

Leicestershire Local Government Pension Fund

AGM
18 November 2019



Pension Fund AGM

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



What is the LGPS?

- National Scheme
- Defined benefit pension Scheme
- Final Salary v Career Average
- 191 employers (Councils, Academies, Universities)
- Overseen by MHCLG & the Pension Regulator
- 2 local governance bodies
 - Pension Committee – Investments
 - Pension Board - Administration



Local Governance

❑ Pension Committee

- Delegated authority taking overall responsibility for the Fund.
- Employer representatives (Elected members + Uni)
- Employee representatives (1 County Council, 2 City Council)
- Primarily focus on investment strategy & performance ↗

❑ Pension Board

- 3 employer representatives (elected members)
- 3 employee representatives (all County Council)
- Assist the administering authority in the governance of the scheme.
- Primary focus on administration activity



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

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Fund Statistics

Membership of the scheme has increased in the year

	Membership Numbers 31 March 2018	Membership Numbers 31 March 2019
Active contributors	33,448	34,412
Preserved members	31,064	30,661
Pensioners	26,489	27,973
Total	91,001	93,046



Fund Statistics

Administration statistics in 2018/2019

Area	Number of Cases completed
New entrants	6870
Retirements	2585
Preserved leavers	1643
Deaths	923
Refunds	892
Transfers out	119



2018/19 Admin Key Performance Indicators

Business Process perspective

10 days target	Target	Achieved	
Retirement Benefits Notification	92%	98%	✓
Pension Payments	95%	95%	✓
Death benefits to dependents	90%	90%	✓

∞



2018/19 Admin Key Performance Indicators

Customer perspective

Customer Feedback	Target	Achieved	
Members understanding of info	95%	98%	✓
Dealing with Pension Section	95%	93%	✗
Quantity of Information	92%	96%	✓
Treatment of members	97%	99%	✓
E-mail response - understandable	95%	95%	✓
E-mail response - content detail	92%	94%	✓
E-mail response - timeliness	92%	97%	✓

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Looking Ahead

Changes Ahead

- National Cost Cap
- McCloud/Sargeant Judgement
- Exit Credits and Pass through arrangements
- Good Governance project
- System changes

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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. Ideas for change:
 - lower employee contribution rates,
 - changes to ill health rules,
 - change to the scheme accrual rate
- ❑ However, these have been shelved due to McCloud/Sargent court cases

Looking Ahead

McCloud Sargeant Judgement

- In December 2018 the Court of Appeal found protections, during the move from final salary to career average (CARÉ), was unlawful on the grounds of age discrimination
- In June 2019 the Supreme Court denied Government's request for an appeal
- Remedy is being decided for each Public Sector Scheme. There is a chance certain members benefits will be recalculated back to the 1 April 2014
- Will make the scheme more expensive, hence cost cap work paused.
- All employers are reminded to ensure they keep all their scheme members pension information for at least 13 years – including hour changes

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Looking Ahead

Exit Credits and Pass Through

- Employer outsources - staff retain access to the Pension Scheme
- Regulations changed - to refund employers any funding surplus at termination
- Changes made to the Funding Strategy Statement
- A consultation with employers took place
- Implementation took place from 1 April 2019
- New outsourcings easier and cheaper to manage

Looking Ahead

Good Governance

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

- ❑ Four options
 1. Status quo + improve guidance
 2. Ring fenced LGPS functions
 3. Joint Committees
 4. Total separation

- ❑ Blend of 1&2 chosen, formal recommendations later this year.

Looking Ahead

System Changes

- Further development to the new member self-service system
- Over 21,500 scheme members signed up (but much more to do)
- A new immediate payments system to enable the Pension Section to make payments of single amounts directly
- Employer IConnect phased implementation continues – now over 100 employers live monthly posting



Investments

Investment Goals:

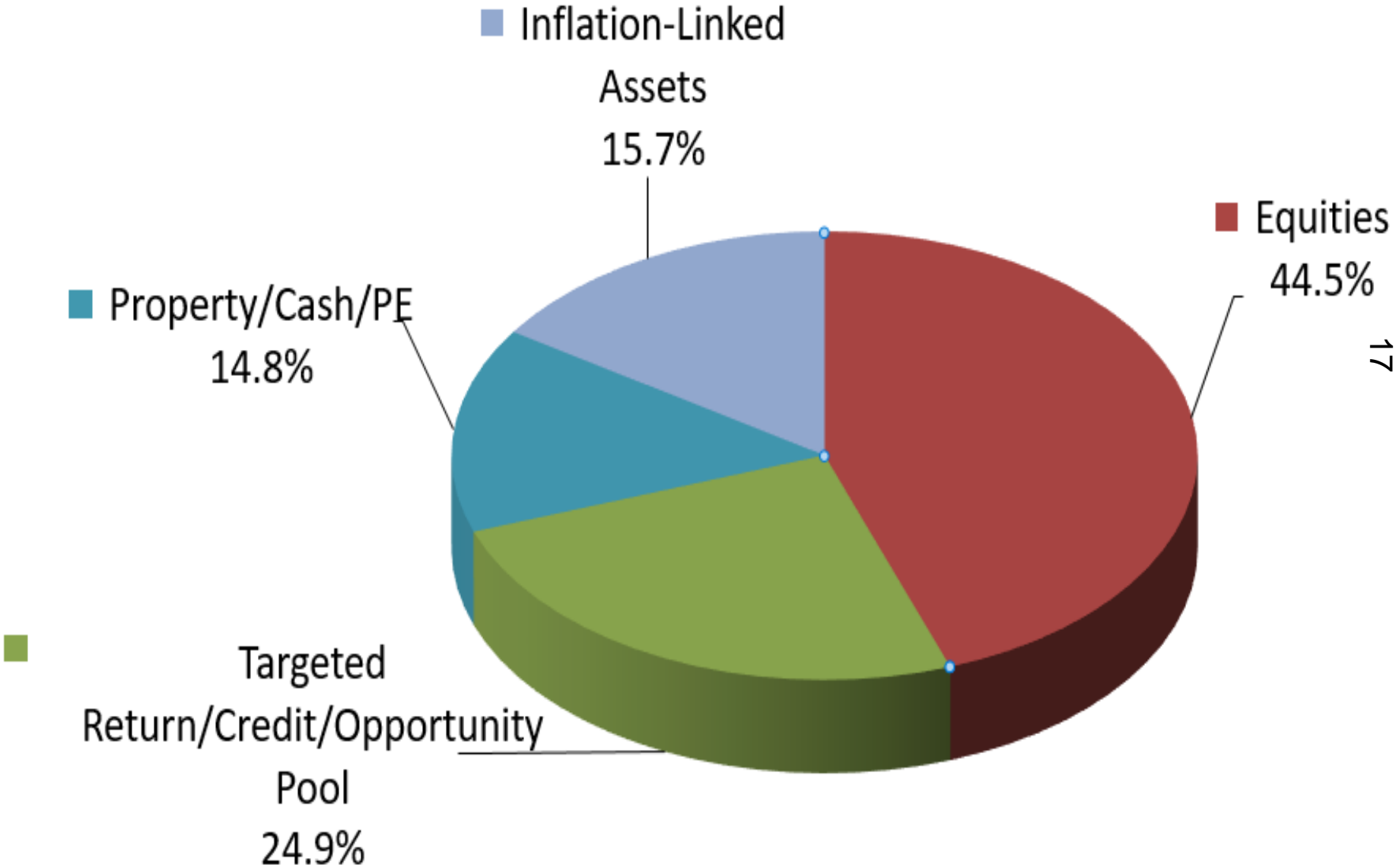
- Long term view of investment returns 20 years +
- Risk with employers, but reduces contribution requirement
- Target return CPI+3.3% - risk with employer
- Balance between long term returns and risk
- Diversified to balance risk
- Responsible Investment
- Commitment to asset pooling

Total Investments:

£4.3bn at 31 March 2019 (£4.1bn, 2018)

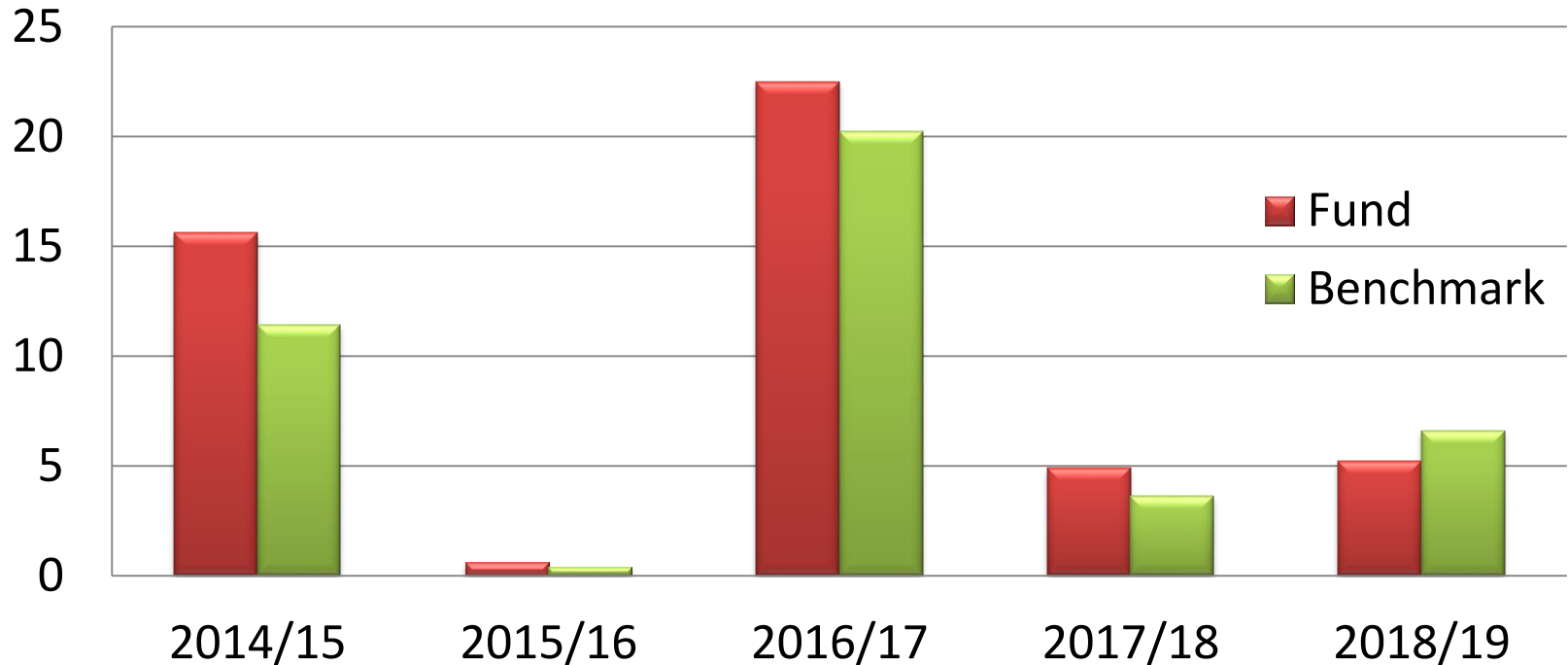


Investments 2018/19 (£4.3bn)



Investment Returns

5 Year Annual Performance



Annualised Return	One Year	Three Years	Five Years
Fund	5.2	10.6	9.5
Benchmark	6.6	9.6	8.2
Relative	-1.4	1	1.3



Pooling - LGPS Central

- Government requirement to pool pension fund assets
- Investment Management only
 - Payment of liabilities retained
 - Asset allocation strategy retained

- Leicestershire Funds that have transferred:
 - Global Equities £330m (2018/19)
 - Emerging Market Equities £180m (2019/20)
 - Private Equity £10m

- Further investment advisory mandates held
- Responsible Investment support



Investment Outlook

- ❑ Long term view is paramount
- ❑ Brexit, US vs. China,
- ❑ Fund is well diversified
- ❑ UK FTSE 100 index historical returns



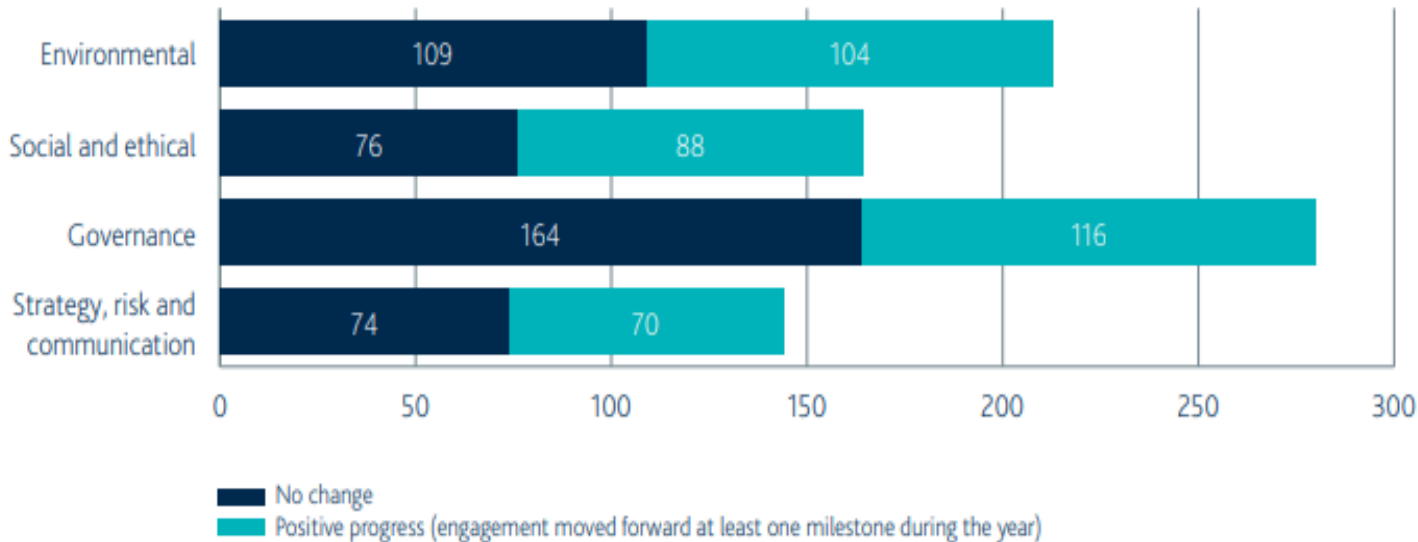
Responsible Investment (RI)

- ❑ The Fund believes that RI supports long term risk-adjusted returns
- ❑ Through LGPS Central we have access to an RI Team including:
 - ❑ ESG integration in the investment process
 - ❑ Engagement on four stewardship themes
 - ❑ Responsible approach to shareholder voting
 - ❑ Support from Hermes EOS, a market-leading stewardship provider
- ❑ LCCPF participates in LGPS Central's RI Working Group and oversees the development of RI and voting policies

RI Outcomes

During the last year, Hermes EOS engaged with 593 companies in LGPS Central portfolios on a range of 1,816 environmental, social, governance, strategy, risk and communication issue and objectives.

Engagement progress during the year



RI in the Year Ahead

The Fund continues to work via the LGPS Central RI Working Group:

- Four stewardship themes
 - Climate change
 - Single-use plastics
 - Tax transparency
 - Technology and disruptive industries
- Climate Risk Monitoring Service
- Updated UK Stewardship Code and
- Full integration of RI into the investment process

FSS and ISS consultations

- Both our Funding Strategy Statement (FSS) & Investment Strategy Statement (ISS) are available for review.
- The review ends on the 31st December 2019
- Employers have been sent copies of the draft ISS and FSS along with their employer statements
- Both Statements are available on our website:
ISS - <https://bit.ly/2KxivtF>
FSS - <https://bit.ly/35fWwQ7>

Any Questions



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