

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND

ANNUAL GENERAL MEETING – DECEMBER 1ST 2016

REPORT OF EMPLOYEE REPRESENTATIVES OF THE LOCAL PENSION COMMITTEE

1. The value of the Fund up to the end of March 2016 showed a small increase of £35 million over the year, leaving the Fund's value at £3,163 million. This is a 0.6% increase over the twelve months, and reflected weak equity returns during the year. However, returns since then have been positive.
2. The latest actuarial valuation of the fund showed that as of 31st March 2016, the assets represented 76% of the liabilities which is a relatively small but positive improvement from the previous valuation in 2013 when the funding level was estimated then at 72%. This reflects overall good investment returns in recent years somewhat offset by increased liabilities due to falling gilt yields. It seems clear that it will be a long haul to get back to full funding status.
3. It should be noted that under the standardised formula basis set by the government for comparison purposes, the Leicestershire fund is 92% funded. However, this basis uses a much more aggressive discount calculation which is probably unduly optimistic regarding future investment returns.
4. The Board has continued to look to diversify the Fund's assets to achieve growth independent to the volatility of equities. For example at its strategy meeting in January 2016, the board agreed to increase its weighting in infrastructure from 3% to 5% which was subsequently achieved via a \$90m investment in the JP Morgan Infrastructure Investment Fund. It should also be noted that this fund is mainly in overseas assets (so less susceptible to any UK government interference), and also has no exposure to coal (which not only is environmentally friendly but also reduces long term risk).
5. 2015 saw a general election in which the Conservatives secured an overall majority. The new government indicated that it intended to combine all 89 LGPS funds into a small number of super funds or pools. The Leicestershire fund has agreed to join 7 other funds in the midlands as part of the LGPS central pool. Under the pooling arrangements, the choice of overall asset allocation, the ownership of the assets, and liabilities will be unchanged, but the selection of fund managers will be decided on a pool basis.
6. Whilst combining into a few pools or superfunds may reduce investment management costs in the long term which would be in the interests of members, only time will tell whether the creation of pools will be of overall benefit to the fund.
7. 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.

8. 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.