

# Leicestershire Local Government Pension Fund

AGM  
14 December 2020

Chaired by the Chairman of the Local Pension Committee – Mr Peter Osborne CC



# Agenda Item 1: Minutes of the meeting held on 18 November 2019

2



# Agenda Item 2: Question Time

3



# Agenda Item 3: Questions by members under Standing Order 7(3) and 7(5).

4



**Agenda Item 4: To advise of any other items which the Chairman has decided to take as urgent.**

5



# Agenda Item 5: Declarations of interest in respect of items on the agenda.

9



# Agenda Item 6: Pension Fund Annual Reports and Accounts 2019/20.

7

**Chris Tambini – Director of Corporate Resources, Leicestershire County Council**



# Pension Fund AGM

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

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# What is the LGPS?

- National Scheme
- Defined Benefit Pension Scheme
- Final Salary v Career Average
- 188 employers (Councils, Academies, Universities)
- Overseen by the Ministry of Housing, Communities and Local Government and the Pension Regulator
- Two local governance bodies
  - Local Pension Committee
  - Local Pension Board



# Local Governance

## ❑ Local Pension Committee

- Delegated authority taking overall responsibility for the Fund.
- Ten employer representatives (elected members and universities rep)
- Three scheme member representatives
- Principal aim is to consider pensions matters with a view to safeguarding the interests of all scheme members

## ❑ Local Pension Board

- Three employer representatives (elected members)
- Three scheme member representatives
- Role in assisting the Administering Authority in ensuring the effective and efficient governance and administration of the scheme

# Pensions Administration

The Administering Authority – Main Administration Duties include;

- Calculating and 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 and as part of the Fund's Annual Report.



# Fund Statistics

Membership of the scheme has increased in the year

	Membership Numbers 31 March 2019	Membership Numbers 31 March 2020
Active contributors	34,412	35,779
Preserved members	30,661	29,036
Pensioners	27,973	30,586
<b>Total</b>	<b>93,046</b>	<b>95,401</b>



# Fund Statistics

## Administration statistics in 2019/2020

Area	Number of Cases completed
New entrants	8,142
Retirements	3,222
Preserved leavers	2,723
Deaths	928
Refunds	812
Transfers out	87



# 2019/20 Admin Key Performance Indicators

## Business Process perspective

10 days target	Target	Achieved	
Retirement Benefits Notification	92%	94%	✓
Pension Payments	95%	90%	✗
Death benefits to dependents	90%	91%	✓



# 2019/20 Admin Key Performance Indicators

## Customer perspective

Customer Feedback	Target	Achieved	
Members understanding of info	95%	99%	✓
Dealing with Pension Section	95%	90%	✗
Quantity of Information	92%	95%	✓
Treatment of members	97%	99%	✓
E-mail response - understandable	95%	91%	✗
E-mail reponse - content detail	92%	92%	✓
E-mail response - timeliness	92%	95%	✓

# Looking Ahead

Ian Howe, Pensions Manager

## Changes Ahead

- McCloud/Sargeant Judgement
- £95,000 Exit Cap
- Development of Member Self-Service





# Looking Ahead

## McCloud Sargeant Judgement

- In December 2018 the Court of Appeal found the protections granted during the move from final salary to career average (CARE) unlawful, on the grounds of age discrimination
- Remedy is being finalised for each Public Sector Scheme
- All Leicestershire Fund employers have been written to requesting scheme members hour changes for the period April 2014 to March 2022, as this will be required for the remedy.
- Scheme members hours will be loaded into the pensions administration system and benefits “rerun”
- Members benefits that increase will have arrears paid
- The increased cost of the remedy was scoped into the last Fund valuation



# Looking Ahead

## £95K Exit Cap

- 7 September 2020 Government published their consultation reforming Local Government Exit Pay
- 30 September 2020 the House of Commons approved the Exit Cap, becoming law on the 4 November 2020. This limits a scheme members exit package to £95,000, including the LGPS pension strain
- The Exit Cap Regulations and LGPS Regulations currently to do not align
- Ministers are aware of the Regulatory issue and have offered guidance to Funds on how to proceed
- Not all Fund employers are impacted by the Cap



# Looking Ahead

## £95K Exit Cap – Fund’s Approach (for employers impacted by the Cap)

### For Scheme Members Breaching the £95K Cap

- The Pension Fund will offer either;
  - Fully reduced benefits, or
  - Preserved benefit
  - It is recommended employers do not pay the cash alternative

### For Scheme Members That Do Not Breach the £95K Cap

- The Pension Fund will continue to offer;
  - Fully unreduced benefits to the 30 June 2020 (to the end of the expected 6 month protection period), if;
  - The scheme member and their employer have entered into an agreement to terminate before the LGPS Regulations come into force
  - Once the LGPS Regulations come into force the member will not receive a full unreduced benefit
  - It is expected the redundancy value will be reclaimed from the pension strain



# Looking Ahead

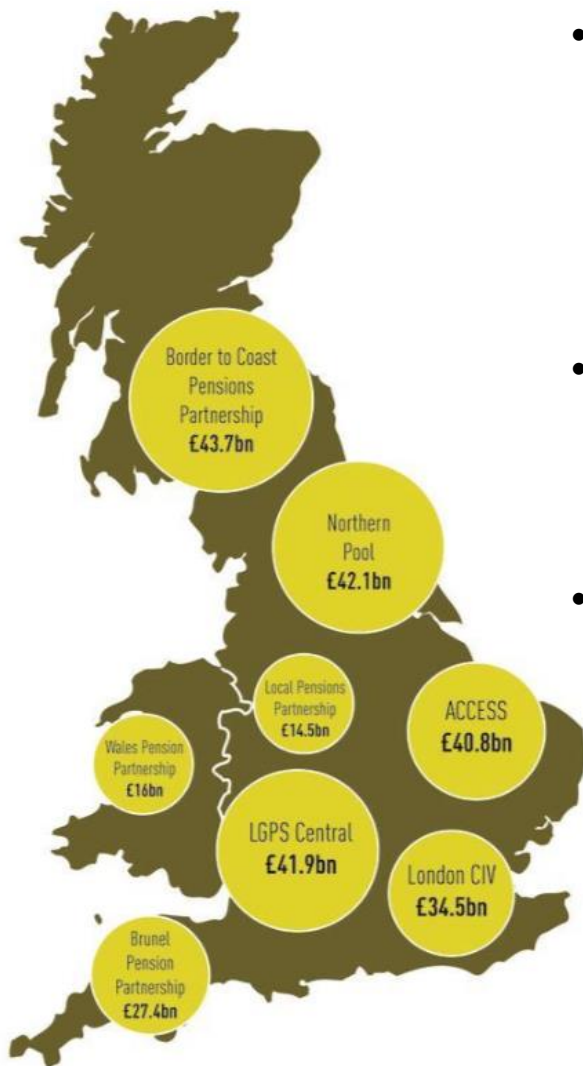
## System Changes

- Further development to the Fund's member self-service system
- Over 22,000 scheme members signed up (but much more to do)
- A new online retirement process is being developed to allow a scheme member to liaise directly with the Pension Section via member self-service. This includes submission of their retirement options and certificates.
- Designed to speed up the process, make the transfer of documents more secure, and also assist with home working due to Covid-19
- If successful this will be developed into other processes



# 'Pooling' update

Bhulesh Kachra, Senior Finance Analyst Investments



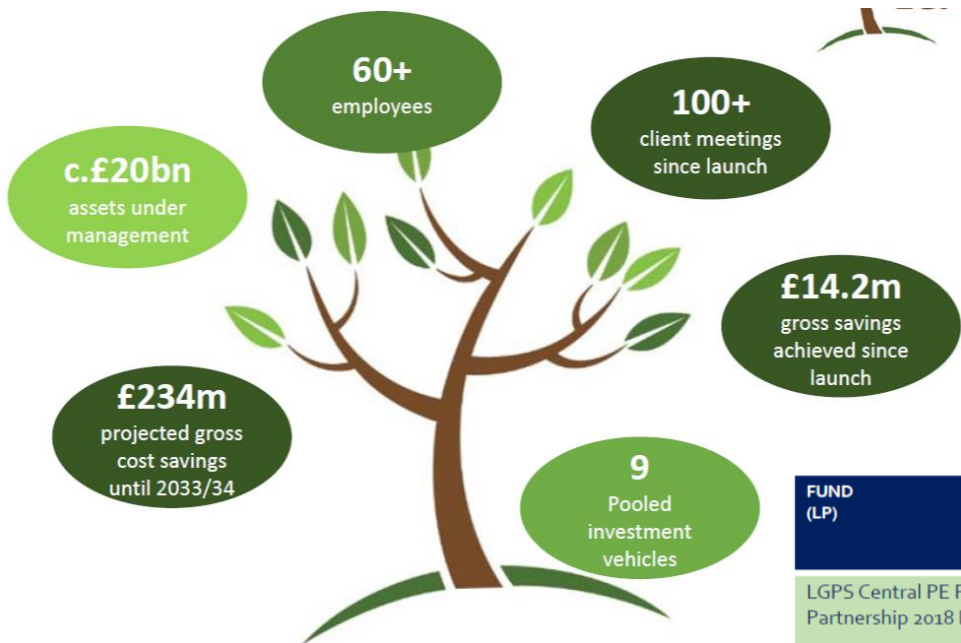
- Government instigated 'pooling' of pension funds in 2015 with the publication of criteria and guidance on pooling of Local Government Pension Scheme (LGPS) assets.
- Administering authorities formed their own groups and eight asset pools were formed.
- The scale of each pool gives significant buying power in the investment market, that would not normally be accessible to funds, allowing forecast savings of up to £2 billion by 2033.

21



# LGPS Central

- LGPS Central (“Central”) is one of the eight pools
- Progress since launch shown below, the 9 launched funds are listed



FUND (ACS-PASSIVE)	INCEPTION DATE	TOTAL POOLED ASSETS UNDER MANAGEMENT
LGPS Central UK Passive Equity Fund	Apr-2018	£919m
LGPS Central Global (Ex UK) Passive Equity Fund	Apr - 2018	£2,248m
LGPS Central Global Passive Equity Dividend Growth Factor Fund	Apr-2018	£510m
LGPS Central All World Passive Equity Climate Multi Factor Fund	Oct-2019	£2,274m
FUND (ACS-ACTIVE)	INCEPTION DATE	TOTAL POOLED ASSETS UNDER MANAGEMENT
LGPS Central Global Equity Active Multi Manager Fund	Mar-2019	£2,443m
LGPS Central Emerging Markets Equity Active MM	Jul-2019	£633m
LGPS Central Global Active IG Corporate Bond MM Fund	Mar-2020	£1,544m

FUND (LP)	INCEPTION DATE	TOTAL POOLED ASSETS UNDER MANAGEMENT
LGPS Central PE Primary Partnership 2018 LP	Jan-19	£150m
LGPS Central PE Co-Investment Partnership 2018 LP	Jan - 19	£107m



# Leicestershire County Council Pension Fund (LCCPF) and LGPS Central (Central)

- The LCCPF is currently invested in 6 Central products
  - Global Equity – c£380m
  - Emerging Equity – c£180m
  - Corporate bonds – c£100m
  - EM debt – c£100m
  - Climate Fund – c£740m
  - Private Equity 2018 – £10m
- The LCCPF is also participating on a number of new product launches
- Asset strategy and liabilities still rest with LCC
- Central becomes the de-facto manager giving the Fund:
  - A single investment ‘manager’ providing client support
  - Access to ESG\* specialism incorporating responsible investing
  - Ability to influence the development of products with respect to risk and target returns characteristics for example



\* Environmental, social and governance

# Investments

## Investment Goals:

- Long term view of investment returns 20 years +
- Risk with employers, but reduces contribution requirement
- Reducing employer deficit recovery periods over time, no employers with >20 year deficit recovery
- The Fund's investments have a 80% likelihood of returning at least the assumed return of 3.8% per annum
- Balance between long term returns and risk
- Diversified to balance risk
- Ongoing commitment to Responsible Investment
- Continued commitment to asset pooling

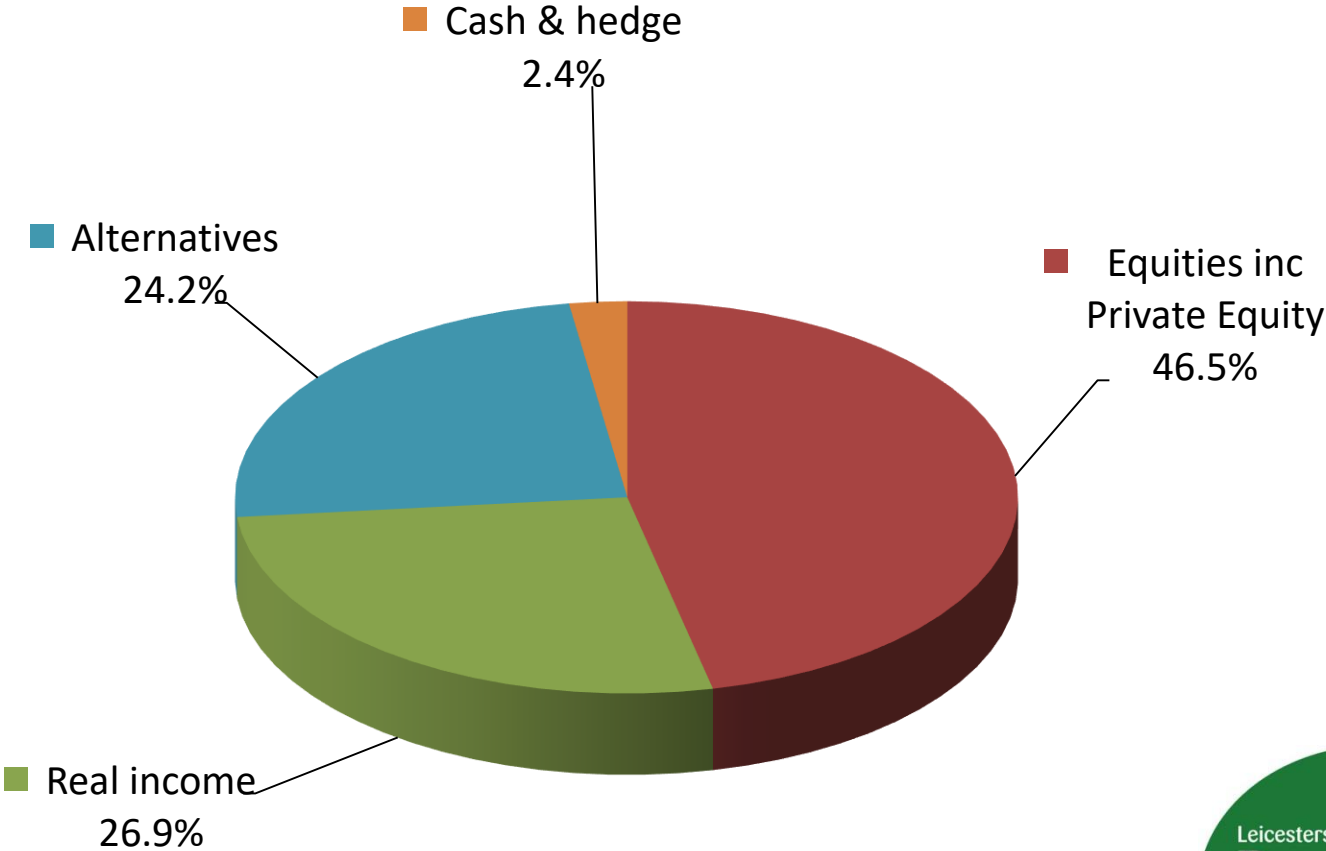
## Total Investments:

£4.1bn at 31 March 2020 (£4.3bn, 2019)

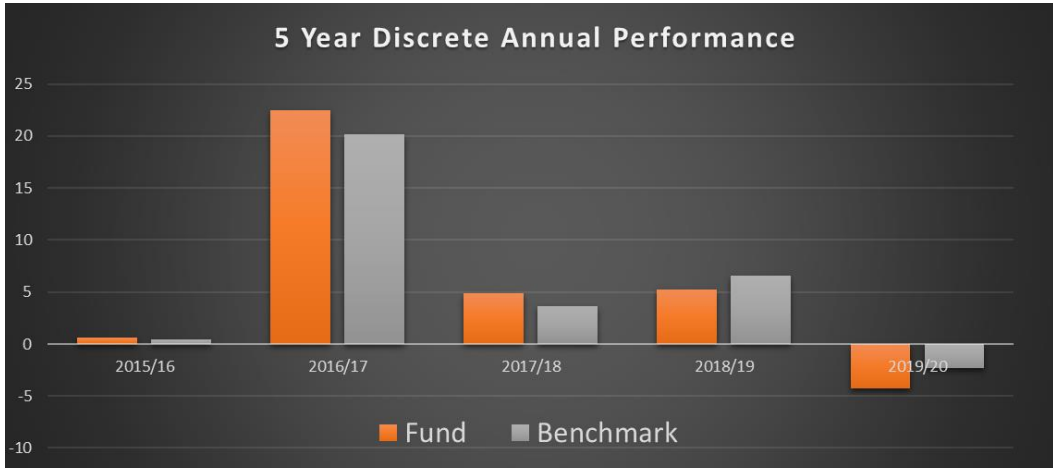




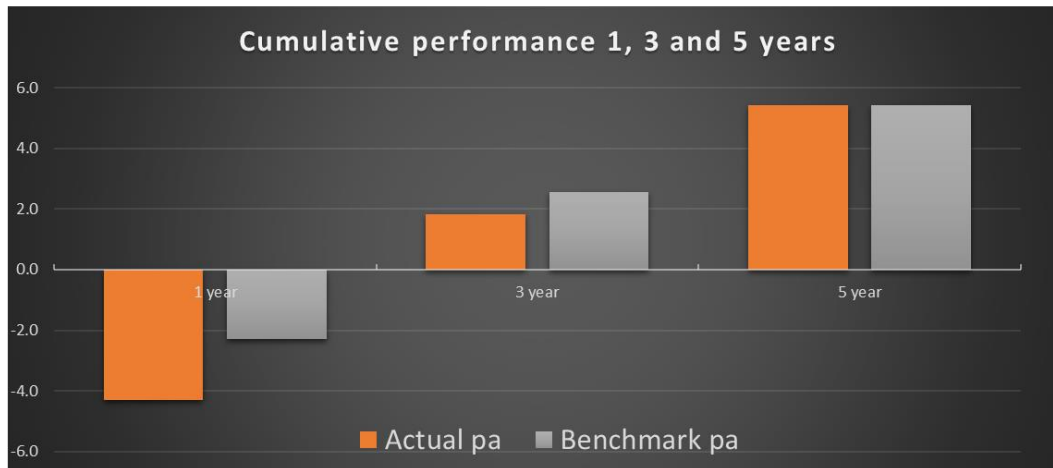
# Investments 2019/20 (£4.1bn)



# Investment Returns



	Actual pa	Benchmark pa	Diff
2015/16	0.6	0.4	0.2
2016/17	22.5	20.2	2.3
2017/18	4.9	3.6	1.3
2018/19	5.2	6.6	-1.4
2019/20	-4.3	-2.3	-2



	Actual pa	Benchmark pa	Diff pa
1 year	-4.3	-2.3	-2.0
3 year	1.8	2.6	-0.7
5 year	5.4	5.4	0.0



# Responsible Investment (RI)

- ❑ The Fund believes that RI supports long term risk-adjusted returns and is reflected in the Funds Investment Strategy Statement (ISS)
- ❑ Through LGPS Central we have access to a dedicated RI Team:
  - ESG integration in the investment process & manager selection
  - Engagement on four stewardship themes
  - Responsible approach to shareholder voting
  - Support from Hermes EOS, a stewardship provider
- ❑ LCCPF participates in LGPS Central's RI Working Group and oversees the development of RI and voting policies
- ❑ The Fund has an annual RI plan which is developed with Central
- ❑ The Fund has reported quarterly regarding voting on its Central holdings and Legal and General passive equity holding

# RI in the Year Ahead

- ❑ Work underway with Central's RI team to deliver a plan to the Local Pension Committee in early 2021 for approval
- ❑ Four stewardship themes remain with regular reporting to the Pension Committee on progress
  - Climate change
  - Single-use plastics
  - Tax transparency
  - Technology and disruptive industries
  
- ❑ Development of the Funds Climate risk analysis will be built upon

# Any Questions?

If officers are unable to get your question please email [Democracy@leics.gov.uk](mailto:Democracy@leics.gov.uk)



# Agenda Item 7: Report of the Local Pension Board.

**Chairman of the Local Pension Board: Mrs. Rosita Page CC**

30



# Agenda Item 8. Election of Employee Representative to the Local Pension Committee.



# Agenda Item 9: Election of Employee Representatives to the Local Pension Board.

32





**Agenda Item 10 : Any other items which the Chairman has decided to take as urgent.**

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