

Meeting **Pension Fund Annual General Meeting**

Date/Time **Monday, 18 November 2019 at 12.30 pm**

Location **Council Chamber, County Hall, Glenfield.**

Officer to contact **Miss C Tuohy (0116 305 5483).**

E-Mail *cat.tuohy@leics.gov.uk*

AGENDA

<u>Item</u>	<u>Report By</u>	<u>Marked</u>
1. Minutes of the meeting held on 11 January 2019.		(Pages 3 - 6)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. Pension Fund Annual Reports and Accounts 2018/19.		(Pages 7 - 78)
<i>This item will include a presentation by the Director of Corporate Resources.</i>		
7. Reports of the Employee Representatives to the Local Pension Committee and Local Pension Board.		(Pages 79 - 83)
8. Election of Employee Representative to the Local Pension Committee.		
9. Election of Employee Representatives to the Local Pension Board.		



10. Any other items which the Chairman has decided to take as urgent.
11. Date of Next Annual General Meeting.

Minutes of the Annual Meeting of the Local Pension Committee with the Contributors to, and Beneficiaries of the Pension Fund, held at County Hall, Glenfield on Friday, 11 January 2019.

PRESENT:

Leicestershire County Council

Peter Osborne CC (Chairman)
Mr T. Barkley CC

Employee Representatives

Mr. N. Booth
Ms. J. Dean

222. Minutes.

The minutes of the meeting held on 11 January 2018 were taken as read, confirmed and signed.

223. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

224. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

225. Urgent Items.

There were no urgent items for consideration.

226. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. No declarations were made.

227. Pension Fund Annual Report and Accounts 2017/18.

The Director of Corporate Resources gave a presentation on the annual report and accounts of the Pension Fund 2017/18. A copy of the report, marked '6' and presentation is filed with these minutes.

Arising from the presentation the following points were noted:

228. The latest triennial valuation, which determined the solvency of the Fund and set the level of contributions payable by each participating employer,

was last held in April 2016 and evidenced that the Fund had a £1 billion overall deficit and was 76.2% funded. The funding level remained volatile due to investment returns, however the long term trend had seen a reduction in the deficit.

229. The next triennial valuation was due 31 March 2019. The valuation would provide the funding position, and future employer contribution rates between 1 April 2020 to 31 March 2023. The Fund were aware that Government were considering moving the valuation to a quadrennial cycle to fit with Governments valuation of public service pension schemes.
230. Nationally Local Government Pension Scheme (LGPS) costs had been assessed and had been found to be more than 2% below the expected cost threshold, which triggered a review of the scheme design. The Scheme Advisory Board (SAB) were preparing proposed scheme changes to present to the Treasury, if accepted it would be expected to come into effect from 1 April 2019. The Fund was considering what benefit could be passed onto employee's.
231. In May 2018 new regulations came into effect on Exit Credits and Pass Through arrangements. The new regulations meant employers who left the scheme with a funding surplus would be refunded. The Fund, working with the Actuary (Hymans), proposed changes to the Leicestershire Pension Fund Funding Strategy Statement to address this. The proposed changes were intended to make it easier for the letting employer, the contractor and the Fund, which would in turn protect Scheme Member benefits. The implementation would likely come into effect from 1 April 2019 after consultation with employers.
232. As of 31st March 2018 the Fund had £4.1 billion total assets, an increase from £3.9 billion in 2017.
233. In April 2018 LGPS Central was formed, made up of nine funds with a total of £40 billion assets. It was designed to manage investments while asset and liabilities remained with each Fund. LGPS Central would deliver saving by reducing management expenses through economies of scale that individual funds could never achieve. No investments were currently managed by LGPS however the first transfer was planned in February 2019 for the Global Equities asset class. The Local Pension Committee would continue to monitor LGPS Central and any funds that were invested into it.

Arising from questions raised by employees of the Fund the Director reported that as with previous year's employer's contributions it was expected these would continue to rise by 1% a year.

The Fund was unable to predict the effect arising from the continuing uncertainty over the UK's departure from the EU, the Fund was mitigating the currency risk through its hedging arrangements.

RESOLVED:

That the report be noted.

228. Report of the Employee Representatives of the Local Pension Committee.

Employee representatives of the Local Pension Committee provided members with an update on the work undertaken by the committee over the preceding year. A copy of the report, marked '7', is filed with these minutes.

It was noted that the Local Government Pension Scheme was one of the top benefits of working in local government with the contribution rates from employers that accompanied it. Since automatic enrolment was introduced non enrolment had been very low.

RESOLVED:

That the report be noted.

229. Election of Employee Representative to the Local Pension Committee.

The Chairman reported that one nomination for the position of Employee representative on the Local Pension Committee had been received. The nomination was for a Ms. J. Dean. No ballot was therefore required. IT was noted that current staff representatives elected to the Committee were:

Mr N Booth (to remain an employee representative for a period of 2 years, expiring at the Annual Meeting in 2021).

Mr R Bone (to remain an employee representative for a period of 1 years expiring at the next Annual Meeting).

RESOLVED:

That Ms. J. Dean be appointed Employee Representative for a period of three years, expiring at the Annual Meeting in 2022.

230. Election of Employee Representatives to the Local Pension Board.

The Chairman reported that two nominations for the positions of Employee representative on the Local Pension Board had been received. The nomination was for a Ms C. Fairchild and Ms D Haller. No ballot was therefore required. It was noted that current staff representatives elected to the Board were:

Ms D Stobbs (to remain an employee representative for a period of 1 year, expiring at the next Annual Meeting).

RESOLVED

That Mrs. C. Fairchild be appointed Employee Representative for a period of two years, expiring at the Annual Meeting in 2021.

That Mrs. D. Haller be appointed Employee Representative for a period of three years, expiring at the Annual Meeting in 2022.

231. Date of Next Meeting.

RESOVLED

That officers be requested to determine an appropriate date and time for the next Pension Fund Annual Meeting and publicise this date on the County Council's website.

CHAIRMAN

LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2019

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11. APPENDIX A - SUMMARY VALUATION OF FUNDS PERFORMANCE.....	Attached
12. APPENDIX B - PENSION FUND ACCOUNTS.....	Attached

The fund has a number of policy statements that are available on the links below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been seen by the Pensions Committee.

13. Statement of Accounts - <https://www.leicestershire.gov.uk/about-the-council/council-spending/accounts-and-payments>

14. Funding Strategy Statement - <https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2019/5/1/funding-strategy-statement-v2.pdf>

15. Statement of Investment Principles - <https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2016/12/19/2016statementofinvestmentprinciplesevennewversion.pdf>

16. Administration & Communication Strategy - <https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/9/7/LCC-Pension-Fund-Admin-and-Comms-Strategy.pdf>

1. INTRODUCTION

Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire. Leicestershire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the County boundary and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, 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.

The Fund's membership increased by approximately 1,800 during 2018/19 and at the year-end stood at just over 93,000. During the year there was a small relative decrease in preserved members, however this was more than offset by increases in the number of pensioners and active members.

2. SCHEME MANAGEMENT AND ADVISORS

The Local Pension Committee is responsible for the management of the Fund, and focuses primarily on investment issues and the important policies that the Fund has to have. The Committee comprises of five County Council members, two from Leicester City Council, two members representing the District Councils, one representative of De Montfort/Loughborough Universities and three non-voting staff representatives. 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 representing 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 Board 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 and are supported by Independent Advisor, Clare Scott. Other consultants will also be utilised if there is felt to be an advantage to this.

The Local Pension Board is a statutory committee required under LGPS Regulations. This board consists of three member (i.e. employee) representatives – elected in the same manner as the employee representatives on the Local Pension Committee - and three employer representatives, with the latter being two elected members of Leicestershire County Council and one from Leicester City Council. Their role is to assist the administering authority in ensuring compliance with Regulations and the requirements of the Pensions Regulator, and as such their focus is on pension administration issues.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement, and this is replicated in full in section 10.

At a national level the LGPS is governed by the Ministry of Housing Communities and Local government (MHCLG) 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 Scheme Advisory Board is to help and support MHCLG and administering authorities fulfil their statutory duties and obligations. 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

<u>Local Pension Committee</u>	
<u>Leicestershire County Council</u>	<u>Leicester City Council</u>
Mr. P. C. Osborne CC (Chairman)	Cllr. D. Bajaj
Mr. T. Barkley CC (Vice-Chairman)	Cllr. R. Govind
Mr. P. Bedford CC	
Dr. S. Hill CC	<u>District Council Representatives</u>
Mr. M. Hunt CC	Cllr. C. Frost
	Cllr. M. Graham MBE
<u>Employee Representatives</u>	<u>University Representative</u>
Mr. R. Bone	Dr. P. Cross
Mr. N. Booth	
Ms. J. Dean	
<u>Local Pension Board</u>	
<u>Employer Representatives</u>	<u>Employee Representatives</u>
Mr. D. Jennings CC (Chairman)	Ms. C. Fairchild
Mrs. R. Page CC (Vice-Chairman)	Ms. D. Haller
Cllr. E. Pantling	Ms. D. Stobbs
<u>Officers responsible for the Fund</u>	
<u>Finance</u>	<u>Pensions Administration</u>
Chris Tambini - Director of Resources - Leicestershire County Council	Ian Howe - Pensions Manager - Leicestershire County Council
<u>Investment Managers</u>	
Investments managed by LGPS central Pool	
LGPS Central	
Global equities (<i>Harris, Schroders & Union</i>)	
Others:	
Adams Street Partners	Kames Capital
Ashmore	Kravis Kohlberg Roberts
Aspect Capital	Legal & General Investment Management
La Salle Investment Management	Macquarie Investments
Catapult Venture Managers	Partners Group
Colliers Capital UK	Permal (formerly Fauchier Partners)
Cristofferson, Robb & Company	Pictet Asset Management
Industry Funds Management	M&G Investments
Millennium Global Investments Limited	Ruffer LLP
Internally Managed	Stafford Capital Partners
JP Morgan Asset Management	Standard Life Aberdeen
<u>Pooled investments</u>	
LGPS Central	
<u>Fund Custodian</u>	<u>Legal Advisor</u>
JPMorgan, Bournemouth	County Solicitor, Leicestershire County Council
<u>Independent Investment Advisor</u>	<u>Actuary and Investment Consultant</u>
Clare Scott	Hymans Robertson LLP, Glasgow
<u>Auditor</u>	<u>AVC Provider</u>
Grant Thornton LLP	Prudential, London
<u>Banker</u>	<u>Scheme Administrator</u>
National Westminster Bank, Leicester	Leicestershire County Council

3. 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. It is almost impossible to create a definitive list of these risks and many of the on-going risks are monitored by Officers. Regular reports are brought to the attention of the Local Pension Committee and Local Pension Board to provide the latest position on key risks.

The biggest 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 Fund is currently in deficit (i.e. the value of assets is less than the accrued liabilities) so the employer contribution rates, at a whole Fund level, include payment for not only future service as it accrues but also contributions towards the deficit. Given that many benefits will not become payable for a long time, and taking into account the financial strength of most employers, the actuary is able to take a long-term approach to recovery of the deficit.

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 and employee contributions. 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 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 is supported by an independent investment advisor, 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 8 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.

4. Financial Performance

Non-investment cash inflows for the fund come via contributions from Employers. 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 15.0% to 33.0% with average employer rate being 23.8%.

Administrative costs were at £7.1m for the year compared to £6.1m in the previous year (2017/18). This increase was largely due to additional investment in a new pensions administration system. Investment management fees are variable as they are based on market values that are impossible to predict in advance. 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 almost £26m in 2018/19, compared to £22m in 2017/18. In addition, the Fund received investment income of £37m. In the context of the funds, £4 billion 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, despite cuts to budgets within Local Authorities that could reduce membership (and hence employee/employer contributions). Whilst 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. A recent Government consultation indicated that the Universities and Colleges could cease their offer of LGPS to non-academic staff 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 with the generation of an extra £30m+ cash flow p.a.

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 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 below:

2017/18		2018/19
£m	Payments in:	£m
(139.2)	Employer Contributions	(149.5)
(38.3)	Member Contributions	(39.9)
(12.4)	Transfers in From Other Pension funds	(10.3)
(189.9)	Total Inflows	(199.7)
	Payments out:	
115.0	Pensions	124.8
31.8	Lump Sum Retirement Benefits	32.5
3.1	Lump Sum Death Benefits	4.6
18.0	Payments to and on Account of Leavers	11.9
167.9		173.8
(22.0)	Net Cash (inflows)	(25.9)

5. Pension Scheme Administration

The number of scheme members who are either receiving a benefit or who have a future entitlement to one increased by 1,874 over the course of the year. This figure excludes the 4,000+ 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 774 from 33,638 to 34,412.

Pensioners increased by 1,503 from 26,470 to 27,973.

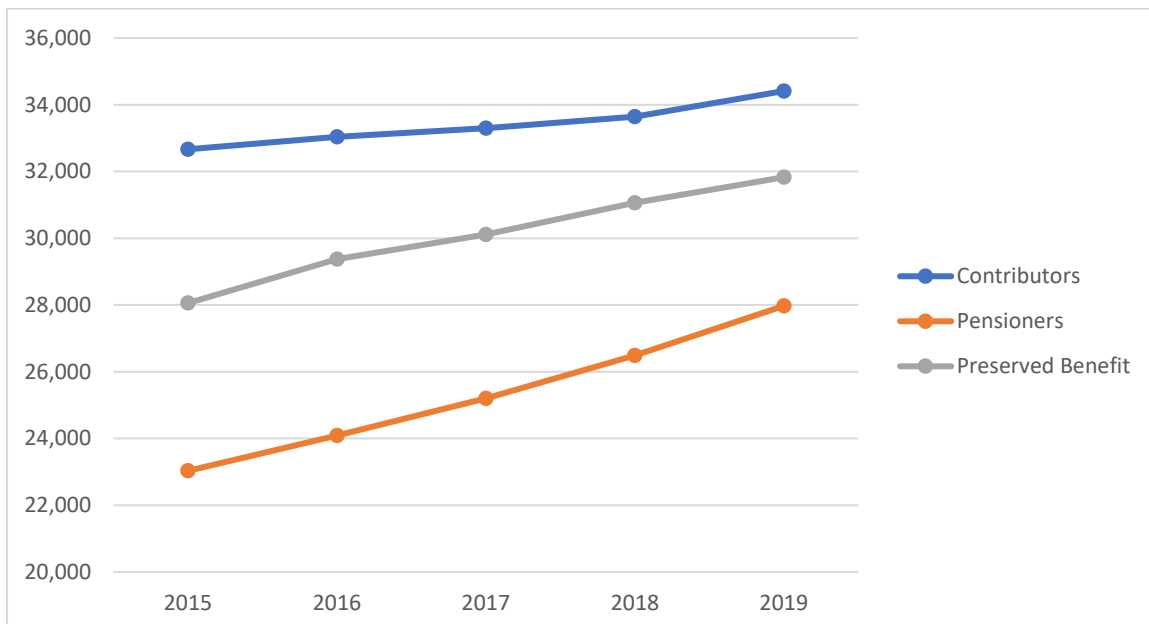
Preserved membership decreased by 403 from 31,064 to 30,661.

The Fund's employers have completed the auto enrolment process, with many of the larger employers completing this prior to 2017/18. The auto enrolment process forces employing bodies to bring almost all employees that are eligible to join the LGPS but are not currently scheme members into the scheme. This is reflected by the increase in active members over the past 5 years.

The number of pensioners has been increasing at a rate of 4% per annum over the past 5 years, a trend that is expected to continue.

Membership numbers over the last 5 years are shown in the graph below:-

	% increase over 5 years
Contributors	5.3%
Pensioners	21.5%
Preserved Benefit	13.4%



Leicestershire Pension Fund contributions:

Employer Name	Employer Contributions	Employee Contributions
	£000	£000
Leicester City Council	40,445	10,729
Leicestershire CC	33,265	8,755
The Chief Constable & The OPCC	8,798	2,675
Leics De Montfort University	8,281	2,683
Loughborough University	5,627	1,524
Charnwood Borough Council	3,473	769
North West Leics DC	3,069	768
Rutland CC	2,481	723
Hinckley and Bosworth BC	2,308	641
Blaby District Council	2,150	495
ESPO	1,714	470
Leics Fire Service (Civilians)	882	251
Harborough District Council	1,506	348
Oadby and Wigston BC	1,152	237
Melton BC	1,105	260
Academies, Free and Studio Schools	24,821	6,290
FE and Sixth Form colleges	5,634	1,622
Other organisations	2,045	484
Town & Parish Councils	725	168
Total	149,481	39,892

There were 1,503 new pensioners in 2018/19 split out as follows:

	Ill Health	Early Retirement	Normal Retirement	Other	Total
2018/19 New Pensioners	41	1,135	64	263	1,503

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.

The fund has 27.9 full time equivalent working in Pension Scheme Administration. Scheme membership is 93,000 equating to 3,340 members per FTE.

The fund has several performance indicators in respect of administration performance, which are split between speed of processes and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board.

Pension Fund Annual Report

Leicestershire Pension Fund key administrative Performance Statistics

Full Year - 1 April 2018 to 31 March 2019							
Business Process Perspective	Target			Customer Perspective - Feedback	Target		
Retirement Benefits notified to members within 10 working days of paperwork received	92%	98%	▲	Establish members understanding of info provided - rated at least mainly ok or clear	95%	98%	▲
Pension payments made within 10 working days of receiving election	95%	95%	▲	Experience of dealing with Section - rated at least good or excellent	95%	93%	▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	90%	▲	Establish members thoughts on the amount of info provided - rated as about right	92%	96%	▲
				Establish the way members are treated - rated as polite or extremely polite	97%	99%	▲
Good or better than target	▲			Email response - understandable	95%	95%	▲
Close to target	▶			Email response - content detail	92%	94%	▲
Below target	▼			Email response - timeliness	92%	97%	▲

Accuracy of Data	Common Data	99.20%
	Scheme Specific (Conditional Data)	88.70%
Average Cases Per Member of Staff	Average per FTE (Completed tasks)	491
Complaints	5 stage 2 IDRPs complaints in 2018/19	Less than 0.5%
Types of cases dealt with (only KPI tasks)	Deaths	923
	Pension Estimate	1,039
	CETV Estimate	295
	Retirement	2,585
	Deferred Benefits	1,643
	Transfers in and Out	119
	Calculate and Pay a Refund	892
	Formal notification of Joining	6,870

Other fund information:

Help desk arrangements and information are as follows:

Contact Type	From	To	Contact
MSS Helpdesk Phones	8:00am	17:00pm	0116 3057886
Benefits Helpdesk Phone	8:00am	17:00pm	0116 3054000

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 6 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.

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:

Pension Advisory Service	web	https://www.pensionsadvisoryservice
	phone	0800 011 3797
LGPS Regulation & Guidance		https://www.lgpsregs.org/

6. INVESTMENT POLICY AND PERFORMANCE

At the January 2019 meeting of the Local Pension Committee there were a number of relatively minor changes made to the Fund's strategic asset allocation benchmark. At the year end the benchmark in place was:

	Weighting	Benchmark	Difference
Equities	50.0%	48.0%	2.0%
Real Income Fund	24.8%	26.5%	-1.7%
Alternatives	25.3%	25.5%	-0.2%
	100.0%	100.0%	0.0%

The setting of the strategic benchmark is the most important decision that the Committee makes. It is this decision that will have by far the most significant impact onto the investment return achieved and approximately 90% of the Fund's overall risk is encompassed within the choice of benchmark. 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.

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 %p.a.		3 Years %p.a.	
	Fund	Benchmark	Fund	Benchmark
Equities	6.9	7.2	13.6	12.5
Income Assets	6.6	5.4	10.3	7.3
Alternative	0.5	4.9	5.0	4.9
TOTAL FUND	5.2	6.6	10.6	9.6

The Fund has a large number of investment managers and it is inevitable that some of them will have periods of disappointing performance – 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 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 of cause for concern. Knee-jerk reactions that are based on relatively short periods of poor performance are not 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, the Fund needs to have a

reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they are different to other managers.

It is worth noting the performance of the following managers at the end of the 2018/19 financial year:

Adams Street – Private Equity, 9.1% excess return over benchmark. The benchmark of listed markets can be misleading, in the short-term, due to the less frequent valuations of private equity assets. As a riskier asset class they have greater potential volatility. The 3-year return is more representative and exceeds benchmark by 0.6%.

IFM and KKR - global infrastructure, both managers show 10%+ return over benchmark. Similarly to private equity a long-term view needs to be taken, potentially incorporating the initial investment period.

Aspect Capital Partners – Targeted Return, (12.7%) below benchmark. The nature of the product is highly volatile, and some reassurance can be gained from the long-term performance of the manager (exceeds benchmark over 5-years). In the January strategy review the fit of the product in the portfolio was considered and the diversification from equity stressed as a key benefit. LGPS Central's development of a Target Return product will provide a good opportunity to consider the Fund's approach to this class.

Christofferson Robb & Company – Other Opportunities - 13.4% excess return over benchmark. The other opportunities allocation targets a higher return, at a higher level of risk. The investments in the opportunities area should be looked at as a collective, as not all will perform to target.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate, although the pooling of investments within the Local Government Pension Scheme mentioned earlier in this report means that there needs to be a greater awareness of when action is appropriate and when it is not and indeed action will be taken at a pooled level rather than an individual pension fund level. Since 1st April 2014 all investment performance has been measured net of investment management fees and the figures quoted above are, therefore, after taking these into account.

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

Equities

The Fund has a global passive equity manager (Legal & General) that manages against both market capitalisation benchmarks and also against alternative benchmarks. There is also a specialist emerging market equity manager (Delaware Investments). During the 2018/19 financial year Global equity investments transitioned from Kleinworth Benson and Kempen to the LGPS Central Pool in the LGPS Global Active Equity Fund.

Within equities the Fund also has private equity investments (i.e. investment in unquoted companies), the vast majority of which is managed on a global basis by Adams Street Partners.

Real Income Fund

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 some covering 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 Kames Capital.

Inflation-linked

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 it is also very expensive – it would involve 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. This would push up employers' contribution rates to levels which are unaffordable, so cannot be implemented in a large scale manner.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds, but these are expensive as there are a number of price-insensitive buyers and a lack of supply. As a result the Fund has a three-pronged approach to obtaining some protection against inflation – investment in infrastructure and timberland (both of which have a good historic link to inflation, and also good return prospects), and also a global government index-linked portfolio.

Kames Capital manages a portfolio of global index-linked stocks. The Fund has three global infrastructure managers - IFM, KKR and JPMorgan - whilst the timberland investment is managed by Stafford Timberland

Alternative Assets

Targeted return - The Fund's targeted return 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 (i.e. only slightly below the expected long-term return from equities), 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 in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Credit - The major exposure within credit is in a private debt fund managed by Partners Group, although there are also modest exposures to a 'best ideas' bond fund managed by JPMorgan. The Fund's exposure to Emerging Market Debt is in a pooled fund managed by emerging market specialist manager Ashmore.

Other opportunities Fund - The 'Other' weighting is often referred to as the 'opportunity pool'. The broad principle of these investments is that they will offer the prospect of excellent returns, but they will not generally fit neatly into the Fund's strategic benchmark. The high returns will often be available as a result of a market disconnection or a misunderstanding of the risks and this situation will not last indefinitely, and hence the opportunities cannot be considered for inclusion within the strategic benchmark. At the year-end the opportunity pool consisted of three different funds managed by M & G that have virtually identical investment aims. The intention is for the manager to utilise their expertise in restructuring the balance sheets of companies that are stressed, to the advantage of bond holders.

Other portfolios

The Fund also has a currency portfolio that looks to profit from relative movements in currency values, which is managed by Millennium. No 'cash backing' is required, and this portfolio is not included within the strategic asset allocation benchmark.

Foreign Exchange hedging is undertaken by Kames Capital to reduce the impact of currency fluctuations, rather than being held for an investment return.

7. 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 8 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.

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

Address:

LGPS Central Ltd,
Mander House,
Mander Centre,
Wolverhampton,
WV1 3NB

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

e-mail: enquiries@lgpscentral.co.uk

During the 2018/19 financial year, 3 global equity investments were made via the pool by the Leicestershire Fund as follows:

	Value at 31st March 2019
LGPS Central	£m
Harris	117.7
Schroders	103.5
Union	112.0
Total	333.2

As at 31st March 2019 all other assets held by the fund were held outside the Pool. However, £184m was invested into emerging markets equity funds via the pool in July 2019.

There are also advisory and executions mandates held with the pool for the following assets:

	Assets under management
	£
Targeted Return	530,753,065
Property	395,976,132
Fixed Income	110,684,304

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 2018/19. 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 relates to the Leicestershire Pension Fund. 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.

Set up costs

Leicestershire's share of the set-up cost associated with the pool were as follows:

£000	Cumulative 2014/15 to 2018/19 Total
Set Up Costs	
Recruitment	0
Procurement	27
Professional Fees	2
IT	187
Staff Costs	97
Other Costs	142
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	1315
Debt	685
Other Costs	
Set-Up Costs After Funding	2514

£000	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				

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)	-

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

£000	At 1 April-18	Charges in Year	Settled in Year	At 31 March-19
Governance Costs	-	198	(170)	28
Operator Costs	-	406	(345)	61
IMMC	-	16	-	16
Product Development Costs	-	102	(56)	46
Total	-	722	(571)	151

The following Investment management costs have been charged by the pool to the Leicestershire Fund.

	£000	Direct	Total	Bps Charge*
1	Ad Valorem	46	46	11.64
2	Performance	-	-	
3	Research	-	-	
4	PRIIPS Compliance	-	-	
5	Other (provide details)	-	-	
	Management Fees	46	46	11.64
6	Commissions	4	4	1.14
7	Acquisition/issue costs	-	-	
8	Disposal costs	-	-	
9	Registration/filing fees	-	-	
10	Taxes and Stamp Duty	1	1	0.35
11	Other (provide details)	-	-	
	Transaction Costs	6	6	1.49
12	Custody/Depositary	3	3	0.82
13	Other (provide details)			
	Fund Accounting	1	1	0.15
	Transfer Agent	<1	<1	0.06
	External Audit	<1	<1	0.03
	Total Costs	56	56	14.19

*BPS= Basis points charged based on Assets under Management

Pension Fund Annual Report

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2018/19 Costs	AUM at 31 March 2019 £m	2018/19 Bps Charge
Global Multi-Manager	42					4				1		3	1	52	340	13.24
ACS Sub-Funds	42					4				1		3	1	52	340	
Private Equity 2018 V'tage	4													4		22.65
Alternative Vehicles	4													4		
Total	46					4				1		3	1	56	340	14.20

The above table does not include advisory and execution mandates. The costs for these did not start coming through to the fund till the 2019/20 financial year.

Items 1 – 13 relate to the categories highlighted in the management costs table.

Asset Under Management & Performance by Product / Service

£000	AUM At 1 April-18 £m	AUM At 31 March-19 £m	One Year Gross Performance % (*)	One Year Net Performance % (*)	Passive Benchmark Used	One Year Passive Index % (*)
Global Ex-UK Passive						
UK Passive						
Dividend Growth Fund						
Global Multi-Manager	0	340	2.60	2.59	FT: All World	3.43
ACS Sub-Funds	0	340				
Private Equity 2018 Vintage	0	0				
Alternative Vehicles	0					
Total	0	340				

(*) Inception to 31 March 2019

Transition Costs

Please note that Partner Funds are currently investigating the methodology which will be used to quantify transition costs for the purposes of the CIPFA Annual Report Pooling Disclosures. The details provided reconcile the starting unit price of £100 to the unit price when the assets are handed over to the manage

£000	<i>Global Multi-Manager Sub-Fund</i>
Starting Unit Price (A)	100.00
Manager Hand-Over Unit Price (B)	98.22
Change in Unit Price (B-A/A = C)	(1.78%)
Index Performance (D)	(1.24%)
Out/Under Performance (C-D)	(0.54%)
Total Transition Costs = Financial Impact of Out/Under Performance Calculated Above	
<i>Out/Under Performance Comprised of:</i>	
(1) Out/Under-performance between assets entering sub-fund and point of transition	(0.12%)
(2) Transition Costs/implementation Shortfall as reported by the Transition Manager	
- Commissions	(0.016%)
- Taxes	(0.033%)
- Market Impact	(0.118%)
- Spread	(0.024%)
- Forex	+ 0.011%
- Opportunity Cost	(0.126%)
- Transfer Taxes	(0.023%)
- Other (provide details)	
(3) Out/Under-performance between transition commencement and manager handover	(0.091%)
Total Transition Costs Using Above Methodology	

8. Actuarial Statement

Leicestershire County Council Pension Fund (“the Fund”) Actuarial Statement for 2018/19

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), effective from 15 February 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB. this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still at least a 66% chance that the Fund will return to full funding over 20 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 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £3,164 million, were sufficient to meet 76.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £989 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a specified time period as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

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 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	3.2%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on forecasts by the Fund's actuary with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.8 years	26.2 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation strong asset returns have been secured, however real bond yields have fallen indicating that future returns are likely to be lower than previous expected. Both events are of broadly similar magnitude with regards to the impact on the funding position. The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA

For and on behalf of Hymans Robertson LLP

26 April 2019

Hymans Robertson LLP 20 Waterloo Street, Glasgow, G2 6DB

9. Financial Statements

The funds financial statements are attached in Appendix B to this report. The financial statements have been audited and an unqualified audit opinion given.

10. GOVERNANCE COMPLIANCE STATEMENT**1.0 INTRODUCTION**

1.1 This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is a statutory one that is set up under an Act of Parliament and the administering authority is Leicestershire County Council (the Council). This statement has been prepared as required by the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007.

2.0 FUNCTIONS AND RESPONSIBILITIES

2.1 Leicestershire County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee (the LPC). This delegation to a specialist committee is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA).

2.2 The 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 and Vice-Chair.

2.3 The LPC may delegate certain actions to the Director of 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 Resources.

2.4 An Investment Subcommittee, with its members drawn from the LPC, is a decision-making Committee 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).

2.5 Pensions Administration issues are the responsibility of the Local Pension Board, where this is relevant to their role of assisting the administering authority to meet the requirements of Regulations or the Pension Regulator. Many of the day-to-day pension administration issues are the responsibility of the Director of Resources.

3.0 REPRESENTATION

3.1 The LPC is made up of 13 members – 5 members representing Leicestershire County Council, 2 representing Leicester City Council, 2 jointly representing the District Councils, 1 jointly representing De Montfort/Loughborough Universities and 3 non-voting staff representatives. The 10 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 staff representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

3.2 The LPB is made up of 6 members – 3 employer representatives (2 elected politicians of Leicestershire County Council and 1 from Leicester City Council) and 3 member

representatives. There will be at least one member representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

4.0 STAKEHOLDER ENGAGEMENT

4.1 An Annual Meeting of the Pension Fund is held annually, usually in January, 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 staff representatives for any vacant positions on the LPC and member representatives for any vacant positions on the LPB.

4.2 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.

5.0 REVIEW AND COMPLIANCE WITH BEST PRACTICE

5.1 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.

5.2 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.

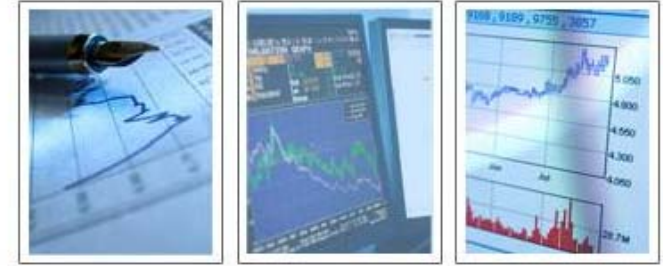
Principle	Compliance/Comments
Structure	
The strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant
That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee.	Fully compliant
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	Investment Subcommittee will be full LPC members, so Fully Compliant
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	

<p>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</p>	<p>Fully Compliant. A copy of this statement has been sent to all employing authorities.</p>
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P O R T F O L I O
E V A L U A T I O N
L I M I T E D



Specialists in Investment Risk and Return Evaluation

Quarterly Risk and Return Analysis

Leicestershire County Council Pension Fund

Period ending 31st March 2019



Portfolio Evaluation Ltd Market Commentary Q1 2019 (Sterling)

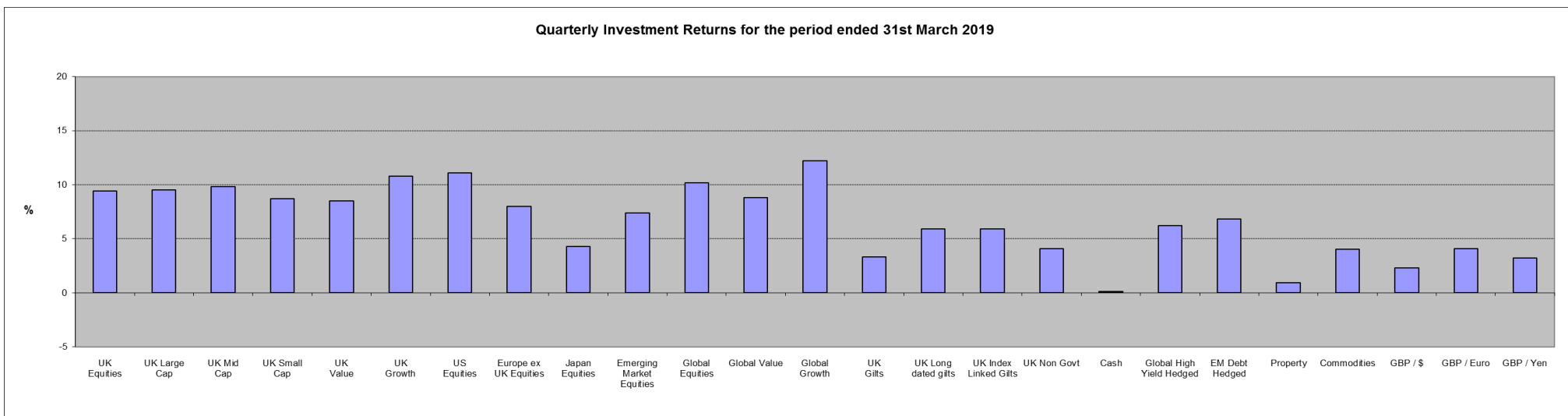
After a disappointing quarter and year ended December 2018 most markets bounced back in the quarter ended March 31 2019 to an extent that left the losses posted in 2018 largely recovered.

The last quarter of 2018 saw markets fall due largely to increase uncertainty caused by a number of factors including central banks discussing raising rates and / or easing quantitative easing, slower global economic growth (of particular note was China) which some saw as being a precursor to a potential recession, trade war issues (US and China), increased market volatility, and some geopolitical concerns. The first quarter of 2019 saw many of these concerns reduce as the US authorities reduced the likelihood of short term interest rate hikes, the Chinese have undertaken measures to reduce the decline in economic growth due to monetary tightening, there have been positive steps gained in global trade discussions and inflation seems muted in developed markets. The response to this has been a rise global markets.

Looking forwards market commentators continue to expect lower global economic growth and corporate earnings growth with the Eurozone looking particularly vulnerable. Many investors seem to expect growth to continue into 2020 and potentially to 2021 as the outlook for a recession gets moved back due partly positive central bank actions and benign inflation. However despite this quarter many market commentators are discussing more defensive strategies going forwards, and many are also viewing emerging markets positively.

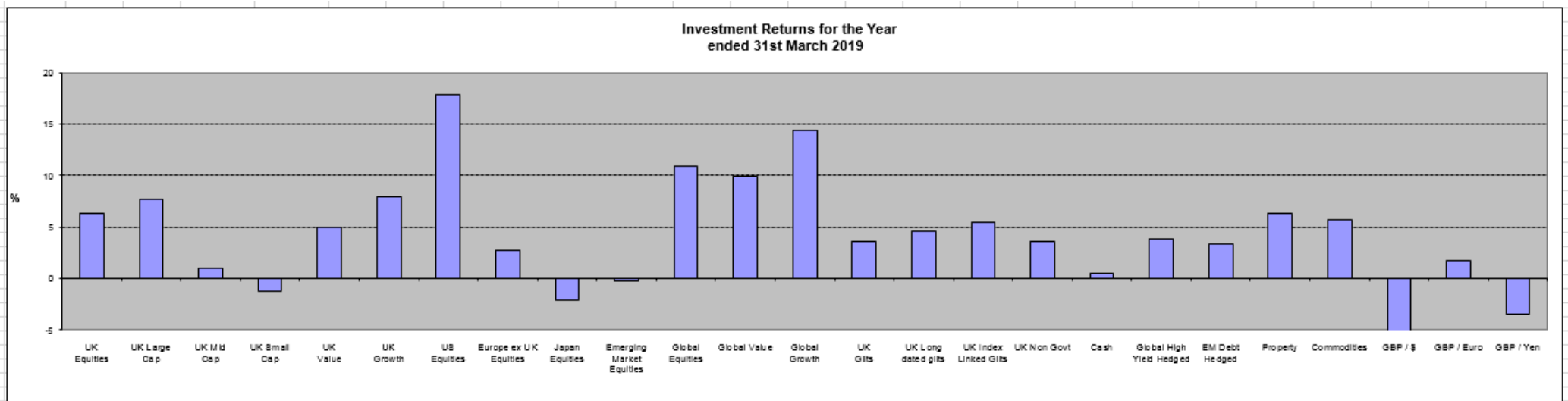
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Quarterly Investment Returns for the period ended 31st March 2019





Within the UK the obsession and lack of resolution with Brexit has continued through the quarter. This continues to lower the economic growth outlook and reduce the willingness of both companies and investment managers to invest in the UK. The 'high street' sector continues to struggle with high costs and lower revenues whilst business is still reviewing how to proceed in the future. Despite posting significant equity market gains the concerns about the future outlook helps to explain the relatively lack lustre performance of UK stockmarkets when compared to many others. The more positive global outlook this quarter saw growth outperform value however the market return was very sector specific led by Technology, Basic Materials and Consumer Goods (except for Autos). Given market events over the last 12 months UK equities have shown mixed results over time, however Technology Healthcare, Basic Materials and Oil & Gas sectors have been strong performers whilst Financials, Industrials, Consumer Goods and Consumer Services have dragged.



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Market volatility has continued to increase as a result of the outlook and in particular the risk levels between asset classes has also increased as diversification benefits reduce. Many commentators expect this to continue throughout 2019.

For further information

If you would like further information about the topics contained in this newsletter or would like to discuss your investment performance requirements please contact Nick Kent or Deborah Barlow Tel: +44 (0)1937 841434 (e-mail: nick.kent@portfolioevaluation.net) or visit our website at www.portfolioevaluation.net. Please note that all numbers, comments and ideas contained in this document are for information purposes only and as such are not investment advice in any form. Please remember that past performance is not a guide to future performance.

Client: Leicestershire County Council Pension Fund
 Manager: Multi-manager
 Mandate: Total Fund
 Asset Class: Combined Assets
 Benchmark: LCC - Total Fund Index
 Inception: 31-Mar-2016
 Mkt Val: £4.3bn

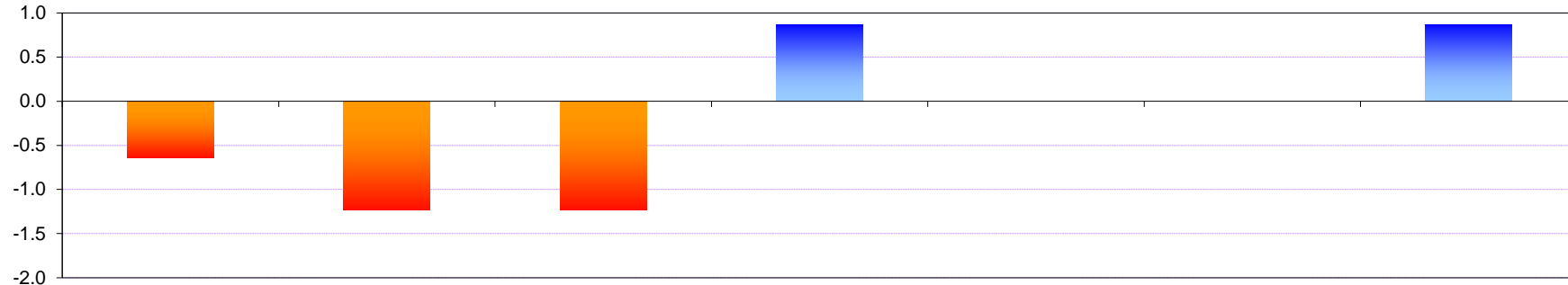
Total Fund Overview

Leicestershire County Council Pension Fund

Report Period: Quarter Ending March 2019



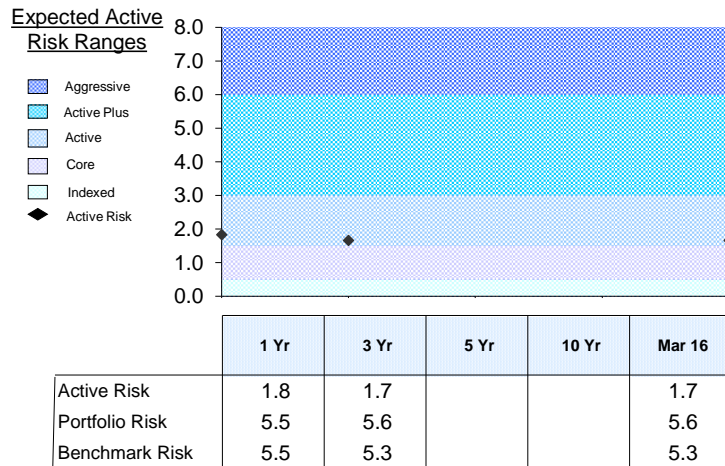
Excess Return Analysis (%)



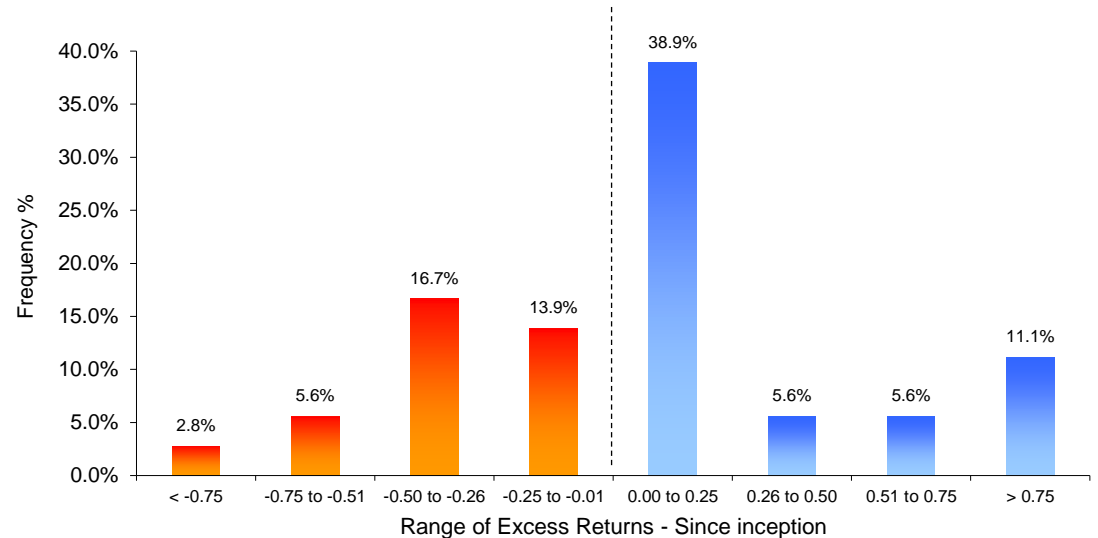
	QTR	YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Mar 16 (p.a.)
Excess Return	-0.6	-1.2	-1.2	0.9			0.9
Portfolio Return	5.0	5.2	5.2	10.4			10.4
Benchmark Return	5.7	6.4	6.4	9.5			9.5

All returns for periods in excess of 1 year are annualised. The portfolio return is net.

Ex-Post Active Risk Analysis (%)



Excess Return Consistency Analysis

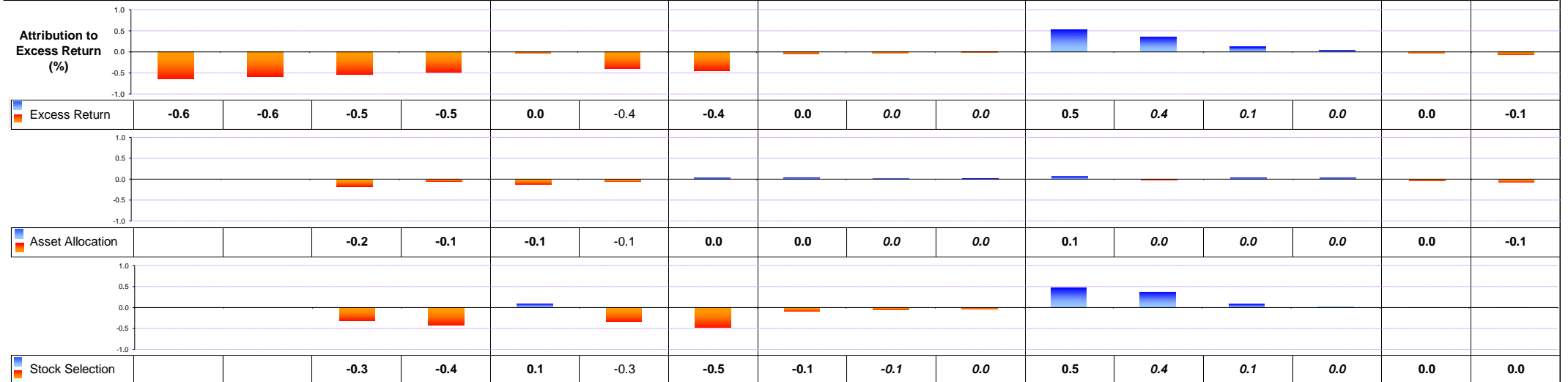
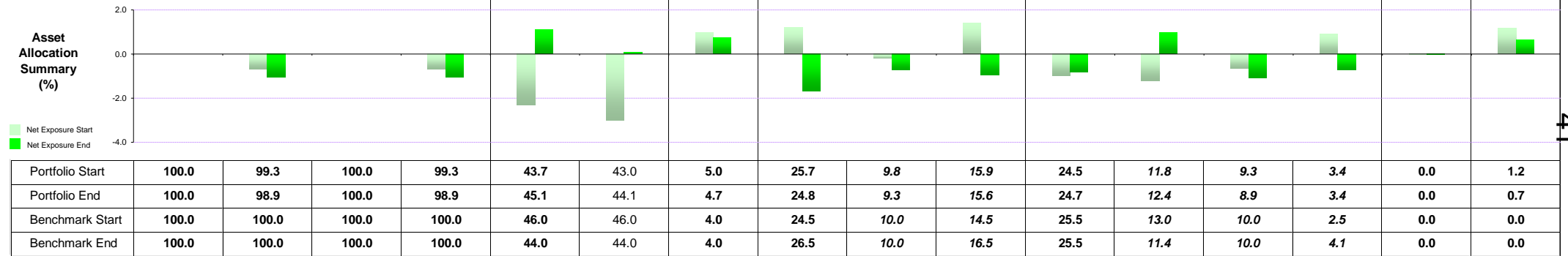
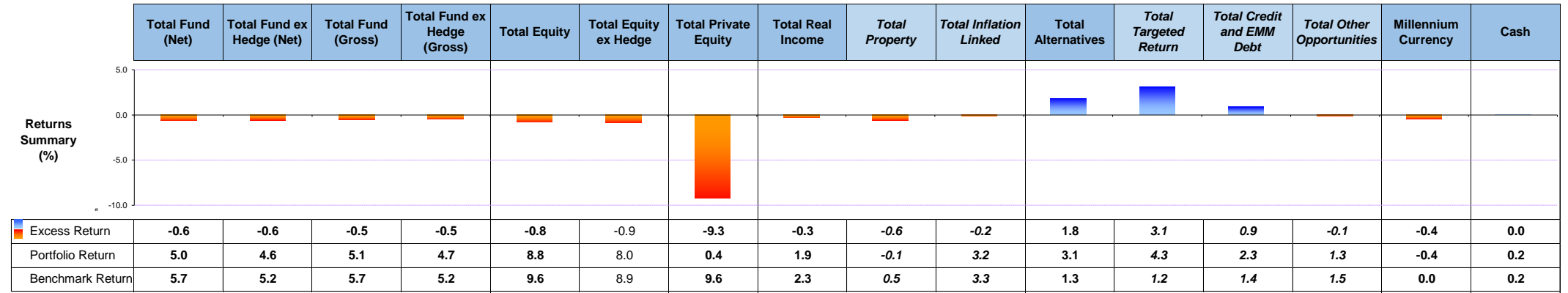


Ex-Post Active Risk measures the volatility of the actual excess returns achieved by the Portfolio/Fund.
Excess Return Consistency Analysis measures the frequency of the Portfolio/Fund's outperformance (Blue) and underperformance (Red) versus its benchmark, calculated using monthly (or quarterly if indicated) returns since inception.

**Attribution to Total Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2019**



Market Value: 4.3bn



The **Returns Summary** details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted. The **Asset Allocation Summary** details the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the over/underweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The **Attribution to Excess Return**, identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into **Asset Allocation** (how successful the decision to over/underweight each asset class was) and then into **Stock Selection** (how well each manager/s decisions have performed). The **Asset Allocation** plus the **Stock Selection** excess returns are all additive and equal the **Total Excess Return** of the Fund.

Attribution to Total Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Year Ended 31st March 2019

Market Value: 4.3bn

	Total Fund (Net)	Total Fund ex Hedge (Net)	Total Fund (Gross)	Total Fund ex Hedge (Gross)	Total Equity	Total Equity ex Hedge	Total Private Equity	Total Real Income	Total Property	Total Inflation Linked	Total Alternatives	Total Targeted Return	Total Credit and EMM Debt	Total Other Opportunities	Millennium Currency	Cash
Returns Summary (%)																
Excess Return	-1.2	-1.4	-0.8	-1.0	-0.3	-0.9	9.1	1.3	-0.7	2.7	-4.4	-7.4	-2.0	-0.1	-0.4	0.1
Portfolio Return	5.2	5.2	5.6	5.6	6.9	6.8	19.9	6.6	4.9	7.6	0.5	-2.7	3.2	5.7	-0.4	0.8
Benchmark Return	6.4	6.6	6.4	6.6	7.2	7.7	10.7	5.3	5.6	4.9	4.9	4.7	5.2	5.9	0.0	0.7
Asset Allocation Summary (%)																
Portfolio Start	100.0	99.0	100.0	99.0	47.1	46.1	3.7	23.5	9.1	14.4	24.0	12.7	8.1	3.1	0.0	1.7
Portfolio End	100.0	98.9	100.0	98.9	45.1	44.1	4.7	24.8	9.3	15.6	24.7	12.4	8.9	3.4	0.0	0.7
Benchmark Start	100.0	100.0	100.0	100.0	46.0	46.0	4.0	24.5	10.0	14.5	25.5	13.0	10.0	2.5	0.0	0.0
Benchmark End	100.0	100.0	100.0	100.0	44.0	44.0	4.0	26.5	10.0	16.5	25.5	11.4	10.0	4.1	0.0	0.0
Attribution to Excess Return (%)																
Excess Return	-1.2	-1.4	-0.8	-1.0	-0.4	-0.4	0.3	0.4	-0.1	0.4	-1.1	-1.0	-0.2	0.1	0.0	-0.1
Asset Allocation			-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.1	0.0	-0.1
Stock Selection			-0.6	-0.8	-0.3	-0.4	0.3	0.3	0.0	0.4	-1.1	-0.9	-0.2	0.0	0.0	0.0

**Manager Summary-Total Fund
Leicestershire County Council Pension Fund
for Period Ended 31st March 2019**

Market Value: 4.3bn

	Benchmark	Incep Date	Market Value (£m)	Weight %	QTR			Year To Date			1 Year			3 Year			Since Inception		
					PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER	PF	BM	ER
Total Equity Fund	Client Weighted Index	Mar-16	1,937.4	45.1	8.8	9.6	-0.8	6.9	7.2	-0.3	6.9	7.2	-0.3	13.6	12.5	1.1	13.7	12.6	1.1
Total Equity Fund ex Hedge	Client Weighted Index	Mar-16	1,892.2	44.1	8.0	8.9	-0.9	6.8	7.7	-0.9	6.8	7.7	-0.9	13.3	13.6	-0.3	13.3	13.6	-0.3
L&G Total Passive Equity Fund	Client Weighted Index	Mar-16	1,377.1	32.1	8.9	8.9	0.1	8.1	7.9	0.2	8.1	7.9	0.2	13.2	13.1	0.0	13.2	13.1	0.0
L&G UK Equity Fund	FTSE All Share Index	Dec-13	313.6	7.3	9.7	9.4	0.3	6.5	6.4	0.2	6.5	6.4	0.2	9.4	9.5	-0.1	5.6	5.7	0.0
L&G North American Equity Fund	Client Specific Index	Dec-13	532.5	12.4	10.7	10.7	0.0	15.7	15.5	0.1	15.7	15.5	0.1	15.8	15.9	-0.1	14.5	14.6	-0.1
L&G Japanese Equity Fund	FTSE All World Japan Index	Dec-13	108.1	2.5	4.5	4.5	0.0	-0.9	-0.9	-0.1	-0.9	-0.9	-0.1	12.3	12.3	0.0	9.7	9.9	-0.1
L&G European Equity Fund	Client Specific Index	Dec-13	229.2	5.3	7.1	7.1	0.0	0.8	1.0	-0.1	0.8	1.0	-0.1	11.0	10.2	0.8	7.2	6.9	0.3
L&G Pacific Ex Japan Equity Fund	FTSE Developed Asia Pacific Ex. Japan Index	Mar-13	113.0	2.6	7.7	7.7	-0.1	4.5	4.8	-0.4	4.5	4.8	-0.4	13.3	13.6	-0.3	8.5	8.7	-0.2
L&G Emerging Markets Equity Fund	MSCI Emerging Markets Index	Dec-13	80.7	1.9	7.9	7.5	0.4	1.6	0.1	1.6	1.6	0.1	1.6	14.2	14.8	-0.6	8.7	8.6	0.0
LGPS Global Active Equity Fund	FTSE All World Index	Feb-19	333.2	7.8	-1.8	1.3	-3.0										-1.8	1.3	-3.0
Kleinwort Benson Global Equity Fund	FTSE All World Index	Dec-13	0.0	0.0	6.8	8.3	-1.5	5.4	9.4	-4.0	5.4	9.4	-4.0	12.2	14.8	-2.6	9.9	11.7	-1.7
Kempen Global Equity Fund	FTSE All World Index	Dec-13	0.0	0.0	6.0	8.3	-2.2	7.5	9.4	-1.9	7.5	9.4	-1.9	13.3	14.8	-1.5	10.2	11.9	-1.8
Delaware Emerging Markets Equity Fund	MSCI Emerging Markets Index	Dec-13	181.9	4.2	7.5	7.5	0.0	1.9	0.1	1.9	1.9	0.1	1.9	18.4	14.8	3.7	9.6	8.5	1.1
Kames Currency Hedge Fund	LIBOR 1 Month	Mar-16	45.2	1.1	59.2	0.2	59.0	6.6	0.7	6.0	6.6	0.7	6.0	-12.3	0.5	-12.8	-12.3	0.5	-12.8
Total Private Equity Fund	FTSE All World Index	Mar-16	203.4	4.7	0.4	9.6	-9.3	19.9	10.7	9.1	19.9	10.7	9.1	15.8	14.9	0.9	15.8	14.9	0.9
Total Real Income Fund	Client Weighted Index	Mar-18	1,066.2	24.8	1.9	2.3	-0.3	6.6	5.3	1.3	6.6	5.3	1.3	10.3	7.3	3.0	10.3	7.3	3.0
Total Property Fund	IPD UK Monthly Property Index (GBP)	Mar-16	398.0	9.3	-0.1	0.5	-0.6	4.9	5.6	-0.7	4.9	5.6	-0.7	8.7	6.9	1.8	8.7	6.9	1.8
Colliers Pooled Property	IPD UK Monthly Property Index (GBP)	Mar-16	30.2	0.7	0.0	0.5	-0.5	11.9	5.6	6.4	11.9	5.6	6.4	6.0	6.9	-0.8	6.1	6.9	-0.8
Colliers Direct Property Fund	IPD UK Monthly Property Index (GBP)	Mar-16	99.8	2.3	-1.7	0.5	-2.2	0.4	5.6	-5.1	0.4	5.6	-5.1	7.8	6.9	0.9	7.8	6.9	0.9
Aviva Property Fund	IPD UK Monthly Property Index (GBP)	Dec-13	204.3	4.8	0.5	0.5	0.0	5.8	5.6	0.2	5.8	5.6	0.2	9.9	6.9	3.0	12.0	3.9	8.1
Kames Capital Property Fund	IPD UK Monthly Property Index (GBP)	Mar-16	27.6	0.6	-0.1	0.5	-0.6	7.1	5.6	1.5	7.1	5.6	1.5	7.5	6.9	0.6	8.6	8.2	0.4
Kames Capital II Property Fund	IPD UK Monthly Property Index (GBP)	Nov-16	36.2	0.8	0.8	0.5	0.3	5.6	5.6	0.1	5.6	5.6	0.1				7.8	8.7	-0.9
Total Inflation-Linked Fund	Client Weighted Index	Mar-16	668.2	15.6	3.2	3.3	-0.2	7.6	4.9	2.7	7.6	4.9	2.7	11.7	7.8	3.9	11.7	7.8	3.9
Kames Capital Index-Linked Fund	FTSE All Stocks Index Linked Index	Dec-13	317.1	7.4	5.9	5.9	0.0	5.5	5.5	0.0	5.5	5.5	0.0	11.2	10.0	1.1	12.5	12.0	0.5
IFM Global Infrastructure Fund	LIBOR 1 Month + 4%	Dec-13	73.9	1.7	1.3	1.2	0.2	18.5	4.7	13.8	18.5	4.7	13.8	17.8	4.5	13.3	15.7	6.8	8.9
KKR Global Infrastructure Fund	LIBOR 1 Month + 4%	Mar-16	45.9	1.1	0.8	1.2	-0.4	17.0	4.7	12.3	17.0	4.7	12.3	19.2	4.5	14.8	19.2	4.5	14.8
JPMorgan Infrastructure Fund	LIBOR 1 Month + 4%	Jun-16	92.9	2.2	-1.2	1.2	-2.3	1.0	4.7	-3.7	1.0	4.7	-3.7				4.4	4.5	-0.1
Stafford Timberland Fund	LIBOR 1 Month + 4%	Mar-16	138.3	3.2	1.7	1.2	0.6	7.4	4.7	2.7	7.4	4.7	2.7	5.1	4.5	0.6	5.1	4.5	0.6
Total Alternatives Fund	Client Weighted Index	Mar-16	1,059.3	24.7	3.1	1.3	1.8	0.5	4.9	-4.4	0.5	4.9	-4.4	5.0	4.9	0.0	5.0	4.9	0.0
Total Targeted Return Fund	LIBOR 1 Month + 4%	Apr-16	531.2	12.4	4.3	1.2	3.1	-2.7	4.7	-7.4	-2.7	4.7	-7.4	2.4	4.5	-2.1	2.4	4.5	-2.1
Aspect Capital Partners Fund	LIBOR 1 Month + 4%	Dec-13	129.4	3.0	7.6	1.2	6.5	-8.1	4.7	-12.7	-8.1	4.7	-12.7	-4.3	4.5	-8.8	4.6	4.5	0.2
Ruffer Fund	LIBOR 1 Month + 4%	Dec-13	253.7	5.9	3.0	1.2	1.8	0.0	4.7	-4.7	0.0	4.7	-4.7	4.9	4.5	0.4	4.8	4.5	0.3
Pictet Fund	LIBOR 1 Month + 4%	Sep-15	147.7	3.4	3.5	1.2	2.4	-2.0	4.7	-6.6	-2.0	4.7	-6.6	5.0	4.5	0.5	4.2	4.5	-0.3
EnTrustPermal Fund	LIBOR 1 Month + 4%	Apr-07	0.4	0.0	-8.3	1.2	-9.4	-11.5	4.7	-16.2	-11.5	4.7	-16.2	-12.5	4.5	-16.9	-0.1	3.0	-3.1
Total Credit and EMM Debt Fund	Client Weighted Index	Apr-16	383.4	8.9	2.3	1.4	0.9	3.2	5.2	-2.0	3.2	5.2	-2.0	7.1	5.6	1.5	7.1	5.6	1.5
Ashmore Emerging Markets Debt Fund	LCC - Ashmore EMM Debt	Jan-14	110.7	2.6	3.2	2.2	1.0	6.2	6.6	-0.4	6.2	6.6	-0.4	11.2	8.4	2.7	9.6	5.0	4.5
JPMorgan Global Credit Fund	LIBOR 1 Month + 4%	Apr-15	27.4	0.6	4.0	1.2	2.9	1.9	4.7	-2.8	1.9	4.7	-2.8	3.6	4.5	-0.9	2.6	4.5	-1.8
Partners Group Private Debt Fund	LIBOR 1 Month + 4%	Mar-16	245.4	5.7	1.7	1.2	0.6	2.0	4.7	-2.7	2.0	4.7	-2.7	4.4	4.5	0.0	4.5	4.5	0.0
Total Other Opportunities Fund	Client Weighted Index	Apr-18	144.7	3.4	1.3	1.5	-0.1	5.7	5.9	-0.1	5.7	5.9	-0.1	11.7	5.0	6.7	11.7	5.0	6.7
M&G DOF Fund	LIBOR 1 Month + 4%	Mar-16	74.4	1.7	2.3	1.2	1.2	-2.6	4.7	-7.3	-2.6	4.7	-7.3	9.0	4.5	4.5	9.0	4.5	4.5
Christofferson Robb & Company Fund	Absolute Return +7.5%	Dec-17	48.9	1.1	0.5	1.8	-1.3	20.8	7.5	13.4	20.8	7.5	13.4				15.7	7.6	8.1
Infracapital Infrastructure Fund	Absolute Return +7.5%	Nov-17	13.6	0.3	-0.8	1.8	-2.7	12.1	7.5	4.6	12.1	7.5	4.6				16.1	7.5	8.6
Aberdeen Standard Private Equity Fund	Absolute Return +7.5%	Dec-17	7.8	0.2	1.2	1.8	-0.6	7.0	7.5	-0.4	7.0	7.5	-0.4				6.8	7.5	-0.7
Millennium Currency Fund	None	Dec-13	-0.4	0.0	-0.4	0.0	-0.4	-0.4	0.0	-0.4	-0.4	0.0	-0.4	-0.6	0.0	-0.6	0.5	0.0	0.5
Cash Fund	LIBOR 1 Month	Mar-16	27.9	0.7	0.2	0.0	0.0	0.8	0.7	0.1	0.8	0.7	0.1	0.4	0.5	0.0	0.4	0.5	0.0
Leicestershire County Council Pension Fund ex Hedge (Gross)	Client Weighted Index	Mar-16			4.7	5.2	-0.5	5.6	6.6	-1.0	5.6	6.6	-1.0	10.9	9.8	1.1	10.9	9.8	1.1
Leicestershire County Council Pension Fund (Gross)	Client Weighted Index	Mar-16			5.1	5.7	-0.5	5.6	6.4	-0.8	5.6	6.4	-0.8	10.8	9.5	1.3	10.8	9.5	1.3
Leicestershire County Council Pension Fund ex Hedge (Net)	Client Weighted Index	Mar-16	4,248.7	98.9	4.6	5.2	-0.6	5.2	6.6	-1.4	5.2	6.6	-1.4	10.4	9.8	0.6	10.4	9.8	0.6
Leicestershire County Council Pension Fund (Net)	Client Weighted Index	Mar-16	4,293.9	100.0	5.0	5.7	-0.6	5.2	6.4	-1.2	5.2	6.4	-1.2	10.4	9.5	0.9	10.4	9.5	0.9

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

Total Fund Benchmark	CLIENT SPECIFIC: 7.00% FTSE All Share 6.50% FTSE AW North America 70% GBP Hedged 6.50% FTSE RAFI AW 3000 North America 70% GBP Hedged 2.50% FTSE Developed Europe Ex UK 70% GBP Hedged 2.50% FTSE RAFI 3000 Developed Europe Ex UK 70% GBP Hedged 2.50% FTSE AW Japan 70% GBP Hedged 2.50% FTSE Developed Asia Pacific Ex Japan 50% GBP Hedged 2.50% Ashmore Specific Index 10.00% IPD UK Monthly Property Index 7.50% FTSE All Stocks Index Linked 6.00% MSCI EMM 50% GBP Hedged 8.00% FTSE All World 70% GBP Hedged 4.00% FTSE All World 32.00% Libor 1 Month +4%	Notes: Net & Gross - Currently we have not received all the necessary manager data to complete this, therefore please use with caution. If you require additional information please contact us. Adams Street: Data is on a 4 month lag. We have received the Q4 2018 data, as we have not yet received the Q1 2019 data this is lagged. Q2 2019: Kleinwort Benson Global Equity Fund & Kempen Global Equity Fund transferred to the LGPS Global Active Equity Fund as at 15th February 2019. Therefore the returns quoted within this report for these funds are in effect 'partial period returns'.
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Total Fund Reconciliation
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2019

Market Value: 4.3bn

	31st Dec 2018			31st Mar 2019		
	Market Val (£000s)	Exposure (%)	Net Exp (%)	Market Val (£000s)	Exposure (%)	Net Exp (%)
Total Equity Fund	1,778,358	43.7	-2.3	1,937,446	45.1	1.1
Total Equity Fund ex Hedge	1,749,958	43.0	-3.0	1,892,238	44.1	0.1
L&G Total Passive Equity Fund	1,263,920	31.0	-2.8	1,377,120	32.1	0.1
L&G UK Equity Fund	286,255	7.0	-0.5	313,559	7.3	0.3
L&G North American Equity Fund	480,382	11.8	-1.4	532,467	12.4	-0.6
L&G Japanese Equity Fund	102,951	2.5	-0.3	108,134	2.5	0.0
L&G European Equity Fund	212,984	5.2	-0.5	229,201	5.3	0.3
L&G Pacific Ex Japan Equity Fund	105,392	2.6	-0.2	113,030	2.6	0.1
L&G Emerging Markets Equity Fund	75,956	1.9	0.0	80,730	1.9	-0.1
LGPS Global Active Equity Fund	0	0.0	0.0	333,186	7.8	-0.2
Kleinwort Benson Global Equity Fund	184,618	4.5	-0.1	0	0.0	0.0
Kempen Global Equity Fund	132,405	3.3	-0.1	0	0.0	0.0
Delaware Emerging Markets Equity Fund	169,014	4.2	0.0	181,932	4.2	0.2
Kames Currency Hedge Fund	28,400	0.7	0.7	45,208	1.1	1.1
Total Private Equity Fund	203,004	5.0	1.0	203,403	4.7	0.7
Total Real Income Fund	1,046,325	25.7	1.2	1,066,200	24.8	-1.7
Total Property Fund	398,913	9.8	-0.2	397,995	9.3	-0.7
Colliers Pooled Property	30,171	0.7	0.0	30,177	0.7	-0.1
Colliers Direct Property Fund	101,520	2.5	-0.1	99,755	2.3	-0.4
Aviva Property Fund	202,973	5.0	-0.1	204,266	4.8	-0.2
Kames Capital Property Fund	27,837	0.7	0.0	27,593	0.6	0.0
Kames Capital II Property Fund	36,411	0.9	0.0	36,205	0.8	0.0
Total Inflation-Linked Fund	647,413	15.9	1.4	668,205	15.6	-0.9
Kames Capital Index-Linked Fund	302,100	7.4	-0.1	317,139	7.4	-0.1
IFM Global Infrastructure Fund	73,424	1.8	0.1	73,944	1.7	0.2
KKR Global Infrastructure Fund	46,060	1.1	0.1	45,876	1.1	-0.4
JPMorgan Infrastructure Fund	95,692	2.4	0.1	92,937	2.2	-0.8
Stafford Timberland Fund	130,138	3.2	1.2	138,309	3.2	0.2
Total Alternatives Fund	997,957	24.5	-1.0	1,059,296	24.7	-0.8
Total Targeted Return Fund	479,304	11.8	-1.2	531,163	12.4	1.0
Aspect Capital Partners Fund	120,469	3.0	-0.3	129,437	3.0	-0.4
Ruffer Fund	244,912	6.0	-0.6	253,704	5.9	1.9
Pictet Fund	113,532	2.8	-0.3	147,662	3.4	-0.6
EnTrustPermal Fund	392	0.0	0.0	359	0.0	0.0
Total Credit and EMM Debt Fund	380,050	9.3	-0.7	383,436	8.9	-1.1
Ashmore Emerging Markets Debt Fund	107,319	2.6	0.1	110,684	2.6	0.1
JPMorgan Global Credit Fund	26,271	0.6	-0.1	27,355	0.6	0.1
Partners Group Private Debt Fund	246,459	6.1	-0.7	245,396	5.7	-1.3
Total Other Opportunities Fund	138,603	3.4	0.9	144,698	3.4	-0.7
M&G DOF Fund	72,774	1.8	0.5	74,425	1.7	-0.4
Christofferson Robb & Company Fund	48,639	1.2	0.3	48,878	1.1	0.1
Infracapital Infrastructure Fund	13,410	0.3	0.1	13,552	0.3	-0.2
Aberdeen Standard Private Equity Fund	3,781	0.1	0.0	7,842	0.2	-0.3
Millennium Currency Fund	-1,247	0.0	0.0	-426	0.0	0.0
Cash Fund	47,221	1.2	1.2	27,941	0.7	0.7
Leicestershire County Council Pension Fund ex Hedge	4,043,219	99.3	-0.7	4,248,653	98.9	100.0
Leicestershire County Council Pension Fund	4,071,619	100.0	0.0	4,293,861	100.0	100.0

Pension Fund

(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-18	31-Mar-19
Number of employers	254	263
Number of employees in the scheme (Actives)		
County Council	7,832	7,875
Other employers	25,806	26,537
Total	33,638	34,412
Number of pensioners		
County Council	10,724	11,177
Other employers	15,746	16,796
Total	26,470	27,973
Deferred pensioners		
County Council	12,526	12,423
Other employers	24,177	24,183
Total	35,703	36,606
Total number of members in the pension scheme	95,811	98,991

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 2019. Employers contributions are set based on triennial actuarial funding valuations. In 2018/19 the average employer rate was 23.8% of pay (22.7% 2017/18).

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 uprated 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 2019

2017/18 £m		Notes	2018/19 £m
	Contributions		
(139.2)	Employer Contributions	6	(149.5)
(38.3)	Member Contributions	6	(39.9)
(12.4)	Transfers in from Other Pension Funds	7	(10.3)
(189.9)	Total Contributions		(199.7)
	Benefits		
115.0	Pensions	8	124.8
31.8	Commutation of Pensions and Lump Sum Retirement Benefits	8	32.5
3.1	Lump Sum Death Benefits		4.6
18.0	Payments to and on Account of Leavers	9	11.9
167.9	Total Benefits		173.8
22.0	Net Additions)/(Withdrawals) from Dealings with Members		(25.9)
6.4	Management Expenses	10	7.1
(15.6)	Net Additions)/(Withdrawals) Including Fund Management Expenses		(18.8)
	Returns on investments		
(42.9)	Investment income	11	(36.8)
(144.0)	Profit and Losses on Disposal of Investments and Changes in Value of Investments	12	(173.1)
(186.9)	Net Returns on Investments (Sub Total)		(209.9)
(202.5)	Net Increase / (Decrease) in the Net Assets Available for Benefits fund During the Year		(228.7)
(3,880.8)	Net assets of the scheme Opening		(4,083.3)
(4,083.3)	Net assets of the scheme Closing		(4,312.0)

Net Assets Statement as at 31 March 2019

2017/18 £m		Notes	2018/19 £m
4,076.1	Investment assets	12	4,361.2
(1.2)	Investment liabilities	12	(54.0)
4,074.9			4,307.2
11.7	Current Assets	15	10.6
(3.3)	Current Liabilities	15	(5.8)
4,083.3	Net Assets of the Fund at 31 March		4,312.0

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 88 to 109 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 2018/19 financial year and its position as at 31 March 2019. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 2018/19.

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

a) *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.

b) *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.

c) 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**d) 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.

e) 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.

f) 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)', except for investment management expenses which are disclosed as net payments charged as opposed to grossing up the payments. The authority is collating gross management expenses and will be fully compliant in 2019/20.

Net Assets Statement**g) 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.

Pension Fund Accounts

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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in the introduction to the accounts. Actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance between longer term and short term yield/ return.

Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018, b) no dividends to shareholders has yet been declared, and c) no published trading results are yet available.

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 IAS7 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.

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
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting	For instance: <ul style="list-style-type: none"> A 0.5% decrease in the discount rate used would result in an increase in the pension liability of £765m

Pension Fund Accounts

	actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<ul style="list-style-type: none"> • A 0.5% increase in the pension increase rate would increase the pension liability by £599m • A one year increase in assumed life expectancy would increase the liability by between £209m and £348m.
Private Equity Investments	Private equity investment 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 £197m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £55m.
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.	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 by up to 15%, i.e. an increase or decrease of £58m on the carrying value of £386m.

5. Events after the Reporting Date

There are no material events after the reporting date that would require an adjustment or additional disclose to the accounts.

6. Contributions

2017/18 £m		2018/19 £m
	Employers	
132.0	Normal	143.1
2.5	Deficit Repair	3.7
0.1	Voluntary additional	0.1
3.9	Advanced payments for early retirements	1.8
0.7	Additional payments for ill-health retirements	0.8
	Members	
37.9	Normal	39.5
0.4	Purchase of additional benefits	0.4
177.5	Total	189.4

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.

Pension Fund Accounts

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

2017/18 £m		2018/19 £m
42.4	Leicestershire County Council	44.4
126.4	Scheduled bodies	136.2
8.7	Admitted bodies	8.8
177.5	Total	189.4

7. Transfers In

2017/18 £m		2018/19 £m
9.7	Individual transfers in from other schemes	10.3
2.7	Bulk transfers in from other schemes	0.0
12.4	Total	10.3

8. Benefits

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

2017/18 £m		2018/19 £m
53.4	Leicestershire County Council	57.3
89.0	Scheduled bodies	96.4
7.5	Admitted bodies	8.2
149.9	Total	161.9

9. Payments to and on Account of Leavers

2017/18 £m		2018/19 £m
0.8	Refunds to members leaving the scheme	0.9
0.1	Payments for members joining state scheme	0.0
17.1	Individual transfers to other schemes	11.0
0.0	Bulk transfers to other schemes	0.0
18.0	Total	11.9

Pension Fund Accounts

10. Management Expenses

2017/18 £m		2018/19 £m
4.9	Investment Management Expenses	4.9
1.1	Pension Scheme Administration Costs	1.8
0.4	Oversight and Governance Expenses	0.4
6.4	Total	7.1

11. Investment Income

2017/18 £m		2018/19 £m
2.9	Dividends from equities	2.4
0.0	Income from Government Bonds	0.2
2.2	Income from index-linked securities	2.2
30.9	Income from pooled investment vehicles	24.4
7.0	Net rents from properties	7.0
0.3	Interest on cash or cash equivalents	0.5
(0.5)	Net Currency Profit / (Loss)	0.1
0.1	Insurance Commission	0.0
42.9	Total	36.8

12. Investments

	Value at 1 April 2018 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2019 £m
Equities	80.3	57.4	(58.7)	3.4	82.4
Government Bonds	0.7	28.2	0.0	0.0	28.9
Index-linked securities	384.2	586.0	(600.4)	21.4	391.2
Pooled investment vehicles	3,332.0	631.9	(595.6)	206.7	3,575.0
Properties	102.1	0.0	0.0	0.5	102.6
Cash and currency	157.6	0.0	(28.5)	0.0	129.1
Derivatives contracts	14.9	40.0	0.0	(58.9)	(4.0)
Other investment balances	3.1	1.1	(2.2)	0.0	2.0
Total	4,074.9	1,344.6	(1,285.4)	173.1	4,307.2

Pension Fund Accounts

	Value at 1 April 2017	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2018
	£m	£m	£m	£m	£m
Equities	77.5	47.0	(43.8)	(0.4)	80.3
Government Bonds	0.0	0.7	0.0	0.0	0.7
Index-linked securities	373.3	289.7	(275.9)	(2.9)	384.2
Pooled investment vehicles	3,070.1	365.6	(184.9)	81.2	3,332.0
Properties	96.3	0.1	(0.1)	5.8	102.1
Cash and currency	238.1	0.0	(80.5)	0.0	157.6
Derivatives contracts	15.6	6.7	(67.7)	60.3	14.9
Other investment balances	1.7	1.4	0.0	0.0	3.1
Total	3,872.6	711.2	(652.9)	144.0	4,074.9

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.

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

2017/18 £m		2018/19 £m
0	LGPS Central - Global Equity Active Multi Manager Fund	313.1
270.4	Legal and General North America Index Fund	267.8
260.4	Legal and General FTSE RAFI North America Fund	264.3
530.8	Total	845.2

2017/18 £m		2018/19 £m
	Equities	
23.2	UK quoted	21.5
1.3	UK unquoted	1.3
55.8	Overseas quoted	59.6
80.3		82.4
	Government Bonds	
0.7	UK Government Unquoted	0.7
0.0	UK Government Quoted	5.8
0.0	Overseas Quoted	22.4
0.7		28.9
	Index Linked Securities	
347.1	UK quoted	358.0
37.0	Overseas quoted	33.2
384.1		391.2

Pension Fund Accounts

	<i>Pooled investment vehicles (unquoted)</i>	
262.6	Property funds	283.0
152.5	Private equity	210.3
468.3	Bond and debt funds	520.7
0.3	Hedge funds	0.2
1,887.2	Equity-based funds	1,909.4
12.1	Commodity-based funds	15.4
91.4	Timberland fund	132.5
142.1	Managed futures fund	129.4
119.9	Targeted return fund	147.7
195.6	Infrastructure fund	226.4
3,332.0		3,575.0
	<i>Properties</i>	
102.1	UK (Note 14)	102.6
157.6	Cash and currency	129.1
	<i>Derivatives contracts</i>	
12.9	Forward foreign exchange assets	47.1
0.1	Currency option assets	1.4
3.1	Other option assets	1.5
(1.1)	Forward foreign exchange liabilities	(54.0)
0.0	Currency option liabilities	0.0
15.0	Sterling Denominated	(4.0)
3.1	Other Investment Balances	2.0
4,074.9	Total Investments	4,307.2

At 31 March 2019 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £196.0m in private equity, £22.3m in illiquid corporate bonds and £132.5m in timberland.

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:

2017/18 £m		2018/19 £m
0.3	Active currency positions (those whose purpose is solely to seek economic gain)	(0.7)
11.4	Passive currency positions (those whose purpose is to hedge the Fund's benchmark exposure to currencies back to sterling)	(6.2)
11.7	Total	(6.9)

Options

Pension Fund Accounts

All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

2017/18 £m		2018/19 £m
0.1	Currency-based	1.4
3.1	Equity rate-based	1.5
3.2	Total	2.8

14. Property Investments

31 March 2018 £m		31 March 2019 £m
71.3	Freehold	72.9
16.2	Long Leasehold (over 50 years unexpired)	16.2
14.6	Medium/Short Leasehold (under 50 years unexpired)	13.5
102.1	Total	102.6

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 at 31st March 2019. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All valuers are Members of the Royal Institute of Chartered Surveyors.

15. Current Assets and Liabilities

2017/18 £m		2018/19 £m
8.4	Contributions due from employers	8.7
1.0	Cash Balances	0.0
1.2	Other Debtors	1.2
1.1	Due from Ministry of Justice	0.7
11.7	Current assets	10.6
(1.2)	Due to Leicestershire County Council	(3.6)
(0.9)	Fund Management Fees Outstanding	(1.2)
(1.2)	Other Creditors	(1.0)
(3.3)	Current liabilities	(5.8)
8.4	Net current assets and liabilities	4.8

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

The amount due from the Ministry of Justice relates to the actuarially assessed deficit in respect of Magistrates' Court staff that were formerly in the LGPS. The amount is payable over 10 years at £365,000 per annum, and at 31st March 2019 there were two more payments due.

Pension Fund Accounts

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:-

At 31 March 2018						At 31 March 2019		
£m	%					£m	%	
Investments managed by LGPS central Pool								
			LGPS Central - global equities					
0.0	0.0		Harris			117.7	2.7	
0.0	0.0		Schroders			103.5	2.4	
0.0	0.0		Union			112.0	2.6	
Investment Manager								
1,369.4	33.6		Legal & General			1375.6	31.9	
391.4	9.6		Kames Capital			438.6	10.2	
251.7	6.2		Ruffer LLP			254.2	5.9	
199.4	4.9		Partners Group			245.4	5.7	
190.8	4.7		Aviva Investors (La Salle)			202.3	4.7	
144.0	3.5		Adams Street Partners			196.0	4.6	
177.5	4.4		Macquarie Investments			181.9	4.2	
119.9	2.9		Pictet Asset Management			147.7	3.4	
91.4	2.2		Stafford Timberland			132.5	3.1	
126.3	3.1		Colliers Capital UK			129.9	3.0	
142.1	3.5		Aspect Capital			129.4	3.0	
104.0	2.6		JP Morgan Asset Management			120.4	2.8	
103.9	2.6		Ashmore			110.7	2.6	
85.2	2.1		Prudential / M&G			76.0	1.8	
62.6	1.5		IFM Investors (UK) Ltd			73.9	1.7	
40.4	1.0		Cristofferson, Robb & Co			48.9	1.1	
52.0	1.3		Kravis Kohlberg Roberts & Co			45.9	1.1	
90.8	2.2		Internally Managed and Currency Managers			36.6	0.9	
3.9	0.1		Infracapital			13.6	0.3	
7.3	0.2		Standard Life Aberdeen			13.0	0.3	
1.1	0.0		Catapult Venture Managers			1.2	0.0	
0.4	0.0		Permal (formerly Fauchier Partners)			0.3	0.0	
187.1	4.6		KBI (formerly Kleinwort Benson Investors)			0.0	0.0	
132.3	3.2		Kempen Capital			0.0	0.0	
4,074.9			Total			4,307.2		

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 introduction to the accounts.

20. Valuation of 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 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 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 2019	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
	Financial assets at fair value	2,994.0	0.0	1,367.2
Financial liabilities at fair value	(54.0)	0.0	0.0	(54.0)
Net financial assets	2,940.0	0.0	1,367.2	4,307.2

Values at 31 st March 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
	Financial assets at fair value	2,828.1	0.0	1,248.0
Financial liabilities at fair value	(1.2)	0.0	0.0	(1.2)
Net financial assets	2,826.9	0.0	1,248.0	4,074.9

21. Classification of Financial Instruments

2017/18 £m			2018/19 £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					
80.3			82.4		
0.7			28.9		
384.2			391.2		
3,332.0			3,575.0		
16.0			49.9		
	157.6			129.1	
	2.4			1.6	
	1.1			0.7	
3,813.2	161.1		4,127.4	131.4	
Financial Liabilities					
(1.1)			(53.9)		
		(0.5)			0.0
		(2.7)			(5.3)
3,812.1	161.1	(3.2)	4,073.5	131.4	(5.3)

Pension Fund Accounts

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:

2017/18 £m		2018/19 £m
	Financial Assets	
83.7	Fair value through profit and loss	231.5
	Financial Liabilities	
60.3	Fair value through profit and loss	(58.9)
144.0	Total	172.6

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

2017/18 £		2018/19 £
27,637	Payable in respect of external audit	21,280
27,637	Total	21,280

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.

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 2018/19 reporting period:

Asset type	Potential market movements (+/-)
Overseas government bonds	8%
Global credit	10%
Global government index-linked bonds	8%
UK equities	16%
Overseas equities	19%
UK property	15%
Private equity	28%
Infrastructure	14%
Commodities	14%
Hedge funds and targeted return funds	12%
Timberland	16%
Cash	1%

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):

Pension Fund Accounts

Asset Type	Value at 31 st March 2019	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	24.5	16	28.4	20.6
Overseas equities	55.8	19	66.4	45.2
UK Corporate Bonds	0.7	10	0.8	0.6
Global Government Bonds	28.2	8	30.5	25.9
Global index-linked bonds	391.2	8	422.5	359.9
Pooled property funds	283.0	15	325.5	240.6
Pooled private equity funds	210.3	28	269.2	151.4
Pooled bond and debt funds	520.7	10	572.8	468.6
Pooled hedge funds	0.2	12	0.2	0.2
Pooled equity funds	1907.1	19	2,269.4	1,544.8
Pooled commodity funds	19.8	14	22.6	17.0
Pooled targeted return funds	147.7	12	165.4	130.0
Pooled timberland fund	132.5	16	153.7	111.3
Pooled managed futures fund	129.4	12	145.0	113.9
Pooled infrastructure fund	226.4	14	258.1	194.7
UK property	102.6	15	118.0	87.2
Cash and currency	129.1	1	130.4	127.8
Options, futures, other investment balances, current assets and current liabilities	2.8	1	2.8	2.8
Total assets available to pay benefits	4,312.0		4,981.7	3,642.5

Asset Type	Value at 31 st March 2018	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	24.5	16	28.4	20.6
Overseas equities	55.8	19	66.4	45.2
UK Corporate Bonds	0.7	10	0.8	0.6
Global Government Bonds	0.0	8	0.0	0.0
Global index-linked bonds	384.1	8	414.9	353.4
Pooled property funds	262.6	15	302.0	223.2
Pooled private equity funds	152.5	28	195.2	109.8
Pooled bond and debt funds	468.3	10	515.2	421.5
Pooled hedge funds	0.3	12	0.4	0.3
Pooled equity funds	1,887.2	19	2,245.7	1,528.6
Pooled commodity funds	12.1	14	13.7	10.4
Pooled targeted return funds	119.9	12	134.3	105.5
Pooled timberland fund	91.4	16	106.0	76.8
Pooled managed futures fund	142.1	12	159.2	125.1
Pooled infrastructure fund	195.6	14	223.0	168.2
UK property	102.1	15	117.4	86.8
Cash and currency	157.6	1	159.1	156.0
Options, futures, other investment balances, current assets and current liabilities	26.5	1	26.8	26.2
Total assets available to pay benefits	4,083.3		4,708.5	3,458.2

Pension Fund Accounts

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 2019 and 31st March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 st March 2018 £m	Asset type	As at 31 st March 2019 £m
157.6	Cash and Currency	129.1
469.0	Fixed interest securities	420.1
626.6	Total	549.2

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. 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.

Asset type	Carrying amount as at 31 st March 2019	Change in year in the net assets available to pay benefits	
	£m	+100 BPS	-100 BPS
		£m	£m
Cash and Currency	129.1	1.3	(1.3)
Fixed interest securities	420.1	4.2	(4.2)
Total	549.2	5.5	(5.5)

Asset type	Carrying amount as at 31 st March 2018	Change in year in the net assets available to pay benefits	
	£m	+100 BPS	-100 BPS
		£m	£m
Cash and Currency	157.6	1.6	(1.6)
Fixed interest securities	469.0	4.7	(4.7)
Total	626.6	6.3	(6.3)

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.

Pension Fund Accounts

The Fund's currency rate risk is actively managed and the neutral position is to hedge 50% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2019 and as at the previous period end:

Asset value as at 31 st March 2018 £m	Currency exposure – asset type	Asset value as at 31 st March 2019 £m
55.8	Overseas equities	82.4
0	Overseas government bonds	22.4
37.0	Overseas government index-linked bonds	33.2
151.4	Private equity pooled funds	209
0.3	Pooled hedge Funds	0.4
1,577.9	Overseas and Global equity-based pooled funds	1,577.6
12.1	Commodity-based pooled funds	19.8
195.6	Infrastructure pooled funds	226.4
91.4	Timberland pooled fund	132.5
103.9	Emerging Market Debt pooled fund	110.7
2,225.4	Total overseas assets	2,414.4

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 13% (as measured by one standard deviation).

A 13% 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 13% 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 st March 2019	Change to net assets available to pay benefits	
	£m	+13% £m	-13% £m
Overseas equities	82.4	93.1	71.7
Overseas government bonds	22.4	25.3	19.5
Overseas government index-linked bonds	33.2	37.5	28.9
Private equity pooled funds	209.0	236.2	181.8
Pooled hedge funds	0.4	0.5	0.4
Overseas equity-based pooled funds	1,577.6	1782.7	1,372.5
Commodity-based pooled funds	19.8	22.4	17.2
Infrastructure pooled funds	226.4	255.8	197.0
Timberland pooled fund	132.5	149.7	115.3
Emerging Market Debt pooled fund	110.7	125.1	96.3
Total change in assets available	2,414.4	2,728.3	2100.6

At 31st March 2019 and 31st March 2018 the Fund has an active currency manager with a portfolio based on a notional value of £340m, and this is the maximum exposure that they are allowed to have. In order to achieve gains within their portfolios they utilise forward foreign exchange contracts and currency options.

Pension Fund Accounts

The portfolios have an average target volatility of 2.5% and as a result the Fund is exposed to currency risk through these portfolios. The table below shows the likely impact onto the net assets available to pay benefits.

Currency exposure – asset type	Asset value as at 31 st March 2019	Change to net assets available to pay benefits	
	£m	+2.5% £m	-2.5% £m
Active currency portfolios	340.0	348.5	331.5
Total change in assets available	340.0	348.5	331.5

Currency exposure – asset type	Asset value as at 31 st March 2018	Change to net assets available to pay benefits	
	£m	+2.5% £m	-2.5% £m
Active currency portfolios	340.0	348.5	331.5
Total change in assets available	340.0	348.5	331.5

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 a 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 2019 was £129.1m (31st March 2018: £157.6m).

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 2019 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £954.9m, which represented 22.1% of total Fund assets. (31st March 2018: £804.5m, which represented 19.7% 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 2019 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 2019

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.

24. Related Party Transactions

Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.

During 2018/19 a total of £0.8m was payable to LPGA Central Ltd for governance, operator and product development fees, and investment management and transaction fees. Of these £0.2m was a creditor balance at the year end. During 2018/19 £0.5m was received from LPGA Central Ltd as reimbursement for set up costs advanced in 2017/18. As at 31 March 2019, £350m of LCC LGPS investments were managed by LGPS Central Ltd.

25. Contingent Liabilities and Contractual Commitments

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £1.7m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

McCloud Judgement - a ruling has been made by the Court of Appeal regarding age discrimination arising from public sector pension scheme transition arrangements. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the protections. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. The Fund's actuary has estimated the impact on the Leicestershire County Council Pension Fund to be approximately £56m. This has been included in the IAS19 estimate shown within the Pension Fund Accounts Reporting Requirement report appended to the end of the Pension Fund Accounts.

Guaranteed Minimum Pensions – a ruling has been made that (LGPS) defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). In broad terms, the GMP represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). GMPs are inherently unequal due to a number of factors including the different retirement ages for men and women and female GMPs accruing at a higher rate. Currently the Government have only agreed to an interim solution whereby LGPS Funds (and therefore employers within) have to pay all the increases on their GMP. If the interim solution is made permanent it is estimated that the impact for the Authority could be up to a 0.5% increase in overall liabilities. This would add up to £35m to the overall net pensions liability. Due to the uncertainty around the implementation and potential Government appeal against the ruling, the impact has not yet been included in the IAS19 estimate for the pension fund.

At 31st March 2019, the Fund had the following contractual commitments:-

	31 March 2018	31 March 2019
	£m	£m
Adams Street Partners	151.4	143.2
Catapult Venture Managers	0.5	0.5
KKR Global Infrastructure	42.6	36.7
Stafford International Timberland VI Fund	1.5	1.5
Stafford International Timberland Funds VII & VIII	43.8	8.5
M & G Debt Opportunities Fund IV	40.0	28.7
IFM Global Infrastructure Fund	21.3	23
Aberdeen Standard Life Capital SOF III Fund	22.0	21.1
Kames Active Value Property Unit Trust II	18.2	12.5
Infracapital Greenfield Partners I Fund	26.9	19.3
JPM Infrastructure Investment Fund	20.0	0.0
Partners 2018 Multi Asset Credit Fund	78.0	0.0
Total	466.2	295.0

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(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During 2018/19, £1.8m (2017/18 £1.8m) in contributions were paid to Prudential. At the year end the capital value of all AVC's was £14.0m, (31.3.18, £14.1m).

27. *Policy Statements*

The Fund has a number of policy statements that are available on request from the Technical Accounting Team, Strategic Finance, Leicestershire County Council, County Hall, Glenfield, Leicester. LE3 8RB (email technical.accountingteam@leics.gov.uk). 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:

Statement of Investment Principles (SIPs)
Communications Policy Statement
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 2018/19 (or 2017/18). 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 2018/19

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), effective from 15 February 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB. this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still at least a 66% chance that the Fund will return to full funding over 20 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 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £3,164 million, were sufficient to meet 76.2% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £989 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a specified time period as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

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 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	3.2%
Benefit increase assumption (CPI)	2.1%

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 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.8 years	26.2 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA
For and on behalf of Hymans Robertson LLP
26 April 2019

Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 2019	31 March 2018
Active members (£m)	3,789	3,063
Deferred members (£m)	1,414	1,258
Pensioners (£m)	1,827	1,820
Total (£m)	7,030	6,141

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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.

Note that the above figures include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from the case affecting public sector pension schemes.

The above 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £552m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	3.5%	3.4%
Discount Rate	2.4%	2.7%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.8 years	26.2 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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 liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	605
0.5% p.a. increase in the Salary Increase Rate	2%	118
0.5% p.a. decrease in the Real Discount Rate	11%	771

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2019 for accounting purposes'. The covering report 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. This replaces our paper dated 25 April 2019, as this now includes allowance for the "McCloud ruling".

Prepared by:-

Richard Warden FFA
10 July 2019

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

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 2019 and its income and expenditure for the year ended the same date.



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
29 JULY 2019

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

Opinion

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 2019 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 2018/19.

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 2019 and of the amount and disposition at that date of the fund's assets and liabilities,
 - have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or

the Director of Corporate Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Director of Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Annual Governance Statement and Pension Fund accounts, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's 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.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund 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 pension fund's financial statements or a material misstatement of the other information. 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 matter required by the Code of Audit Practice 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 and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's 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.

Responsibilities of the Authority, the Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 114, 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the 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 there is an intention by government that the services provided by the pension fund will no longer be provided.

The Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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.

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 43 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.

J Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

31 July 2019

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LEICESTERSHIRE COUNTY COUNCIL PENSION FUND

ANNUAL GENERAL MEETING – NOVEMBER 18TH 2019

REPORT OF LOCAL PENSION COMMITTEE STAFF REPRESENTATIVES

1. The provision of a good defined benefit pension open to all staff such as the Local Government Pension Scheme is a very valuable benefit which is becoming increasingly rare outside the public sector. Thus the performance of the fund is important to ensure that the scheme can continue in its current form and remains open to further accrual for existing and new employees.
2. The value of the Fund up to the end of March 2019 showed a total Fund value of £4.305 million. This is a very significant increase of over £1.1 billion compared to the previous actuarial review date of March 2016 with equity returns being particularly strong in the early months of 2019.
3. In recent months equity markets have been jittery partly due to trade war worries between the US and China, and specifically in the UK due to uncertainty regarding Brexit. It should be noted though that the pension fund has a long-term funding horizon, and has no need to sell assets in the short term to fund its liabilities.
4. The latest actuarial valuation of the fund showed that as of 31st March 2019, the assets represented 89% of the liabilities, which represented a significant improvement from the 76% valuation in 2016 due to strong investment returns.
5. An independent review by the Government Actuary on the solvency and long-term cost efficiency of funds found that the Leicestershire fund was one of 70 out of 89 funds given green flags on all solvency and long-term cost efficiency measures.
6. LGPS Central in which the Leicestershire pension fund is one of 9 separate funds to pool assets of ultimately approx. £40 billion went live on 1st April 2018. LGPS Central will be responsible for implementing the Fund's investment wishes, although asset allocation (i.e. the markets in which the assets are invested), which is the major determinant of investment performance, will remain the responsibility of the Fund.
7. To date, the passive funds portfolio and the Global Equities Fund have already been transferred to LGPS Central and it is expected that the vast majority of investments will also be transferred over the coming years. It should be noted that the transfer of assets to LGPS Central will not affect ownership of the assets which will remain with the Leicestershire Fund.
8. It is expected that in the long-term, combining into a few pools or superfunds should reduce investment management costs.

9. Staff were represented at all board meetings. We would like to thank the Pensions Section for their administration of the benefits of the fund which has a good reputation.
10. To conclude, the Staff representatives are satisfied that the Fund is currently being managed in a professional manner in the best interests of the scheme members and beneficiaries.

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LEICESTERSHIRE COUNTY COUNCIL PENSION FUND**ANNUAL GENERAL MEETING 18 NOVEMBER 2019****REPORT OF EMPLOYEE REPRESENTATIVES ON THE LOCAL PENSION BOARD****Introduction**

In accordance with Leicestershire County Council's Local Government Pension Scheme administration requirements, this report is being submitted by the Employee Representatives who are the members of the Pensions Board. It is an annual report which details from the Employee Representatives perspective the key points that they wish to be noted.

First and foremost, the Employee Representatives would like to note the said loss of Mr. David Jennings CC.

The Board has met quarterly since its' first meeting in June 2015 and has covered a range of issues which include:

Difficulties with several requests from some admission bodies which due to their lack of response from correspondence sent by the Pension Fund, has caused unnecessary delay in their resolution. At the time of writing this report there only remains one that is outstanding and is personally being dealt with by the Pensions Manager.

The updating and agreement of new Terms of Reference for the Board.

- The receipt of a comprehensive briefing on the on-going McCloud case and we await further information regarding the impact, if any, of this case in terms of any required actions.
- The receipt of a briefing on the impact of Colleges transferring pensions to other funds.
- The development of a training plan for Board Members to ensure that they can fulfil all of their duties and responsibilities.

Overall it is agreed that it has been a very good year end with few problems.

Debbie Stobbs, along with the Pensions Manager attended a National Conference in January 2019, which was very informative, enabling us to bring back information and learning to the Board

We have undertaken a variety of training sessions both in house and externally during the time the Board has been set up, continuing experience and learning opportunities have and will assist us to face the potential challenges in effectively fulfilling our duties in the future.

There is great diversity and experience both inside and outside of the Board this has helped us to be able to develop knowledge to offer help and direction regarding some of the issues that arisen throughout the year.

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