areas:



Sustainable investment through consideration of environmental, social and governance (ESG) factors: The Fund considers the financial impact of ESG factors on its investments, including climate risk.

Throughout 2022/23 the Fund appointed and invested in investment managers that all demonstrated clear ability to integrate ESG and embed these factors into its investment processes. In July these investments included:

- £55 million committed to global sustainably managed timberland with Stafford Capital. 65% of which is invested in planting new forests, 15% reforestation and 20% improved forest management. This will provide a source of sustainable low carbon timberland materials and generates verified carbon offsets. This new investment is in addition to the £139 million already held in timberland funds.
- £55 million committed to the Quinbrook Net Zero Power Fund. That invests in solar power with battery systems, both as part of the decarbonisation of the energy system, and as part of demand from data centres.

Managers delivered presentations on traditional market and performance metrics as well as ESG updates. These presentations enhance the knowledge of the Committee to make more informed decisions in the future on the issues surrounding each asset class.

At the end of the financial year the Local Pension Committee approved the Fund’s first Net Zero Climate Strategy with measurable targets to tackle climate risks and opportunities, this is discussed in more detail elsewhere and will help inform future investment considerations.



Stewardship and governance: The Fund acts as a responsible investor/owner by voting its shares thoughtfully and engaging with investee company management as part of the investment process.

Collective pressure from investors has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts. The Local Pension Committee integrates RI matters into every meeting and is supported by its partners that report quarterly on their engagement activities, key partners are highlighted below and the Fund is also supported in its activities by its investment managers.



The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an association of local authority pension funds with over 80 LGPS funds as members and a collective fund value of over £300bn. The Forum:

- Seeks to protect and enhance the value of members' shareholdings by optimizing local authority pension funds' influence as shareholders on ESG (environmental, social, and governance) issues, thereby promoting Corporate Social Responsibility and high standards of Corporate Governance.
- Facilitates the commissioning of research and policy analysis more effectively than individual members.
- Provides a forum for consultation on shareholder initiatives.
- Provides a forum for information exchange and discussion about investment issues.
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees.

LAPFF has pushed the 'Say on Climate' initiative, which encourages all listed companies to submit a Climate Transition Action Plan for shareholder vote at AGMs.

The 2022 Annual Stewardship Report is available [here](#).



Legal and General Investment Management (LGIM) is an external investment manager that manages a significant proportion of the Fund's passive listed equity assets. These assets cannot be decided with asset allocation decisions unless set up within the underlying mandate, so it is crucial that these assets are engaged with.

LGIM is one of the Fund's largest managers, managing 16% of the Fund's assets at year-end via several low-cost passive index funds. Voting activity and engagement are carried out by LGIM in line with its published RI policies, which are available on its website. The results of its engagement and voting activity are collated by Central and reported to the Committee quarterly.

LGIM's Annual Active Ownership:2022 report is available [here](#).



The Fund invests in several investment products launched by LGPS Central, as detailed in the investment policy and performance section of this report. Central has published a 'Responsible Investment and Engagement Framework'. This framework contains two key objectives:

- to support the company's investment objective and
- be an exemplar for Responsible Investment within the financial services industry, and to raise standards across the market.

Further details on LGPS Central's approach to RI, including UK Stewardship Code Compliance, TCFD, Vote-by-Vote, and its Annual Stewardship Report, are available [here](#).

LGPS Central support the Fund in developing its own RI policies with the help of its in-house team. LGPS Central also works in partnership with a number of organisations who share our values in respect of Responsible Investment and Engagement.



The Fund expects the proportion of assets to be managed by LGPS Central to increase over time as assets are transitioned into pooled vehicles, whereby Central’s Responsible Investment and Engagement Framework will be applied to all investments.

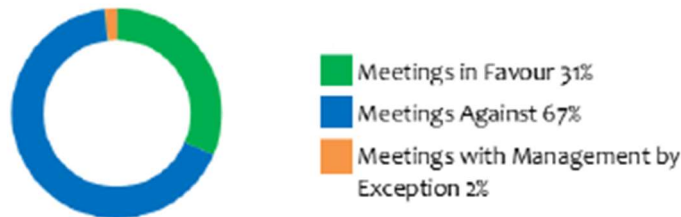
Voting

LGPS Central provide the Fund with a quarterly update of voting activity. This is focused on listed equities. This voting activity covers the funds managed by Central and the fund’s managed by Legal and General Investment Management (LGIM). On 31st March 2023 this covered c43% of all Fund assets. Around 20% of fund assets reside within debt and property and have no voting rights.

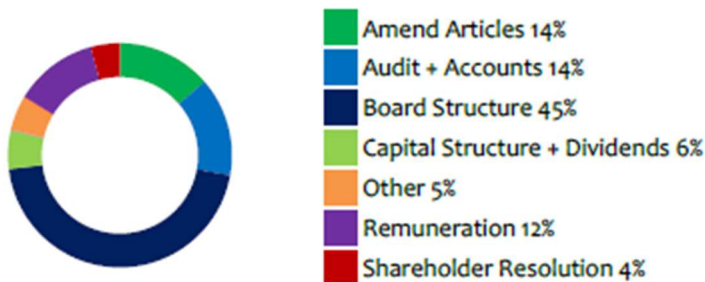
Both Central and LGIM with whom the Fund has the majority of listed equities vote at company meetings in line with their relevant policies.

Voting Policies	Voting Disclosures
LGPS Central March 2023 Voting Principles	LGPS Central
LGIM Global Corporate Governance and Responsible Investment Policy	LGIM

Over 2022/23 the Fund voted at **6,246** meetings (**76,588** resolutions). At **4,165** meetings we opposed one or more resolutions. We abstained at **5** meetings and voted with management by exception on 113 meetings. We supported management on all resolutions at the remaining **1963** meetings.



The largest area the Fund voted against or abstained related to board structure. These resolutions may relate to issues such as voting against non-independent non-executive directors where there is not sufficient independent oversight on a company board, for example.











Climate Change and the Net Zero Climate Strategy

The Fund recognises almost all asset classes, sectors, and geographical regions that the Fund invests in are likely to be affected by the physical, policy or market-related consequences of climate change over the long term. Failure to consider risks and opportunities or exercise effective stewardship, will risk inferior investment performance. Ultimately any deficit would be covered by increase employers' contributions which could affect employers' ability to provide their primary function.

Over 2022/23 following comprehensive engagement and consultation with scheme members and employers, advice from the Fund's investment advisor and best practice the Local Pension Committee agreed its first Net Zero Climate Strategy (NZCS). This commits the Fund to the following measures and targets against the Fund's 2019 baseline data.

Net Zero by 2050, with an ambition for sooner

 <p>Achieve a 40% reduction in absolute carbon emissions for the equity portfolio by 2030</p>	 <p>Halve the carbon intensity of the Equity portfolio by 2030</p>
 <p>Increase the Fund's exposure to climate solutions.</p>	 <p>Reduce the Fund's exposure to fossil fuel reserves.</p>
 <p>90% of the Fund's assets under management in material sectors are classified as achieving Net Zero, aligned or aligning by 2030.</p>	 <p>90% of the Fund's financed emissions are classified as achieving Net Zero, aligned or aligning, or subject to an engagement programme to build that about by 2030</p>
 <p>Increase asset coverage analysed to 90% by 2030</p>	 <p>Operational targets for Leicestershire County Council (Scheme Manager) and LGPS Central to achieve net zero operations by 2030.</p>

These targets and measures support real-world emissions reduction and are in line with the Institutional Investor Group for Climate Change's Net Zero Investment Framework which support the goals of the Paris Agreement to limit global temperature well below 2degrees with the aim of achieving a 1.5degree limit. The Fund will support this through its approach to Stewardship with a four step plan.



Step 1: Evaluation

The Fund must evaluate its underlying holdings to understand if they are net zero, net zero aligned or subject to engagement. The Fund has a number of tools it can use which are presented in the Fund's Climate Risk Report. This will form part of investment manager discussions to understand they are taking account of climate risk and climate opportunities and have capacity to monitor and drive change within the companies they are invested in.



Step 2: Engagement

The Fund supports the engagement objectives of the Climate Action 100+ initiative, that companies: adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement and disclose effectively using the TCFD recommendations.

The Fund will engage with its Investment Managers to ensure, if they do not already, have appropriate governance structures to manage climate risk, set decarbonisation targets in line with the Paris Agreement and are managing their mandates in line with targets set, where applicable.



Step 3: Voting

The instruction of shareholder voting opportunities is an important part of climate stewardship and will align with engagement activities. The Fund delegates responsibility for voting to LGPS Central and the Fund's directly appointed investment managers as discussed earlier.

Where appropriate the Fund will look to support escalation efforts, for example with shareholder resolutions.



Step 4: Divestment

Divestment is the process of selling in part, or in full, an investment. The Fund has already committed to reducing its allocation to fossil fuels in order to manage climate risk to the Fund.

As with any investment decision, a decision to divest must be made with recognition of financial and risk factors, and not only in order to improve appearance of the Fund's climate metrics.

Where the Fund holds material financial and risk concerns over either Investment Managers or underlying companies they are invested in, the Fund can utilise the following divestment approaches:

- Delegating decisions to divest individual portfolio companies to investment managers
- Reducing the strategic allocation to a specific asset class, for example high emissions asset classes.
- Reducing or eliminating the allocation to a specific investment manager, for example if they fail to integrate ESG factors effectively.

The Fund produces an annual Climate Risk Report that performs top down and bottom-up analysis of the Funds investment portfolio and in future will monitor progress against the NZCS. The NZCS and the Fund's latest Climate Risk Report can be viewed [here](#).

Taskforce on Climate-related financial disclosures 2022 Extract

Since 2020 the Fund has reported against the Taskforce on Climate-related financial disclosures which was developed by the Financial Stability Board in 2015. The TCFD is an industry-led group that helps companies, asset managers, asset owners, banks and insurance companies, and their investors understand their financial exposure to climate risk. In 2017 recommendations were released that were designed to allow the aforementioned groups disclose how they are managing climate risks and opportunities in a clear and consistent way.

In late 2022 the Department for Levelling Up, Housing and Communities consulted on proposals to mandate LGPS schemes to assess, manage and report on climate-related risks in line with the TCFD recommendations. The Fund awaits the outcome of the consultation on potential enhancements to what the Fund already reports against.

The Funds full 2022 TCFD report can be viewed [here](#).

Governance

The Committee takes a high-level approach to managing climate change through key documents such as the Investment Strategy Statement and the Fund’s risk register. The Committee receives regular reporting on climate-related issues and makes decisions related to the Strategic Asset Allocation. Climate metrics are reported annually through the Fund’s Climate Risk Report. The Local Pension Board provides oversight in ensuring effective governance and administration of the Fund. The Investment Subcommittee supports the Committee by making decisions in line with its delegated authority. As well as the role of the Fund’s Investment Advisor, LGPS Central and external managers.

Strategy

How the Fund manages climate-related risks and opportunities to its strategic approach, and understands the potential impacts on its assets and liabilities and the resilience of the Fund’s asset allocation and funding strategy.

The Fund’s strategic approach recognises climate change poses physical and transitional risks, as well as opportunities. In the short-term, transition risks tend to dominate, while over longer time frames physical risk is expected to be the key driver of climate impact.

The section highlights where investment decisions have been made recognising climate risk and taking advantage of opportunities presented alongside the appropriate financial considerations.

Risk Management

How the Fund and various parties contribute to the identification and assess climate-related risks at the total Fund level and the individual asset level, including discussions held by the Local Pension Committee during the year.

Based on its Climate Risk Report, the Fund has developed a Climate Stewardship Plan which, targets engagements at eight investee companies of particular significance to the Fund’s portfolio. The Fund believes that all companies should align their business activities with the Paris Agreement on climate change. One example of engagement and escalation is highlighted on page 30.

Company	Sector
Anhui Conch Cement	Materials
BP	Energy
Cemex	Materials
Glencore	Materials
Holcim	Materials
NextEra	Utilities
Shell	Energy
Taiwan Semiconductor Manufacturing Company	Info Tech

Metrics and Targets

A summary of how the Fund measures climate risk through the annual Climate Risk Report. An extract of the data as at 31 March 2022² covers the Fund’s scope 1 and 2 for the listed equity portfolio against the baseline data as at 31 December 2019.³ While the risk metrics that can be compared show the Fund generally outperforms its benchmarks, the Fund is proactively exploring ways to further embed climate risk management in investment decision making which will be supported by the Net Zero Climate Strategy.

	2019			2022			% Difference ⁴	
	PF	BM	% Diff	PF	BM	% Diff	PF*	BM
Financed emissions	203k	n/a	n/a	162k	n/a	n/a	-20.14%	n/a
Carbon Intensity (tCO2e/ \$m)	160.20	193.22	-17.09%	117.83	145.14	-18.82%	-26.45%	-24.88%
Weight in fossil fuel reserves (%)	8.57%	9.32%	-0.75%	6.79%	6.81%	-0.02%	-1.78%	-2.51%
Weight in fossil fuel reserves by revenue	n/a	n/a	n/a	1%	n/a	n/a	n/a	n/a
Weight in thermal coal reserves (%)	2.87%	3.02%	-0.16%	2.50%	2.50%	0.00%	-0.37%	-0.53%
Weight in coal power (%)	1.40%	1.79%	-0.39%	1.15%	1.15%	0.00%	-0.25%	-0.64%
Weight in clean tech (%)	34.16%	33.92%	0.24%	38.2%	32.8%	5.39%	4.08%	-1.07%
Weight in clean tech by revenue	n/a	n/a	n/a	4.21%	n/a	n/a	n/a	n/a

² Analysis undertaken on the listed equities portfolios with holdings data as of 31st March 2022. The information was provided to the Fund in a report authored by LGPS Central Limited.

⁴ Portfolio column is colour coded against benchmark, whereby Green = Performing ahead of benchmark; Amber = In line with benchmark; Red = Behind benchmark.



Climate Stewardship Plan Engagement extract taken from LGPS Central's Annual Report 2022: Shell, Plc

OBJECTIVE: LGPS Central (LGPSC) expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT: In November 2022 LGPSC sent a letter to the Chair of the Board at Shell, outlining why we voted against the company's Energy Transition Strategy at the 2022 AGM. The letter outlined the strategy's misalignment with the Paris Agreement; a lack of targets which would facilitate the achievement of the Strategy; and questioned whether Shell's capital expenditure plans are genuinely aligned with a 1.5°C temperature rise scenario.

Following receipt of this letter, a 1-1 meeting was scheduled between LGPSC and the head of Investor Relations at Shell. This meeting allowed a detailed discussion on Shell's climate strategy, highlighting the risks and opportunities the company has focussed on ahead of the energy transition. We were happy to hear that Shell recognises the key role it must play in addressing climate risk on a global level and were encouraged by the company's progress in decreasing its oil production. However, Shell expressed a reluctance to set absolute short- and medium-term Scope 3 targets for its upstream emissions. Shell also stressed the fact that it believes it is currently a leader in the global transition, and that now the responsibility must shift towards governments and consumers to continue progress towards net zero.

OUTCOME: We very much appreciate Shell's desire to have a meaningful and open dialogue with its shareholders, and it is clear that Shell is a sector leader in the climate transition. However, significant doubts remain regarding the feasibility and robustness of Shell's transition strategy, evidenced by a lack of meaningful targets which detail how Shell will achieve its long-term goals. In February 2023, the environmental charity ClientEarth led a derivative claim against the Board of Directors at Shell, stating that the Board is mismanaging climate risk, evidenced by an insufficient Energy Transition Strategy and a fundamental misalignment with the goals of the Paris Agreement.

Following a thorough assessment of the potential risks and benefits associated with supporting the claim, LGPSC provided a copy of a recent engagement with Shell to ClientEarth for use in the Court as evidence of our concerns. This escalation was made in recognition of the significant overlap between the points raised in the ClientEarth claim and our own engagement objectives for dialogue with Shell. Although LGPSC chose not to formally join the litigation, it was deemed that submitting evidence to ClientEarth for use in the court from an investor's perspective would be a powerful and effective way of re-emphasising our concerns with Shell's management of climate risk.

LGPS CENTRAL POOL

As mentioned earlier in the report the Fund is an investor in LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other funds is a joint owner of the company. The company has its own governance and risk management structures in place. The aim of the Company is to use the combined buying power of its partner funds to reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit of local government pensioners, employees and employers. Further information on the Governance Structure on LGPS Central can be found within the [Governance Compliance Section here](#).

LGPS Central Ltd is based in Wolverhampton and their details can be found below:

Address:

LGPS Central Ltd
Floor 1
i9
Wolverhampton Interchange
Wolverhampton
WV1 1LD

Website: <https://www.lgpscentral.co.uk>

e-mail: enquiries@lgpscentral.co.uk

Assets under management

In total as at 31 March 2023, £2,265m worth of assets were managed directly by the LGPS Central Pool. Further to this the Fund has £908m worth of passive equities which are invested in a low cost collectively pooled vehicle. Taken together as at 31 March 2023 55% of the Fund's assets could be defined as pooled.

Post Pooling report

The information request set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2022/23. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPSC should relate to the specific Partner Fund (i.e. nine separate information packs). The provision of the information by LGPSC to each Partner Fund should ensure consistent reporting across Partner Funds, and allow LGPSC to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company’s financial statements.

1. Set-Up Costs

£000	Final Set up costs
Set Up Costs	
Recruitment	27
Procurement	2
Professional Fees	187
IT	97
Staff Costs	142
Other Costs (provide details)	
Premises	49
Staffing-Related Costs	5
Travel and Expenses	1
Training and Events	1
FCA Fees	1
General Admin Costs	2
Set-Up Costs Before Funding	514
Share Capital	1,315
Debt	685
Other Costs	-
Set-Up Costs After Funding	2,514
Transition fees	
Taxation (seeding relief)	
Other transition costs	
Transition Costs	

Please note that CIPFA has not provided a set definition of Indirect Costs but notes that “these would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities”. It appears likely to PAF Finance that the set-up costs captured to date relate to Direct Costs (i.e., either incurred directly by LGPSC or recharged by Partner Funds to LGPSC).

£000	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative Total
Set-Up Costs Before Funding	-	-	95	419	-	514
Set-Up Costs After Funding	-	-	95	2,419	-	2,514
Transition Costs						

Transition fees – please see item 8 later for a more detailed breakdown of the information required.

2. Recharges By Partner Funds to LGPSC in respect of Set-Up Costs

£000	At 1 April-18	Recharges in Year	Settled in Year	At 31 March-19
Set-Up Cost Recharges	502	-	(502)	-

3. Governance, Operator and Product Development Charged by LGPSC to Partner Funds

£000	At 1 April-22	Charges in Year	Settled in Year	At 31 March-23
Governance Costs	-	257	-	-
Operator Costs	-	643	-	-
IMMC (*)	-	480	-	-
Product Development Costs	-	119	-	-
Total	381	1,499	(1,124)	756

(*) Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a Partner Fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g., ACS sub-funds and SLP Private Equity) should be disclosed through Information Request (5) and (6) below.

4. Other Transactions between Partner Funds and LGPSC (e.g., service support provided by West Midlands to LGPSC / rent payable by LGPSC to Derbyshire County Council)

£000	At 1 April-22	Charges in Year	Settled in Year	At 31 March-23
Interest Payable	32	46	(32)	46
Item 2				
Item 3				
Total	32	46	(32)	46

5. LGPS Central Investment Management Expenses Charged to Partner Funds

	£000	Direct	Indirect	Total	Bps Charge
1	Ad Valorem	3,068		3,068	12.05
2	Performance	-		-	-
3	Research	-		-	-
4	PRIIPS Compliance	-		-	-
5	Other (provide details)	-		-	-
	Management Fees	3,068		3,068	12.05
6	Commissions	409	-	409	1.61
7	Acquisition/issue costs	-	-	-	-
8	Disposal costs	-	-	-	-
9	Registration/filing fees	-	-	-	-
10	Taxes and Stamp Duty	419	-	419	1.64
11	Other (provide details)	-	-	-	-
	Implicit Costs	3,649	-	3,649	14.33
	Transaction Costs	4,477	-	4,477	17.58
					-
12	Custody/Depositary	253	-	253	0.99
13	Other (provide details)	-	-	-	-
	Fund Accounting	47	-	47	0.18
	Transfer Agent	5	-	5	0.02
	External Audit	12	-	12	0.05
	Performance Reporting	16	-	16	0.06
	Transaction Charges	35	-	35	0.14
	MACS Fees	-	-	-	-
	Total Costs	7,913		7,913	31.07

Note: The total of the analysis should reconcile to request (6) below

*BPS= Basis points charged based on Assets under Management

Pension Fund Annual Report

6. Investment Management Expenses by Product / Service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2022/23 Costs	AUM At 31 March 2023 £m	2022/23 Bps Charge
Global Multi-Manager	1,005					169				173	1,136	48	19	2,551	491	51.95
Climate Factor Fund	287					157				147	1556	124	27	2,297	875	26.26
Emerging Market Equities	928					77				99	173	44	27	1,348	183	73.66
Corporate Bonds	119					-				-	379	11	7	515	122	42.19
Emerging Market Debt	230					-				-	331	9	9	569	109	52.23
Multi-Asset Credit	445					-				-	75	17	27	569	210	27.11
ACS Sub-Funds	3,004	-	-	-	-	409	-	-	-	419	3,649	253	115	7,849	1,990	39.44
Private Equity 2018 V'tage	6													6	10	6.00
Private Equity 2021 V'tage	12													12	30	4.00
Private Debt	24													24	417	0.58
Infrastructure	22													22	70	2.20
Alternative Vehicles	64	-	-	-	-	-	-	-	-	-	-	-	-	64	557	
Total	3,078	-	-	-	-	409	-	-	-	419	3,649	253	115	7,913	2,547	31.07

Items 1 – 13 relate to the categories highlighted in data request (5).

7. Asset Under Management & Performance by Product / Service

£000	AUM At 1 April-22 £m	AUM At 31 March-23 £m	One Year Gross Performance %	One Year Net Performance %	Passive Benchmark Used	One Year Passive Index %
Global Multi-Manager	514	491	-3.92%	-4.08%	FTSE All World Index	-5.01%
Climate Factor Fund	891	875	-2.10%	-2.11%	FTSE All-World Climate Balanced Comprehensive Factor Index	-2.23%
Emerging Market Equities	191	183	-5.79%	-6.20%	FTSE Emerging Markets Index	-4.07%
Corporate Bonds	126	122	-12.85%	-12.92%	ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50%	-11.26%
Emerging Market Debt	119	109	-8.25%	-8.39%	JPMorgan EMBI Global Diversified Index, hedged to GBP	-10.09%
Multi-Asset Credit	193	210	-6.22%	-6.38%	3-month GBP SONIA	0.00%
ACS Sub-Funds	2,034	1,990				
Private Equity 2018 Vintage	10	10				
Private Equity 2021 Vintage	30	30				
Private Debt	160	417				
Infrastructure	70	100				
Alternative Vehicles (*)	270	557				
Total	2,304	2,547				

(*) Shown as total amount committed as at 31-03-2023

8. Transition Costs

No transitions in 2022/23

Leicestershire County Council Pension Fund (the Fund)

Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- where appropriate, ensure fairness between employers and between different generations of tax-payers

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant rises in interest rates which reduce the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

FINANCIAL STATEMENTS

Leicestershire County Council Pension Fund Accounts 2022/23

(Registration number: 00328856RQ)

Introduction

The Leicestershire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Leicestershire County Council.

General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Leicestershire County Council to provide pensions and other benefits for pensionable employees of Leicestershire County Council, Leicester City Council, the district councils in Leicestershire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Leicestershire County Council Pension Fund Committee, which is a committee of Leicestershire County Council.

The Pension Committee consists of ten voting members and three non-voting staff representatives. The voting members are split into five County Council members, two from Leicester City Council and two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the funds Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Pension Fund Accounts

Membership details are set out below:

	31-Mar-22	31-Mar-23
Number of employers	195	189
Number of employees in the scheme (Actives)		
County Council	8,554	8,596
Other employers	28,585	30,227
Total	37,139	38,823
Number of pensioners		
County Council	11,962	12,126
Other employers	19,435	20,434
Total	31,397	32,560
Deferred pensioners		
County Council	9,791	9,853
Other employers	20,913	21,958
Total	30,704	31,811
Total number of members in the pension scheme	99,240	103,194

*This figure has been restated from 2021/22 to only include active employers in the scheme (defined as employers with one or more actively contributing employees).

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers contributions are set based on triennial actuarial funding valuations. In 2022/23 the average employer rate was 26.3% of pay (25.6% 2021/22).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website, <https://www.leicestershire.gov.uk>.

Fund Account for the Year Ended 31 March 2023

2021/22 £m		Notes	2022/23 £m
	Contributions		
(192.5)	Employer Contributions	6	(212.0)
(47.0)	Member Contributions	6	(50.2)
(9.9)	Transfers in from Other Pension Funds	7	(12.4)
(249.4)	Total Contributions		(274.6)
	Benefits		
137.3	Pensions	8	146.5
34.2	Commutation of Pensions and Lump Sum Retirement Benefits	8	37.8
5.7	Lump Sum Death Benefits		4.1
17.4	Payments to and on Account of Leavers	9	13.6
194.6	Total Benefits		202.0
(54.8)	Net (Additions)/Withdrawals from Dealings with Members		(72.6)
42.5	Management Expenses	10	54.5
(12.3)	Net (Additions)/Withdrawals Including Fund Management Expenses		(18.1)
	Returns on investments		
(43.6)	Investment income	11	(43.8)
(551.9)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	77.6
(595.5)	Net Returns on Investments (Sub Total)		33.8
(607.8)	Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year		15.7
(5,182.2)	Net assets of the scheme Opening		(5,790.0)
(5,790.0)	Net assets of the scheme Closing		(5,774.3)

Net Assets Statement as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
5,771.2	Investment assets	12	5,751.4
(0.7)	Investment liabilities	12	(0.1)
5,770.5			5,751.3
25.4	Current Assets	15	26.7
(5.9)	Current Liabilities	15	(3.8)
5,790.0	Net Assets of the Fund at 31 March		5,774.2

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 43 to 67 form part of the Financial Statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take account of the actuarial present value of promised retirement benefits. The Fund has disclosed this information, by appending a copy of the report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

2. Accounting Policies

The following principal accounting policies, have been adopted in the preparation of the financial statements:

Fund Account – Revenue Recognition

Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investments

Interest Income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend Income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the terms of the lease.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/ losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management Expenses

The fund discloses management expenses for administration, oversight and governance, and investment management. The disclosures comply with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year end date. If valuations at the year end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The investment reconciliation table in Note 12 discloses the forward foreign exchange settled trades as net receipts and payments.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Assets

Financial Assets classes as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal as at the year end date.

Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised cost are carried at amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed for information in Note 26.

Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a plausible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities

can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Directly Held Property

The fund’s property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS 17 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

3. Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £423m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £21m
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The carrying value of all property held by the fund is £408m. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments. If this was under or over stated by 5% the value of the investment would increase or decrease by £20m.
Pooled Bond and Debt Funds (including Private Debt Funds)	Pooled bond and debt funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available. Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Pooled bond and debt funds are valued at £510m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £26m.

Pension Fund Accounts

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £471m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £24m
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £126m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £6m
Pooled Targeted Return Funds	Pooled targeted return funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available	Pooled targeted return funds are valued at £144m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £7m
Pooled commodity funds	Pooled commodity funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management relies on the best data available	Pooled commodity funds are valued at £21m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £1m

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known). There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2021/22 £m		2022/23 £m
	Employers	
179.9	Normal	197.7
9.2	Deficit Repair	11.3
1.4	Advanced payments for early retirements	1.5
2.0	Additional payments for ill-health retirements	1.5
	Members	
46.5	Normal	49.9
0.5	Purchase of additional benefits	0.3
239.5	Total	262.2

Pension Fund Accounts

Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

2021/22 £m		2022/23 £m
59.1	Leicestershire County Council	64.6
170.0	Scheduled bodies	186.6
10.4	Admitted bodies	11.0
239.5	Total	262.2

7. Transfers In

2021/22 £m		2022/23 £m
9.2	Individual transfers in from other schemes	12.4
0.7	Bulk transfers in from other schemes	0.0
9.9	Total	12.4

8. Benefits

The benefits paid can be analysed by type of Member Body as follows:-

2021/22 £m		2022/23 £m
59.8	Leicestershire County Council	62.4
108.4	Scheduled bodies	118.6
9.0	Admitted bodies	7.4
177.2	Total	188.4

9. Payments to and on Account of Leavers

2021/22 £m		2022/23 £m
0.8	Refunds to members leaving the scheme	0.9
13.3	Individual transfers to other schemes	12.7
3.3	Bulk transfers to other schemes	0.0
17.4	Total	13.6

10. Management Expenses

2021/22 £m		2022/23 £m
39.7	Investment Management Expenses (Note 10A)	51.3
1.9	Pension Scheme Administration Costs	2.1
0.9	Oversight and Governance Expenses	1.1
42.5	Total	54.5

10a. Investment Management Expenses

2021/22 £m		2022/23 £m
23.9	Management Expenses	24.5
5.9	Transaction Costs	8.0
9.9	Performance Related Fees	18.8
39.7	Total	51.3

11. Investment Income

2021/22 £m		2022/23 £m
1.6	Dividends from equities	1.8
0.2	Income from Government Bonds	0.7
1.2	Income from index-linked securities	1.3
31.8	Income from pooled investment vehicles	29.7
5.7	Net rents from properties	5.9
0.1	Interest on cash or cash equivalents	2.3
3.0	Net Currency Profit / (Loss)	2.1
43.6	Total	43.8

11a. Property Income

2021/22 £m		2022/23 £m
5.8	Rental Income	6.7
(0.1)	Direct Operating Expenses	(0.8)
5.7	Total	5.9

No contingent rents have been recognised as income during the period.

12. Investments

	Value at 1 April 2022 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2023 £m
Equities	46.0	23.8	(47.3)	(1.6)	20.9
Government Bonds	8.5	90.3	(73.2)	(2.0)	23.5
Index-linked securities	280.8	220.1	(163.7)	(72.2)	265.1
Pooled investment vehicles	5,121.8	435.6	(406.1)	55.6	5,206.9
Properties	120.3	(0.2)	0.0	(18.3)	101.8
Derivatives contracts	4.6	37.2	0.0	(39.1)	2.7
Cash and currency & other investment balances	188.5	0.0	(58.1)	0.0	130.4
Total	5,770.5	806.8	(748.4)	(77.6)	5,751.3

	Value at 1 April 2021 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2022 £m
Equities	63.1	27.8	(50.9)	6.0	46.0
Government Bonds	3.3	19.0	(13.6)	(0.2)	8.5
Index-linked securities	288.4	178.9	(197.6)	11.1	280.8
Pooled investment vehicles	4,385.2	617.6	(423.0)	542.0	5,121.8
Properties	108.6	0.5	0.0	11.2	120.3
Derivatives contracts	(6.1)	29.4	(0.5)	(18.2)	4.6
Cash and currency and other investment balances	330.1	0.0	(141.6)	0.0	188.5
Total	5,172.6	873.2	(827.2)	551.9	5,770.5

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Pension Fund Accounts

The Fund has the following investments which exceed 5% of the total net value of assets:

2021/22 £m		2022/23 £m
890.6	LGPS Central – All World Equity Climate Multi Factor Fund	895.6
513.6	LGPS Central - Global Equity Active Multi Manager Fund	520.6
366.0	Legal and General North America Index Fund	330.8
1,770.2	Total	1,747.0

2021/22 £m		2022/23 £m
	Equities	
24.0	UK quoted	7.0
1.3	UK unquoted	1.3
20.7	Overseas quoted	12.6
46.0		20.9
	Government Bonds	
0.7	UK Government Unquoted	0.7
0.0	UK Government Quoted	3.9
7.8	Overseas Quoted	18.9
8.5		23.5
	Index Linked Securities	
269.2	UK quoted	259.9
11.6	Overseas quoted	5.2
280.8		265.1
	Pooled investment vehicles (unquoted)	
362.6	Property funds	305.7
433.5	Private equity	423.2
926.6	Bond and debt funds	1,037.2
2,581.3	Equity-based funds	2,516.7
16.2	Commodity-based funds	21.3
132.3	Timberland fund	126.3
184.2	Managed futures fund	151.8
8.4	Protection fund	9.8
150.2	Targeted return fund	144.4
326.5	Infrastructure fund	470.5
5,121.8		5,206.9
	Properties	
120.3	UK (Note 14)	101.8
187.1	Cash and currency	128.7
	Derivatives contracts	
5.3	Forward foreign exchange assets	2.8
(0.7)	Forward foreign exchange liabilities	(0.1)
4.6	Sterling Denominated	2.7
1.4	Other Investment Balances	1.7
5,770.5	Total Investments	5,751.3

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	4.5	USD	5.6	0.0	0.0
	GBP	1.0	AUD	1.7	0.1	0.0
	GBP	0.4	JPY	58.2	0.0	0.0
	GBP	13.4	EUR	15.2	0.1	0.0
1 - 3 Months	GBP	10.1	AUD	18.6	0.0	0.0
	GBP	12.0	CHF	13.5	0.0	0.0
	GBP	15.1	INR	1,547.0	0.0	0.0
	GBP	21.3	TWD	788.0	0.2	0.0
	GBP	3.6	HKD	34.7	0.0	0.0
	GBP	345.5	USD	426.0	1.6	0.0
	GBP	35.5	CNY	298.3	0.1	0.0
	GBP	4.0	SEK	50.9	0.0	0.0
	GBP	8.3	CAD	14.0	0.0	(0.1)
	USD	(45.8)	GBP	37.7	0.6	0.0
Open forward currency contracts at 31 March 2023					2.7	(0.1)
Net forward currency contracts at 31 March 2023					2.6	
Prior Period Comparison:						
Open forward currency contracts at 31 March 2022					5.3	(0.7)
Net forward currency contracts at 31 March 2022					4.6	

14. Property Investments

31 March 2022 £m		31 March 2023 £m
96.2	Freehold	82.2
17.5	Long Leasehold (over 50 years unexpired)	14.0
6.6	Medium/Short Leasehold (under 50 years unexpired)	5.6
120.3	Total	101.8

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK Limited at 31st March 2023. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

31 March 2022 £m		31 March 2023 £m
108.6	Opening Balance	120.3
	Additions:	
0.0	Purchases	0.0
0.5	Subsequent Expenditure	(0.2)
0.0	Disposals	0.0
11.2	Net increase/(decrease) in market Value	(18.3)
120.3	Total	101.8

15. Current Assets and Liabilities

2021/22 £m		2022/23 £m
20.1	Contributions due from employers	20.8
5.3	Other Debtors	5.9
25.4	Current assets	26.7
(1.7)	Due to Leicestershire County Council	(0.0)
(2.1)	Fund Management Fees Outstanding	(1.4)
(2.1)	Other Creditors	(2.4)
(5.9)	Current liabilities	(3.8)
19.5	Net current assets and liabilities	22.9

Contributions due at the year end were received by the due date.

16. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

Pension Fund Accounts

At 31 March 2022 £m	%		At 31 March 2023 £m	%
Investments Managed by LGPS Central Pool				
890.6	15.4	All World Equity Climate Multi Factor Fund	895.2	15.6
		Global equities multi-manager fund:		
145.8	2.4	<i>Harris</i>	145.2	2.5
195.6	3.3	<i>Schroders</i>	199.4	3.5
172.3	3.0	<i>Union</i>	176.0	3.1
		Global Active MAC Multi Manager Fund		
110.6	2.0	<i>Western Asset Management</i>	105.1	1.8
111.4	2.0	BMO	108.3	1.9
		Global Active Investment Grade Corporate Bond MMF		
62.2	1.1	<i>Neuberger Berman</i>	73.7	1.3
63.5	1.1	<i>Fidelity</i>	73.0	1.3
		Emerging market equities multi-manager fund:		
66.0	1.1	<i>CTI</i>	62.0	1.1
62.2	1.1	<i>UBS</i>	59.4	1.0
63.1	1.1	<i>Vontobel</i>	60.7	1.1
		Global Active Emerging Market Bond MMF		
59.6	1.1	<i>Amundi</i>	54.6	0.9
59.9	1.1	<i>M&G</i>	56.1	1.0
3.6	0.1	LGPS Credit Partnership I LP	72.2	1.3
21.7	0.3	LGPS Central Core/Core Plus Infrastructure Partnership LP	58.4	1.0
0.0	0.0	LGPS Credit Partnership IV LP	30.5	0.5
6.2	0.1	LGPS Credit Partnership II LP	26.4	0.5
6.6	0.1	LGPS Central PE Primary Partnership 2018 LP	8.2	0.1
0.0	0.0	LGPS Central PE Primary Partnership 2021 LP	0.6	0.0
2,100.9	36.4	Sub Total	2,265.0	39.5
Investments Managed outside of Pool				
975.8	16.9	Legal & General Investment Management Limited	907.5	15.8
394.7	6.8	Adams Street Partners L.P.	382.7	6.7
455.8	7.9	Aegon Asset Management Limited	338.7	5.8
276.6	4.8	LaSalle Limited	244.0	4.3
236.0	4.1	Partners Group Limited	242.8	4.2
131.4	2.3	IFM Investors (UK) Ltd	153.2	2.7
184.2	3.2	Aspect Capital Limited	151.8	2.6
108.7	1.9	JP Morgan Asset Management (UK) Limited	147.4	2.6
150.2	2.6	Pictet Asset Management Limited	144.4	2.5
153.6	2.6	Ruffer LLP	132.2	2.3
132.3	2.3	Stafford Capital Partners Limited	126.3	2.2
135.9	2.5	Colliers Capital UK Limited	115.5	2.0
121.7	2.1	Internally Managed	75.2	1.2
34.2	0.6	Cristofferson, Robb & Company Ltd	69.1	1.2
81.6	1.4	M&G	57.5	1.0
0.0	0.0	DTZ Investment Management	54.8	1.0
39.7	0.7	Kravis Kohlberg Roberts & Co. Ltd	47.9	0.8
25.0	0.4	Infracapital	33.6	0.6
31.4	0.5	Aberdeen Standard Life Limited	30.8	0.5
0.0	0.0	Quinbrook	30.0	0.5
0.8	0.0	Catapult Venture Managers Limited	0.9	0.0
3,669.6	63.6	Sub Total	3,486.3	60.5
5,770.5	100.0	Grand Total	5,751.3	100.0

17. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Fair value – basis of valuation

Unquoted equities in LGPS Central asset pool are valued at cost, as an appropriate estimate of fair value. All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Market quoted Investments (equities and bonds)	Level 1	Published bid market price ruling on final day of the accounting period	Not required	Not required
Market quoted pooled funds	Level 1	Closing bid price or closing single price at reporting date	Not required	Not required
Forward foreign exchange contracts	Level 1	Market forward exchange rates at reporting date	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not Required
Unquoted Equity (including Private Equity, Infrastructure and Timberland)	Level 3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Pension Fund Accounts

Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled investment vehicles (including targeted return funds, commodity funds and pooled property funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts of the underlying assets.
Freehold and Leasehold Property	Level 3	Stated at open market value based on expert valuation provided by a RICS registered Valuer and in accordance with RICS guidelines.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

Sensitivity of assets valued at Level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2023 and 31 March 2022.

Asset Type	Value at 31 March 2023 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	31	1.7	0.9
UK Bonds	0.7	6	0.7	0.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	510.0	11	566.1	453.9
Pooled commodity funds	21.3	22	26.0	16.6
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
Total assets available to pay benefits	2,105.2		2,491.7	1,718.7

Pension Fund Accounts

Asset Type	Value at 31 March 2022 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	18	1.5	1.1
UK Bonds	0.7	3	0.7	0.7
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	374.6	11	415.8	333.4
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
Total assets available to pay benefits	1,918.2		2,255.1	1,581.4

20a. Valuation of financial instruments and non-financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and quoted pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following tables provide an analysis of the financial and non-financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

Pension Fund Accounts

Values at 31 st March 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
	Financial and non-financial assets at fair value	2,446.7	1,069.1	
Financial liabilities at fair value	(0.1)	0.0	0.0	(0.1)
Net financial and non-final assets carried at fair value	2,446.6	1,069.1	2,105.2	5,620.9

The above table excludes cash and cash equivalents of £128.7m and other investment balances of £1.7m which are carried at amortised cost.

Values at 31 st March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
	Financial and non-financial assets at fair value	2,504.5	1,160.0	
Financial liabilities at fair value	(0.7)	0.0	0.0	(0.7)
Net financial and non-final assets carried at fair value	2,503.8	1,160.0	1,918.2	5,582.0

The above table excludes cash and cash equivalents of £187.1m and other investment balances of £1.4m which are carried at amortised cost.

20b. Reconciliation of asset held at level 3

	Value at 1 April 2022	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2023
	£m	£m	£m	£m	£m	£m
UK Equities	1.3	0.0	0.0	0.0	0.0	1.3
UK Bonds	0.7	0.0	0.0	0.0	0.0	0.7
Pooled property funds	362.6	10.9	(13.4)	4.3	(58.7)	305.7
Pooled private equity funds	433.5	48.0	(54.0)	25.6	(29.9)	423.2
Pooled bond and debt funds	374.6	180.0	(64.0)	17.8	1.6	510.0
Pooled commodity funds	16.2	20.9	(14.1)	1.2	(2.9)	21.3
Pooled targeted return funds	150.2	0.0	(0.4)	0.4	(5.8)	144.4
Pooled timberland funds	132.3	1.3	(17.8)	3.3	7.2	126.3
Pooled Infrastructure funds	326.5	97.4	(12.5)	8.3	50.8	470.5
UK Property	120.3	(0.2)	0.0	0.0	(18.3)	101.8
Total	1,918.2	358.3	(176.2)	60.9	(56.0)	2,105.2

21. Classification of Financial Instruments

2021/22 £m			2022/23 £m			
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
			Financial Assets			
46.0	0.0	0.0	Equities	20.9	0.0	0.0
8.5	0.0	0.0	Government Bonds	23.5	0.0	0.0
280.8	0.0	0.0	Index-linked securities	265.1	0.0	0.0
5,121.7	0.0	0.0	Pooled investment vehicles	5,207.0	0.0	0.0
5.3	0.0	0.0	Derivatives contracts	2.7	0.0	0.0
0.0	187.1	0.0	Cash and currency	0.0	128.7	0.0
0.0	0.0	0.0	Other investment balances	0.0	0.0	0.0
0.0	0.8	0.0	Sundry debtors and prepayments	0.0	1.1	0.0
5,462.3	187.9	0.0		5,519.2	129.8	0.0
			Financial Liabilities			
(0.7)	0.0	0.0	Derivatives contracts	(0.1)	0.0	0.0
0.0	0.0	0.0	Other investment balances	0.0	0.0	0.0
0.0	0.0	(4.4)	Sundry Creditors	0.0	0.0	(2.4)
(0.7)	0.0	(4.4)		(0.1)	0.0	(2.4)

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following gains and losses are recognised in the Fund Account:

2021/22 £m		2022/23 £m	
		Financial Assets	
578.2	Fair value through profit and loss	(58.5)	
		Financial Liabilities	
(8.3)	Fair value through profit and loss	(0.7)	
569.9	Total	(59.2)	

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

2021/22 £		2022/23 £
50,193	Payable in respect of external audit	57,393
50,193	Total	57,393

*For 2022/23 PSAA and the NAO have indicated that the IAS19 assurance letters form part of the overall audit fee. The above figures have been restated to reflect this.

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Pension Fund Accounts

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2022/23 reporting period:

Asset type	Potential market movements (+/-)
Cash	0%
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	6%
Private equity	31%
Property	15%
Commodities	22%
Global Distressed Debt	15%
Emerging Markets Equity	24%
Unlisted Infrastructure Equity	16%
Diversified Growth Fund (high equity beta)	13%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	8%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	11%
Corporate Short AA Low	4%
Corporate Medium BBB	9%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Asset Type	Value at 31	Percentage	Value on	Value on
	March 2023	change	increase	decrease
	£m	%	£m	£m
UK equities	8.3	18	9.8	6.8
Overseas equities	12.6	18	14.9	10.3
UK Corporate Bonds	0.0	0	0.0	0.0
Global Government Bonds	287.9	7	308.1	267.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	1,037.2	10	1,140.9	933.5
Pooled Protection funds	9.8	9	10.7	8.9
Pooled hedge funds	0.0	0	0.0	0.0
Pooled equity funds	2,517.4	20	3,020.9	2,013.9
Pooled commodity funds	21.3	0	21.3	21.3
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled managed futures fund	151.8	13	171.5	132.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
Cash and currency	128.7	0	128.7	128.7
Other investment balances, current assets and current liabilities	4.4	0	4.4	4.4
Total assets available to pay benefits	5,751.3		6,728.4	4,774.2

Pension Fund Accounts

Asset Type	Value at 31 st March 2022	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	25.3	18	29.9	20.7
Overseas equities	20.7	19	24.6	16.8
UK Corporate Bonds	0.7	3	0.7	0.7
Global Government Bonds	288.6	7	308.8	268.4
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	926.6	8	1,000.7	852.5
Pooled hedge funds	0.0	18	0.0	0.0
Pooled equity funds	2,581.3	19	3,071.7	2,090.9
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled managed futures fund	184.2	13	208.1	160.3
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
Cash and currency	187.1	2	190.8	183.4
Other investment balances, current assets and current liabilities	14.4	2	14.7	14.1
Total assets available to pay benefits	5,770.5		6,687.1	4,854.0

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2023 and 31st March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2022 £m	Asset type	As at 31 March 2023 £m
187.1	Cash and Currency	128.7
288.6	Fixed interest securities	287.9
475.7	Total	416.6

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

Pension Fund Accounts

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	Carrying amount as at 31 March 2023	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	128.7	128.7	128.7
Fixed interest securities	287.9	243.9	341.8
Total	416.6	372.6	470.5

Exposure to interest rate risk	Carrying amount as at 31 March 2022	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	187.1	187.1	187.1
Fixed interest securities	288.6	230.0	347.2
Total	475.7	417.1	534.3

Assets exposed to interest rate risk:

Exposure to interest rate risk	Interest receivable 2022/23	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	2.3	3.9	0.7
Fixed interest securities	2.0	2.0	2.0
Total	4.3	5.9	2.7

Exposure to interest rate risk	Interest receivable 2021/22	Impact of increase	Impact of decrease
	£m	+100 BPS £m	-100 BPS £m
Cash and Currency	0.1	2.7	0.0
Fixed interest securities	1.4	1.4	1.4
Total	1.5	4.1	1.4

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 25% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2022 and as at the previous period end:

Asset value as at 31 March 2022 £m	Currency exposure – asset type	Asset value as at 31 March 2023 £m
20.7	Overseas equities	12.6
7.8	Overseas government bonds	18.9
11.6	Overseas government index-linked bonds	5.2
874.4	Overseas pooled investment vehicles	951.8
60.9	Overseas cash and currency	30.7
975.4	Total overseas assets	1,019.2

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 March 2023 £m	Change to net assets available to pay benefits	
		10% £m	-10% £m
Overseas equities	12.6	13.8	11.4
Overseas government bonds	18.9	20.7	17.1
Overseas government index-linked bonds	5.2	5.7	4.7
Overseas pooled investment vehicles	951.8	1,042.2	861.4
Overseas cash and currency	30.7	33.6	27.8
Total change in assets available	1,019.2	1,116.0	922.4

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the

selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2023 was £129m (31st March 2022: £187m).

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2023 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.4bn, which represented 25% of total Fund assets. (31st March 2022: £1.4bn, which represented 24% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2023 are due within one year.

Refinancing Risk

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2023.

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

25A Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director Finance, Strategic Property and Commissioning (LCC) as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Leicestershire County Council Pension Fund* is shown below:

2021/22 £000s		2022/23 £000s
20.9	Short-term benefits	21.5
5.7	Pension contributions	6.1
26.6	Total	27.6

*The amounts in the table were not recharged to the Fund but are presented as required by the code of practice.

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. During 2022/23 £2.5m in contributions were paid to Prudential. The capital value of all AVC's at year end 31 March 2023 was £18.7m.

27. Policy Statements

The Fund has a number of policy statements which can be found on the [LPGS website](#). They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Investment Strategy Statement (ISS)

Administration and Communication Strategy

Funding Strategy Statement (FSS)

28. Compliance Statement

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2022/23 (or 2021/22). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

Leicestershire County Council Pension Fund (the Fund)

Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- where appropriate, ensure fairness between employers and between different generations of tax-payers

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant rises in interest rates which reduce the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2023	31 March 2022
Active members (£m)	2,333	4,176
Deferred members (£m)	1,098	1,670
Pensioners (£m)	2,304	2,213
Total (£m)	5,735	8,060

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,217m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £60m.

Financial assumptions

Year ended (% p.a.)	31 March 2023	31 March 2022
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.45%	3.70%
Discount Rate	4.75%	2.70%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	21.9 years	25.6 years

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	108
1 year increase in member life expectancy	4%	229
0.1% p.a. increase in the Salary Increase Rate	0%	12
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	98

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of its Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts



MR. L. BRECKON
CABINET LEAD MEMBER FOR CORPORATE RESOURCES
24 MAY 2024

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the Authority's Pension Fund Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2023 and its income and expenditure for the year ended the same date.



D KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 MAY 2024

Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire County Council Pension Fund

Opinion on financial statements

We have audited the financial statements of Leicestershire County Council Pension Fund (the 'Pension Fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Director of Corporate Resources

As explained more fully in the Statement of Responsibilities set out on page 79, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection.

We enquired of management and the Local Pensions committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Local Pensions committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries posted by management or any potential management bias in determining accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals processed by management,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and determination of the defined benefit obligation and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

M C Stocks

Mark C Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

24 May 2024

Independent auditor's report to the members of Leicestershire County Council on the consistency of the pension fund financial statements of Leicestershire County Council Pension Fund included in the Pension Fund Annual Report

Opinion

We have examined the pension fund financial statements of Leicestershire County Council Pension Fund (the 'pension fund') for the year ended 31 March 2023 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of administered by Leicestershire County Council (the "Authority") for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Respective responsibilities of the Director of Corporate Resources and the auditor

As explained more fully in the Governance statement, the Director of Corporate Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our responsibility is to state to the members of Leicestershire County Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Leicestershire County Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Leicestershire County Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Leicestershire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Leicestershire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Leicestershire County Council and the members of Leicestershire County Council, as a body, for our work, for this statement, or for the opinions we have formed.

Mark C Stocks

Mark C Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

24 May 2024

GOVERNANCE COMPLIANCE STATEMENT

1.1 INTRODUCTION

This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund's governance arrangements against a number of standards set out within guidance issued by DLUHC. The Fund's compliance with these can be viewed at the end of the document, [here](#).

In order to improve the transparency and auditability of governance arrangements the Fund has further produced its governance compliance statement to recognise the Scheme Advisory Board's recommendations set out within the Good Governance Phase 3 report

In accordance with the above, what follows is the Fund's assessment of its compliance with the standards as outlined.

1.2 FUNCTIONS AND RESPONSIBILITIES

The Local Pension Committee (LPC) meets five times a year and its members act in a quasi-trustee capacity. One of these meetings is specifically used to focus entirely on investment strategy. No substantive issues of investment policy will be carried out without the prior agreement of the LPC or, in extreme circumstances and where it is impractical to bring a matter to the LPC, following consultation with the Chair.

The LPC is made up of 13 members, ten of which are Employer Representatives with voting rights comprising of five County Councillors, two City Councillors I, two district councillors jointly nominated by the district councils, one member jointly nominated by De Montfort/Loughborough Universities. There are also three non-voting employee representatives. The ten voting members are appointed using the due political process or, in the case of the two universities, by joint arrangement. There will be at least one employee representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The LPC are advised and supported by the Director of Corporate Resources, Director of Law and Governance, Assistant Director of Strategic Finance and Property, Head of Pensions and Senior Finance and Legal Officers from Leicestershire County Council, as well as its Investment Advisor Hymans Robertson.

The LPC may delegate certain actions to the Director of Corporate Resources. It is the expectation of the LPC that some of the more administrative matters relating to investment management, such as the appointment of a custodian, are carried out by the Director of Corporate Resources.

An Investment Subcommittee, with its members drawn from the LPC, is a decision-making Subcommittee and will generally deal with more technical aspects of investment (such as looking at potential new investment opportunities or dealing with the appointment of new investment managers). Any decisions made by the Subcommittee are reported at the following LPC.

[The Local Pension Committee Terms of Reference.](#)

The Local Pension Board was established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. The LPC, in fulfilling its functions, will have regard to advice of the Board.

The Board is made up of six voting members, three Employer Representatives (two elected members of Leicestershire County Council and one from Leicester City Council) and three employee representatives as well as one reserve employee representative role. There will be at least one employee representative position available annually, as well as for a reserve employee representative, and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The Board publishes an Annual Report which is available on the Fund's website. The Board focuses on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met.

[Local Pension Board Terms of Reference](#)

The Director of Corporate Resources oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas.

[Roles, Responsibilities and Delegated decisions.](#)

An Annual Meeting of the Pension Fund is held, to which all employee members and other interested parties are welcome. The purpose of the meeting is to present the Annual Report of the Fund and to report on current issues, as well as to elect employee representatives for any vacant positions on the LPC and the LPB.

A number of other initiatives to involve stakeholders also take place, including:

- Presentations by the Fund/Actuary to employing bodies;
- Pensions roadshows at various venues;
- The Annual Report and Account of the Pension Fund;
- Other communications to members.

Further details can be found within the [Representation and Engagement](#) section of this statement.

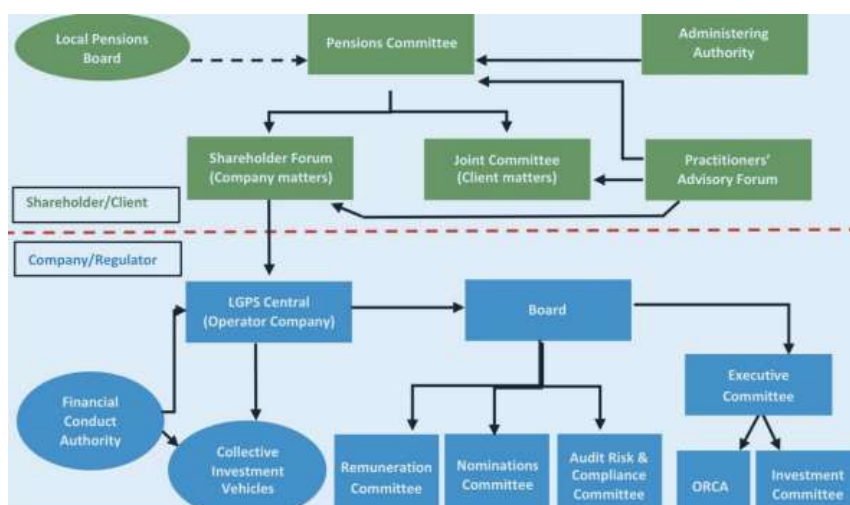
As part of the functions and responsibilities of the Fund a Conflict of Interest Policy is maintained, which sets out how actual and potential conflicts of interest will be identified and managed by those involved in the management and governance of the Fund, whether directly, or in an advisory capacity. This was approved in June 2021 by the Local Pension Committee. The Policy and other related policies for the management of the Fund can be viewed [here](#).

1.3 INVESTMENT POOLING

LGPS Central, an FCA-regulated pool company, was launched on 1 April 2018. Leicestershire Pension Fund together with eight partner pension Funds across the LGPS continue to work with the company to further develop the required business as usual governance oversight and monitoring arrangements.

The Fund recognises the potential conflict posed through the involvement of pooling with LGPS Central. Specific governance arrangements have been established with LGPS Central and other partner funds reflecting each partner authority’s role as business owner and client of LGPS Central. These are managed through the following forums:-

The Shareholder Forum – The purpose is to oversee operation and performance of LGPS Central and to represent the ownership rights and interests of the shareholding Councils. The Forum is independent of LGPS Central and its meetings are separate from Company Meetings and is enshrined within the Shareholders’ Agreement.



The Joint Committee – A public forum for councils to provide oversight of the delivery of the objectives of the Pool, the delivery of client services, the delivery against its Business Case and to deal with common investor issues. The Company’s investment performance and capability is overseen on a day to day basis by the Senior Fund Officers via the

Practitioner’s Advisory Forum and on a bi-annual basis by the Joint Committee which is constituted of representatives from each of the Partner Funds.

The Chairman of the Local Pension Committee acts as the Fund’s representative at both the Shareholders Forum and the Joint Committee and reports back to the Local Pension Committee as appropriate.

The Partner Funds and the Company work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver the strategic asset allocations in line with regulation and guiding principle. To hold the company to account and to meet FCA requirements for a regulated asset manager. The governance structure is designed to ensure sufficient independence from between Partner Funds and the Company during implementation and ongoing management of the Investment Sub-Funds.

The Investment Strategy Statement further sets out the Fund’s approach to Pooling and the Pensions Committee and Board receives regular updates on the work of LGPS Central to enable Members to oversee and scrutinise its operations as set out in the respective Terms of References.

1.3.1 Dual interests as Administering Authority and Employer

Leicestershire County Council recognises its dual role as employer participating in the Fund and the Administering Authority legally tasked with the management of the Fund can create the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict arises and that all of the Fund’s employers are treated fairly and equitably.

The Fund manages this risk through its Conflict of Interest Policy that was approved June 2021. The Policy and other related policies for the management of the Fund can be viewed [here](#).

Ultimately Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's finances are managed independently from Leicestershire County Council. The LGPS Senior Officer reviews the budget independently taking into account the full need of the service. The Budget and Business Plan is then considered by the Board before seeking approval by the Committee. Any spending controls in place for the County Council do not apply to the Fund, though the Fund is mindful of the need to manage costs to minimise the financial burden on scheme employers.

1.4 SUFFICIENCY OF RESOURCES FOR SERVICE PLANNING AND DELIVERY

In order to ensure that the Fund has appropriate resource to deliver its statutory obligations it has adopted a three-stage approach:-

1.4.1 Business planning and budget setting.

The Fund operates a business plan which sets out the priorities for the Fund's services which is approved annually by the Local Pension Committee, with the oversight of the Pension Board. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis.

The latest business plan and budget is publicly available [here](#).

The business plan takes into account the risks facing the Fund, performance of the Fund (including workloads) and anticipated regulatory changes. The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan. The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan, and the Board monitor it on a quarterly basis.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published within the Fund's Annual Accounts.

1.4.2 Service Delivery

The Fund publishes an Administration and Communication strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;
- the Fund's approach to the use of technology in pension administration.

The policy can be viewed [here](#).

1.5 MONITORING DELIVERY AND CONTROL ENVIRONMENT

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

Performance against KPIs is reported to the Local Pension Board on a quarterly basis. The Pension Committee further receives regular updates. KPI performance is reported in the Fund's annual report. Plans to address any workloads are added to the business planning process above.

The Pension Manager monitors cost and resource levels to balance value for money with service delivery, which is set out elsewhere in the report.

1.5.1 Internal Audit Plan

Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. Three audits, outstanding from the previous year were concluded and five assurance audits were undertaken in 2022/23. The assurance grading was overall positive and there were no high importance recommendations. Final reports for all completed audits were also shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

In the year, Internal Audit reviewed several areas of the Fund's administration and investment. These areas included, Contribution Banding Changes, Contribution Calculations, annual Pensions Increase, Pension Transfers and Pension Investment Performance. Three planned audits were deferred into 2023/24, purely due to delayed developments nationally. Work was also undertaken on the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Reports for the latest exercise (2022/23) were released early in the year, and investigations are currently ongoing. In addition, the Pension Service has continued to subscribe to the NFI Mortality Screening Service, for an additional nominal fee, to identify overseas pensioners against the DWP's Deceased Persons database. The most recent exercise was undertaken in June 2022, which identified six cases where pensions were continuing to be paid to deceased persons so monthly payments were suspended immediately. All six cases have been pursued, with two cases satisfactorily closed off, and four cases still being pursued. The overall amount outstanding is less than £6,000.

Ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback to the wider group. Internal Audit continue to review and comment on the Risk Register prior to Board and Committee meetings.

Officers also share the Risk Register with Internal Audit prior to Board and Committee meetings.

1.6 REPRESENTATION AND ENGAGEMENT

1.6.1 Local Pension Committee Membership and Attendance to March 2023.

The Local Pension Committee representation policy, as set out [above](#) recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains its representation on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain an equal share of voting members on the Pension Committee.

2022/23

VOTING MEMBERS (EMPLOYER REPRESENTATIVES)	REPRESENTING	June	November	January	March	ATTENDANCE
MR. T. BARKLEY CC	Administering Authority	✓	✓	✓	✓	100%
MR. D. GRIMLEY CC	Administering Authority	✓	✓	✓	✓	100%
MR. D. BILL CC (FROM MAY 2022)	Administering Authority	✓	X	✓	✓	75%
MR. P. KING (FROM MAY 2022)	Administering Authority	✓	✓	X	✓	75%
MRS A. WRIGHT (FROM MAY 2022)	Administering Authority	✓	X	X	✓	50%
CLLR A. CLARKE	Leicester City Council	✓	✓	X(v)	✓	75%
CLLR. S. WADDINGTON	Leicester City Council	X	✓	✓	X(v)	50%
CLLR. M. GRAHAM MBE	District Representative	X	✓	✓	✓	75%
CLLR. N. GRUNDY (FOM MAY 2022)	District Representative	✓	✓	X	✓	75%
MR.Z. LIMBADA	Universities Representative	✓	✓	✓	✓	100%

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NON-VOTING MEMBERS (SCHEME MEMBER REPRESENTATIVES)						
MR. N. BOOTH	Employer Rep Elected 2020 AGM	✓	✓	✓	✓	100%
MR. G. LAWRENCE	Employer Rep Elected 2021 AGM	✓	✓	✓	✓	100%
MR. C. PITT (FROM DECEMBER 2022)	Employer Rep Elected 2022 AGM			X	✓	50%
MR. A. WILSON (TO DECEMBER 2022)	Employer Rep Elected 2019 AGM	✓	X			50%
MRS. H. FRYER CC (RESERVE FROM 18 JANUARY 2023)	Administering Authority			✓		100%
MR. D. HARRISON CC (RESERVE FROM 18 JANUARY 2023)	Administering Authority			✓		100%
MR. C. SMITH CC (RESERVE FROM 18 JANUARY 2023)	Administering Authority					

(v) = Members attended virtually online, but in line with regulations are not classed as being formally in attendance, and were not allowed to vote on any matters arising during the meeting.

1.6.2 Local Pension Board Membership and Attendance to March 2023

The Local Pension Board's Representation equally comprises three Employer Representations and three Employee Representatives. The Scheme Member Representatives represent active, deferred and pensioner Scheme members and are appointed by an open election process, as set out [above](#).

A Reserve Scheme Member Representative was first appointed December 2020, where a Scheme Member is unable to attend they will act as nominated substitute.

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2022/23

	REPRESENTING	May	August	October	February	ATTENDANCE
MRS. R. PAGE	Administrative Authority	✓	✓	✓	✓	100%
MR. R. SHEPHERD	Administrative Authority	✓	✓	✓	✓	100%
CLLR. V. RIYAIT (FROM NOVEMBER 2022)	Leicester City Council				✓	100%
CLLR. D. BAJAJ (TO SEPTEMBER 2022)	Leicester City Council	✓	X			50%
MR. M. SAROYA	Scheme Member Representative to term end December 2024	✓	X	✓	✓	75%
MS. C. FAIRCHILD	Scheme Member Representative to term end December 2023	✓	✓	✓	✓	100%
MS. R. GILBERT	Scheme Member Representative to term end December 2025	✓	X	X	✓	50%
MR. A. CROSS (RESERVE) (FROM DECEMBER 2022)	Scheme Member Representative					

1.6.3 Engagement with Employers

The Fund carries out a range of activities that are designed to engaged employers. These are set out within the Fund's Administration and Communication Strategy and includes

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A regular employer bulletin provides updates on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

1.6.4 Engagement with Members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointment, by phone or at our offices, with members of the pension team to discuss specific matters.

1.7 TRAINING

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on the role of Funds' Governing Bodies their knowledge and understanding

The Fund's Pensions Committee and Pensions Board training policy is reviewed and approved by the Pensions Committee, in accordance with the policy training activity undertaken is monitored, recorded and reported to each body. By implementing and participating in training, Committee and Local Pensions Board members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the scheme.

A major factor in the governance arrangements of the Fund is to ensure that the Committee and the Local Pension Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Arrangements for regular training are in place with training delivered through various means including in-house structured training events for both

Pensions Committee and the Local Pensions Board, conferences, training delivered at Committee meetings, as well as briefings and research material.

1.7.1 Training Policy

The Fund's Training Policy was first adopted in November 2019 and had been reviewed, updated and approved in March 2022 by the Committee. The policy applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. In relation to training for those involved in the governance and the day-to-day management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified. The Fund will measure and report on progress against the training plans as set out below.

A copy of the policy can be found [here](#).

1.7.2 Evidencing Standards of Training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in this statement. Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed, and any gaps identified are addressed as part of the ongoing training plans. Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal. All Members are required to take induction training prior to taking up their role and are provided with an Information Pack including all relevant reading material to keep up to date with pensions issues.

Members of the Committee and Board complete self-evaluation forms on an annual basis assessing their General Understanding, and knowledge on Funding, Investment and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and Committee and following meetings delivered by officers or the Fund's providers such as the Actuary, independent advisers and investment managers.

Given there have been a number of recent changes both within the LGPS, and externally in the broader pensions environment, all Board and Committee Members are encouraged to complete training modules on Hymans Robertson Aspire Website (introduced 2021), the Pension Regulator's online training, and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central at its Annual Stakeholder Day.

The CIPFA requirement for continuous professional development for the Fund's s151 officer now includes a regular LGPS element. This requirement applies to the s151 officer for the Council. The Fund has complied fully with this requirement.

LOCAL PENSION COMMITTEE

		CLUB VITA/VALUATION ASSUMPTIONS/ CENTRAL PRIVATE MARKETS/ LGIM MACRO UPDATE EQUITY / PRE MEETING INDUCTION FOR NEW MEMBERS	AEGON PRESENTATION (SHORT DATED INVESTMENT GRADE BONDS) / CLIMATE RISK REPORT PRESENTATION	SAA HYMANS ON ASSET CLASSES / LGPS CENTRAL	PARTNERS GROUP MULTI ASSET CLASS PRESENTATION
MR. T. BARKLEY CC	Leicestershire County Council	✓	✓	✓	✓
MR. D. GRIMLEY CC	Leicestershire County Council	✓	✓	✓	✓
MR. D. BILL CC (FROM MAY 2022)	Leicestershire County Council	✓	X	✓	✓
MR. P. KING (FROM MAY 2022)	Leicestershire County Council	✓	✓	X	✓
MRS A. WRIGHT (FROM MAY 2022)	Leicestershire County Council	✓	X	X	✓
CLLR A. CLARKE	Leicester City Council	✓	✓	✓	✓
CLLR. S. WADDINGTON	Leicester City Council	X	✓	✓	✓

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CLLR. M. GRAHAM	District Representative	X	✓	✓	✓
CLLR. N. GRUNDY	District Representative	✓	✓	X	✓
MR.Z. LIMBADA	Universities Representative	✓	✓	✓	✓
MR. N. BOOTH	Employer Rep Elected 2020 AGM	✓	✓	✓	✓
MR. G. LAWRENCE	Employer Rep Elected 2021 AGM	✓	✓	✓	✓
MR. C. PITT	Employer Rep Elected 2022 AGM			X	✓
MR. A. WILSON (TO DECEMBER 2022)	Employer Rep Elected 2019 AGM	✓	X		
MRS. H. FRYER (SUBSTITUTE FROM 18 JANUARY 2023)	Leicestershire County Council			✓	
MR. D. HARRISON CC (SUBSTITUTE FROM 18 JANUARY 2023)	Leicestershire County Council			✓	
MR. C. SMITH (SUBSTITUTE FROM 18 JANUARY 2023)	Leicestershire County Council				

LOCAL PENSION BOARD

	Actuarial Valuation 4 May 2022	Aspire Training Process 17 August 2022	Roles and Responsibilities 26 October 2022	Employer Outsourcing Risk and Covenant 8 February 2023
<i>Mrs. R. Page</i>	✓	✓	✓	✓
<i>Mr. R. Shepherd</i>	✓	✓	✓	✓
<i>Cllr. D. Bajaj (to September 2022)</i>	✓	X		
<i>Cllr. V. Riyait (from November 2022)</i>				✓
<i>Ms. C. Fairchild</i>	✓	✓	✓	✓
<i>Ms. R. Gilbert</i>	✓	X	X	✓
<i>Mr. M. Saroya</i>	✓	X	✓	✓
<i>Mr. A. Cross (reserve employee representative)</i>				

Hymans Aspire Learning Training

The Fund introduced the Hymans Aspire Learning Academy during November 2021 and was designed to support the training needs of the Pension Committee, Local Pension Board and Fund Officers and supplements the Fund’s own training plan. It consists of a series of video presentations with supplemental learning material and quizzes. Committee and Board progress to March 2023 is set out below.

	An introduction to the LGPS Module 1	LGPS Governance and Oversight Bodies Module 2	Administration & Fund Management Module 3	Funding and Actuarial Matters Module 4	Investments Module 5	Current issues Module 6
<i>Local Pension Committee</i>						
<i>Mr. T. Barkley CC</i>	C	C	C	C	C	C
<i>Mr. D. Grimley CC</i>	C	C	C	C	C	C
<i>Mr. D. Bill CC (from May 2022)</i>	S	S	S	S	S	S
<i>Mr. P. King (from May 2022)</i>	C	P	S	S	S	S
<i>Mrs. A. Wright (from May 2022)</i>	S	S	S	S	S	S
<i>Cllr. M. Graham</i>	C	C	C	C	C	P
<i>Cllr. N. Grundy</i>	P	S	S	S	S	S
<i>Cllr A. Clarke</i>	P	P	S	S	S	S
<i>Cllr S. Waddington</i>	P	S	S	S	S	S
<i>Mr. Z. Limbada</i>	S	S	S	S	S	S
<i>Mr. N. Booth (from December 2020)</i>	C	S	S	C	C	C
<i>Mr. G. Lawrence (from December 2021)</i>	C	C	C	C	C	C
<i>Mr. C. Pitt (from December 2022)</i>	C	C	C	C	C	C
<i>Mr. A. Wilson (to December 2022)</i>	C	C	C	C	C	C
Local Pension Board						
<i>Mrs. R. Page CC</i>	P	P	P	P	P	S

<i>Mr. R. Shepherd CC</i>	P	C	C	C	C	S
<i>Cllr. D. Bajaj (to September 2022)</i>	S	S	S	S	S	S
<i>Cllr. V. Riyait (from November 2022)</i>	S	S	S	S	S	S
<i>Mrs. C. Fairchild</i>	C	C	C	C	C	P
<i>Mrs. R. Gilbert</i>	C	C	S	C	S	S
<i>Mr. Manjit Saroya</i>	C	S	S	P	S	S
<i>Mr. A. Cross (Reserve from January 2023)</i>	C	S	S	S	S	S

S – Subscribed P – In progress C – Completed

Progress from the Local Pension Board is also included within its own Annual Report available on the Fund’s Website.

In summary, the Fund invests significant resources into the development of its Committee and Local Pensions Board members, firmly believing that the benefits over the long term are essential to the effective governance and management of the Fund. The Fund further encourages Members to attend external events such as:

- The Pension Fundamentals
- LGPS Central Stakeholder events
- LGA Governance Conference

1.8 REVIEW AND COMPLIANCE WITH BEST PRACTICE

This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Pension Fund.

The regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This guidance contains a number of best practice principles and these are shown below with the assessment of compliance.

Pension Fund Annual Report

Principle	Compliance/Comments
Structure	
The strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant
That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee.	Fully compliant
That where a secondary committee has been established, the structure ensures effective communication across both levels.	Fully Compliant
That where a secondary committee has been established, at least one seat on the main committee is allocated for a member of the secondary committee	Fully Compliant - All Investment Subcommittee will be full LPC members
Representation	
That all key stakeholders are afforded the opportunity to be represented within the main committee structure (including employing authorities, scheme members, independent professional observers and expert advisors)	Fully Compliant
That where lay members sit on a main committee, they are treated equally and are given full opportunity to contribute to decision making, with or without voting rights	Fully Compliant
Selection and Role of Lay Members	
That committee members are fully aware of their status, role and function they are required to perform.	Fully Compliant
Voting	
The policy of the administering authority on voting rights is clear and transparent, including the justification for not extended voting rights to certain groups	Fully Compliant
Training/Facility Time/Expenses	
That the policy applies equally to all members of committees	Fully Compliant
Meetings (frequency/quorum)	
That the main committee meet at least quarterly	Fully Compliant
That secondary committees meet at least twice a year and the meetings are synchronised with the main committee	The Investment Subcommittee meets regularly, so Fully Compliant
If lay members are not included in formal governance arrangements, a forum is available outside of these arrangements by which their interests can be represented	Lay members are included on main committee, so not relevant
Access	
That, subject to any rules in the Council's constitution, all members have equal access to committee papers, documents and advice that falls to be considered by the main committee	Fully Compliant
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of the governance arrangements	Fully Compliant

Publicity	
That the administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	Fully Compliant. A copy of this statement has been sent to all employing authorities.

D KEEGAN
DIRECTOR OF CORPORATE RESOURCES



24 MAY 2024

GLOSSARY

A list of acronyms used within the report has been provided below:

AGM	Annual General Meeting
AVC	Additional Voluntary Contribution
CETV	Cash Equivalent Transfer Value
CIPFA	The Chartered Institute of Public Finance and Accountancy
CRR	Climate Risk Report
DLUHC	Department for Levelling Up, Housing and Communities
ESG	Environmental, Social and Governance
FCA	The Financial Conduct Authority
FSS	Funding Strategy Statement
FTE	Full Time Equivalent
IDRP	Internal Disputes Resolution Procedure
IFRS	International Financial Reporting Standards
ISS	Investment Strategy Statement
KPIs	Key Performance Indicators
LAPFF	Local Authority Pension Fund Forum
LGIM	Legal and General Investment Management
LGPS	Local Government Pension Scheme
LIBOR	London Interbank Offered Rate
LPB	Local Pension Board
LPC	Local Pension Committee
NAV	Net Asset Value
NZCS	Net Zero Climate Strategy
RI	Responsible Investing
SAB	LGPS Scheme Advisory Board - England and Wales
TCFD	Taskforce on Climate-related Financial Disclosures