

Leicestershire Local Government Pension Fund

AGM
11 January 2019



Pension Fund AGM

- An introduction to the Leicestershire Pension Fund
- What is the LGPS?
- Pensions Administration
- Pensions Investment



What is the LGPS?

- ❑ National Scheme
- ❑ Defined benefit pension Scheme
- ❑ Final Salary v Career Average
- ❑ 189 employers (Councils, Academies, Universities)
- ❑ 2 pension boards
 - ❑ Pension Committee – Investments
 - ❑ Pension Board - Administration

3



Introduction

The Leicestershire Pension Fund is administered by Leicestershire County Council as the Fund's Administering Authority.

Management of the Pension Fund is split into two areas;

- (1) Administration*
- (2) Investments.*

Officers of the fund are as follows:

Chris Tambini – Fund's 151 Officer

Declan Keegan – Assistant Director of Strategic Finance

Ian Howe – Pensions Manager (Administration)

Jason Firth – Fund's Accountant (Investments)



Pensions Administration

The Administering Authority – Main Administration Duties include;

- Calculating paying all types of pension benefits
- New starters, estimates
- New employers joining the scheme
- Regulation changes
- Year-end, valuation, benefit statements
- Governance - Reports to the Pension Board

Pension Investments

- ❑ Investment duties include;
- ❑ Implementation of the Investment Strategy
- ❑ Monitoring investment returns and performance
- ❑ Active management of investment risks
- ❑ Preparing and reporting the Fund's Accounts
- ❑ Supporting the Triennial valuation of the Fund

9



Fund Statistics

Membership of the scheme has increased in the year

	Membership Numbers 31 March 2017	Membership Numbers 31 March 2018
Active contributors	33,302	33,448
Preserved members	30,114	31,064
Pensioners	25,205	26,489
Total	88,621	91,001



Fund Statistics

Administration statistics in 2017/2018

Area	Number of cases completed
New entrants	5,585
Retirements	1,499
Preserved leavers	2,153
Deaths	544
Refunds	1,614
Transfers out	242

∞



2017/18 Admin Key Performance Indicators

Business Process perspective

10 days target	Target Achieved		
Retirement Benefits notification	92%	97%	✓
Pension Payments	95%	96%	✓
Death benefits to dependents	90%	91%	✓

6



2017/18 Admin Key Performance Indicators

Customer perspective

Customer Feedback	Target	Achieved	
Members understanding of info	95%	97%	✓
Dealing with Pension Section	95%	90%	✗
Quantity of Information	92%	94%	✓
Treatment of members	97%	98%	✓
E-mail response - understandable	95%	97%	✓
E-mail response - content detail	92%	98%	✓
E-mail response - timeliness	92%	99%	✓

10



Looking Ahead

Changes Ahead

- Fund Valuation changes
- National Cost Cap
- Superannuation Adjusted for Past Experience
- Exit Credits and Pass through arrangements
- Separation project
- System changes

Looking Ahead

Fund Valuation

- ❑ The Fund is currently valued every 3 years. There is a proposal this could change to 4 years
- ❑ The next valuation date is the 31 March 2019.
- ❑ The valuation results provide the funding position and future employer contribution rates between 1 April 2020 to 31 March 2023
- ❑ The 31 March 2019 valuation includes a proposal for a de-risking employer approach, meaning the employer's financial risk will be considered more closely when calculating employer rates.

Looking Ahead

National Cost Cap

- Nationally the LGPS costs have been assessed and these are more than 2% below the expected cost threshold.
- This triggers a review of the scheme design
- The Scheme Advisory Board (SAB) are preparing proposed scheme changes to Treasury. If accepted these will come into affect 1 April 2019
- Ideas for change – lower employee contribution rates, changes to ill health rules, change to the scheme accrual rate

Looking Ahead

Exit Credits and Pass Through

- Employer outsources work staff retain access to the Pension Scheme.
- Regulations changed - need to refund employers any funding surplus
- Changes to the Funding Strategy Statement
- A consultation with the employers is taking place
- Implementation is proposed from 1 April 2019

Looking Ahead

Separation Project

In August 2018 SAB invited interested parties to assist in developing options for change

Broadly four “separation” options

- Status quo
- Ring fenced LGPS functions
- Joint Committees
- Total separation



Looking Ahead

System Changes

- New member self-service system
- A new immediate payments system to enable the Pension Section to make payments of single amounts directly
- Communication with scheme members and employers will detail the changes

Investments

Pension Fund is invested in various assets

Investment Goals:

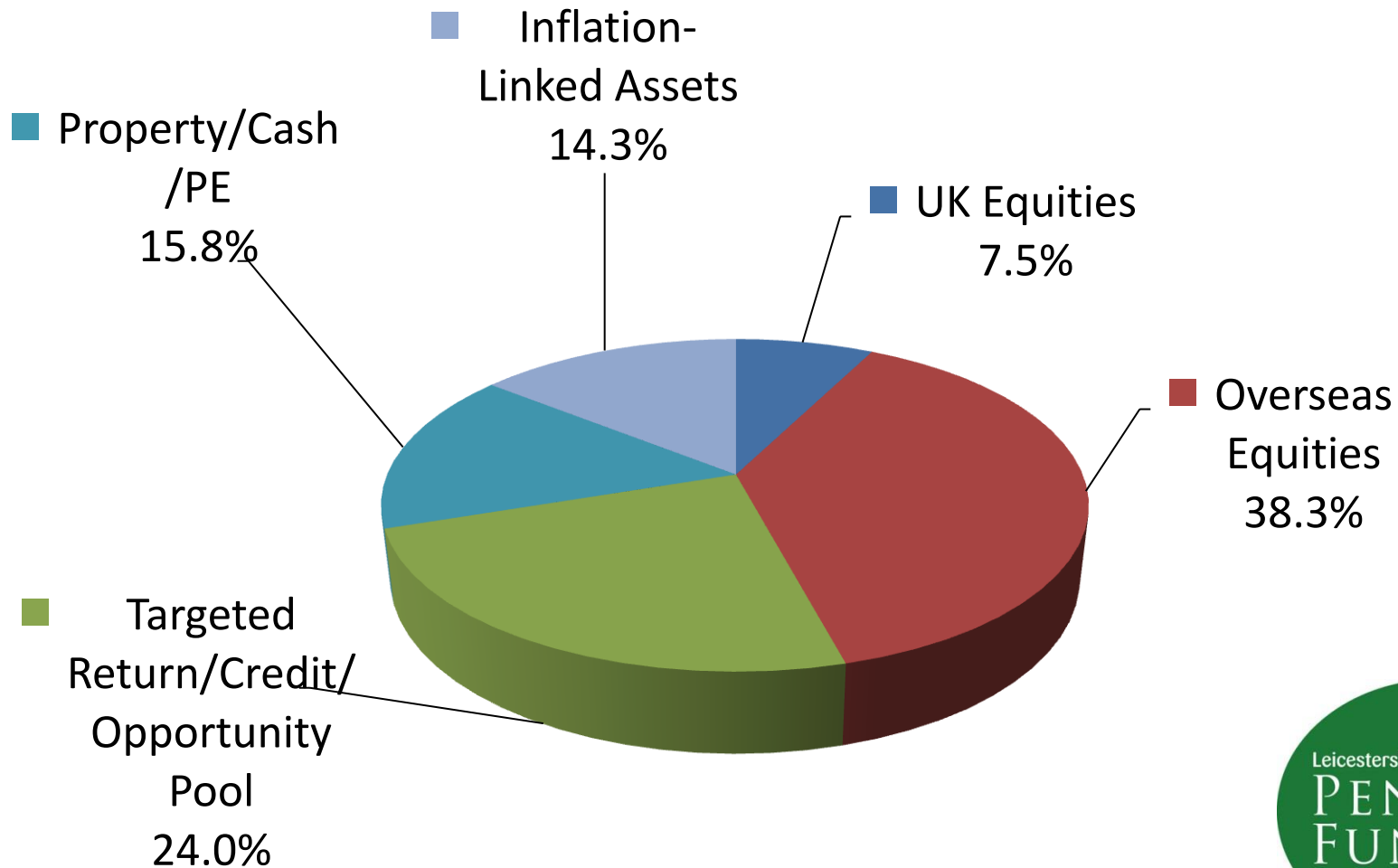
- Return to meet future benefits due
- Target return CPI+3.3% - risk with employer
- Balance between long term returns and risk
- Long term view of investment returns 20 years +
- Diversified to balance risk

Total Investments:

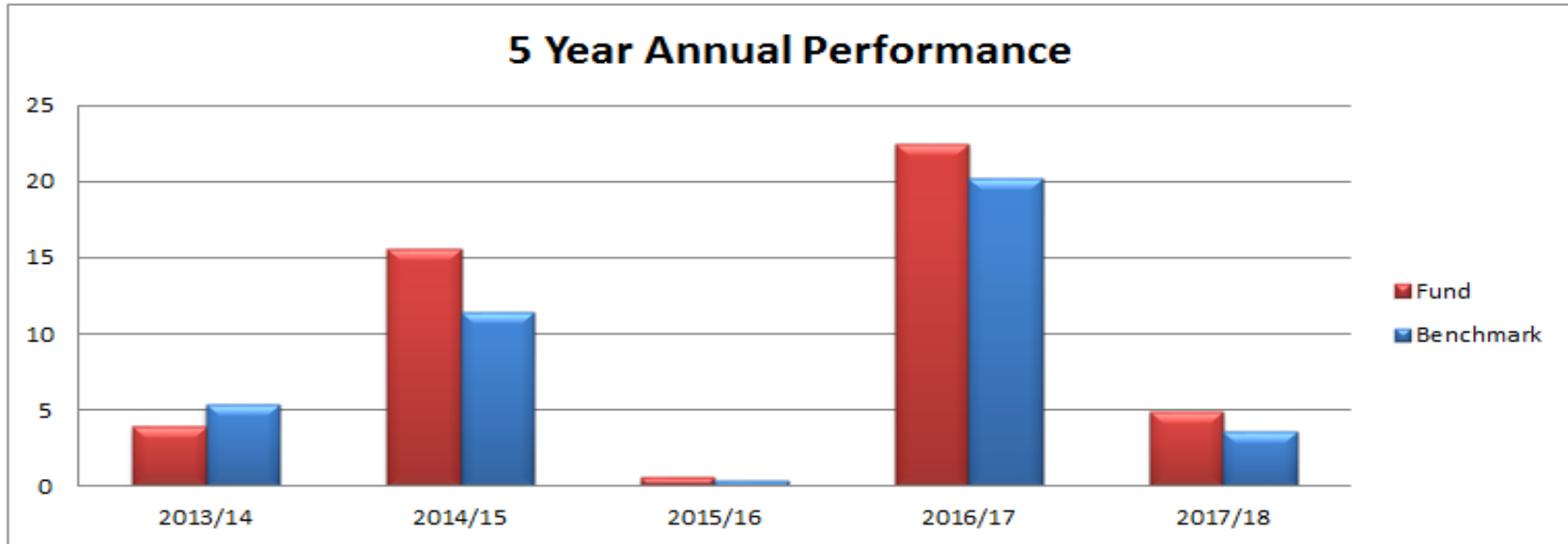
£4.1bn at 31 March 2018 (£3.9bn, 2017)



Investments 2017/18 (£4.1bn)



Investment Returns



Annualised Return	One Year	Three Years	Five Years
Fund	4.9	8.9	9.2
Benchmark	3.6	4.6	8.0
Relative	1.3	4.3	1.2

Overall Fund Position

Assets are held to fund future promised liabilities.

Last Triennial Valuation (April 2016) - £1bn overall deficit (76.2% funded)

Deficit recovery:

- Investment returns outperformance
- Future contributions
- Aim for stable and affordable contribution rates

Next formal valuation: 1 April 2019



Overall Fund position

Funding level



LGPS Central

- Government requirement to pool pension funds
- 9 funds- £40bn of assets
- Set up April 18
- Investment Management only – Asset and liabilities still remain with fund
- Intention to delivers savings over time
- Leicestershire Fund retains responsibility for asset allocation strategy



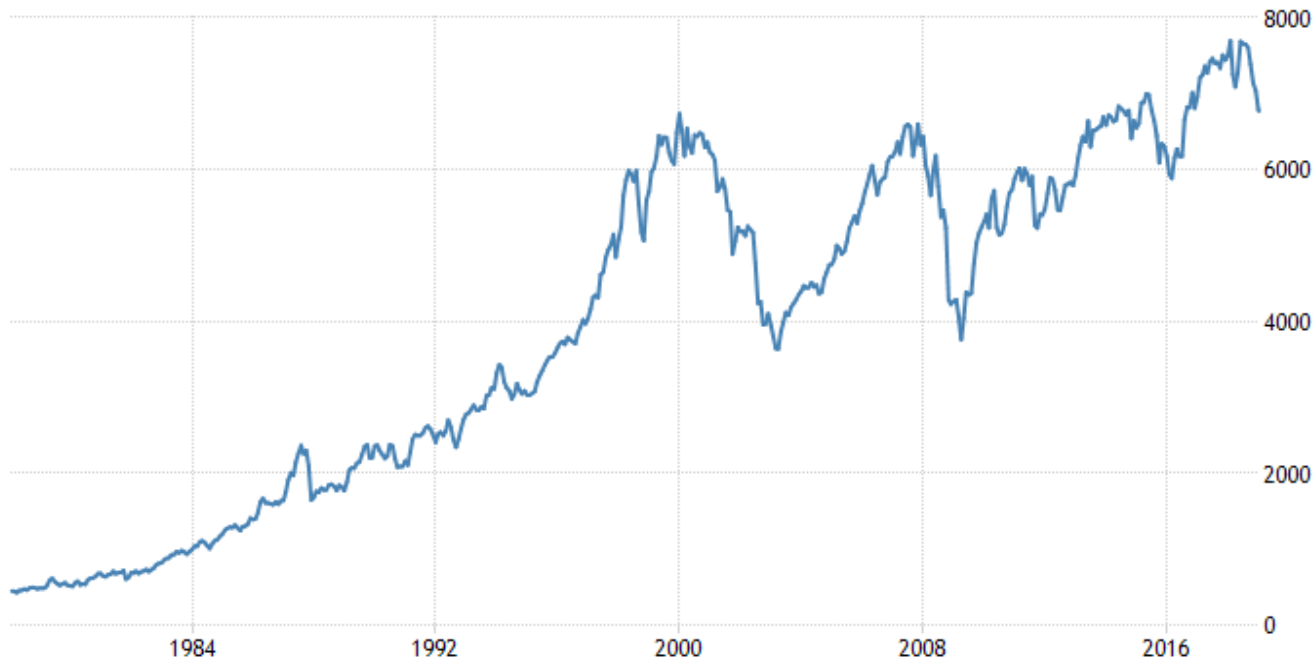
LGPS Central

Progress to date:

- £14bn under management
- Cost savings achieved on manager fees
- 46 employees
- Cost sharing agreement
- Website launch
- Governance arrangements in place
- No Leicestershire funds have transferred yet –
expected Feb 19

Investment Outlook

- ❑ Long term view is paramount
- ❑ Brexit
- ❑ Fund is well diversified
- ❑ UK FTSE 100 index over 30 years



SOURCE: TRADINGECONOMICS.COM | OTC/CFD



Responsible Investment

- Environmental, Social and Corporate
- Integrated into investment principles
- Long Termism
- Diversification, risk & stewardship
- Corporate Governance
- Fees & remuneration
- Risk & Opportunity
- Climate Change
- LGPS/LAPF dedicated resource/framework

Any Questions

