

Leicestershire County Council Pension Fund

Annual General Meeting

- Barry McKay
- 1 December 2016

What are we going to cover?

2016 Actuarial Valuation



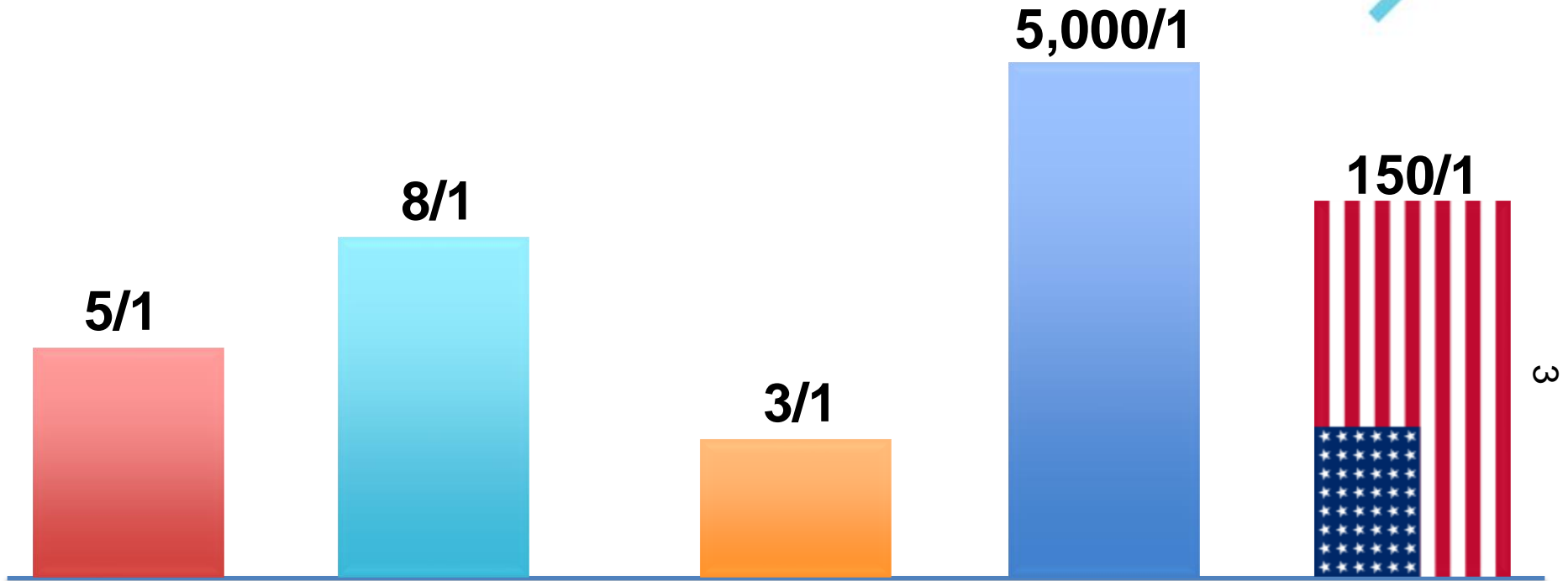
The National Picture



What does the future hold?

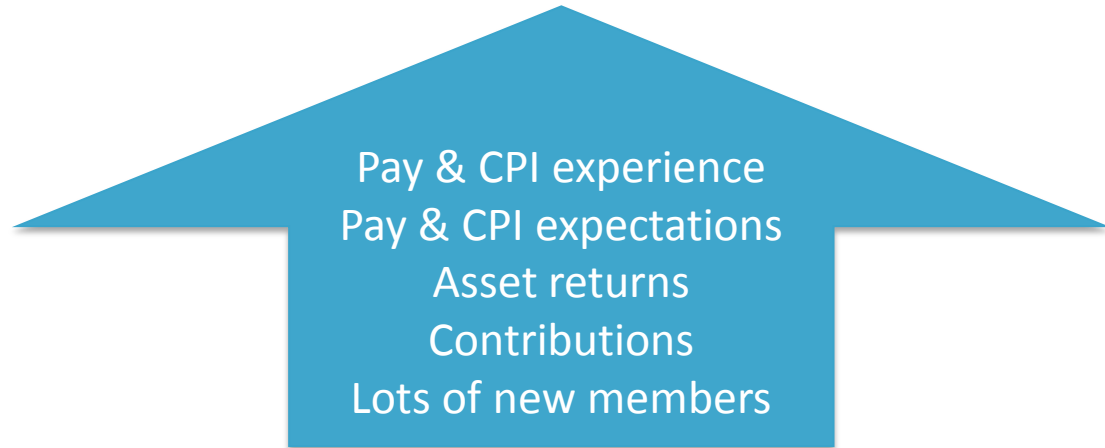


Unlikely events since 2013



BREXIT

Experience since 2013



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Whole fund valuation results

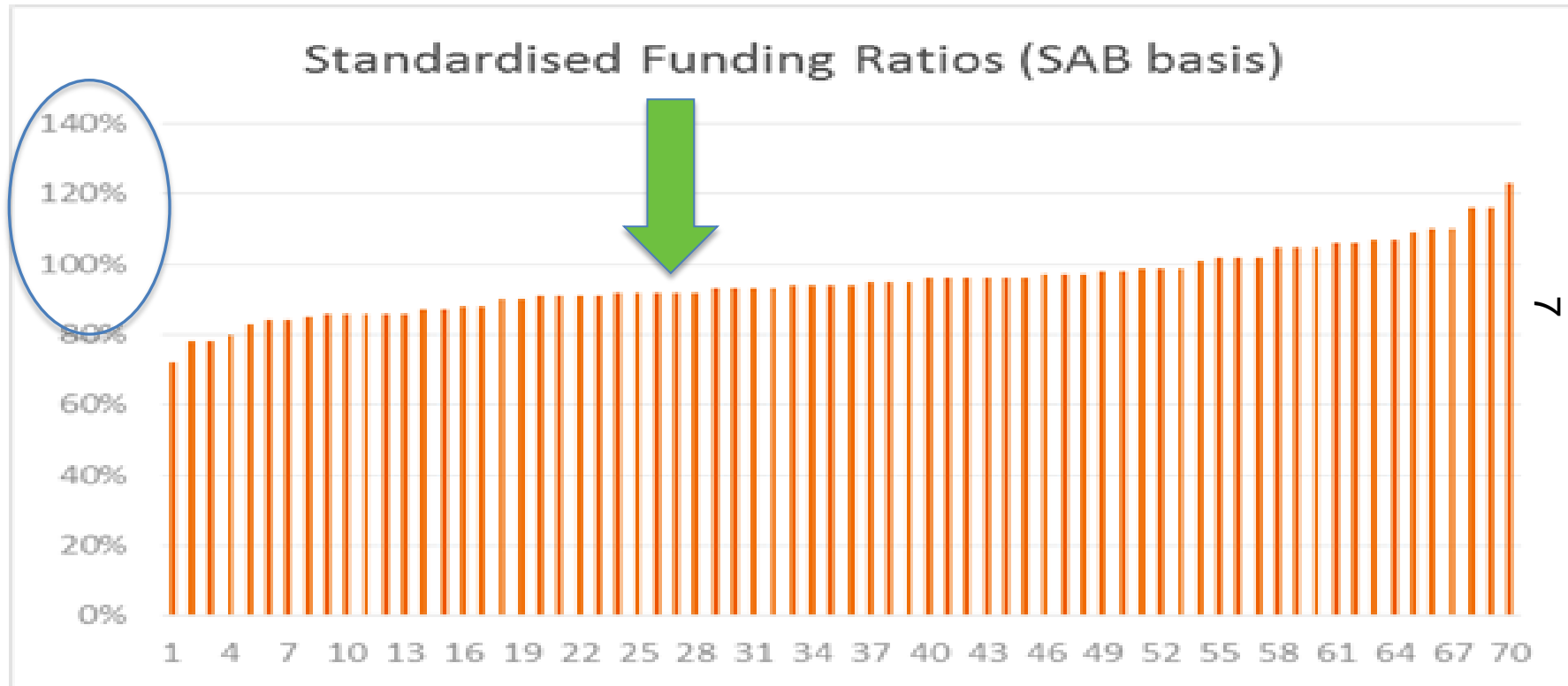
	31 March 2013	31 March 2016
Active	1,607m	1,684m
Deferred	623m	812m
Pensioner	1,422m	1,658m
Total liabilities	3,652m	4,153m
Assets	2,628m	3,164m
Deficit	(1,024)	(989m)
Funding level	72%	76%

Funding level improved, deficit reduced



The National Picture

National picture 2016 (so far)



Not appropriate for funding, only for comparison

Source: Scheme Advisory Board website

National picture 2013

Funding level	Fund valuation	National (SAB) "Section 13"	SAB ranking for Leicestershire Fund	Comments on Fund vs SAB valuation
31 Mar 2013	72%	85%	55 th out of 90	SAB basis is more optimistic (and explicitly not for funding purposes so f/l is higher)
31 Mar 2016	76%	92%	Too early to say but mid table expected	
Main reasons for change 2013 to 2016	Asset returns Mem'ship exp Assumptions	Asset returns Mem'ship (Assumptions unchanged)	Too early to tell how ranking has changed	Ranking will depend on asset returns & Mem'ship exp vs other Funds Will not depend on choice of financial assumptions for Fund valuation

Typical results and summary

- Funding levels are generally up
- Membership experience - very positive impact
- Contributions remain similar as.....
- Future cost up, deficit contributions down
- But results will vary by fund and employer
- It's complicated and requirements on Administration Authorities are more onerous than ever before
- Asset returns are a positive story
 - LGPS Funds are holding more assets per £ of pension to be paid



The Future

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Future expectations for asset returns?

“Projected return forecasts for 2016 – 2026 have fallen for developed market government bonds, investment grade credit, high yield bonds and global equity markets”

Baillie Gifford, 2016

“Our 2016 assumptions anticipate a challenging investment environment as policy and economic conditions globally continue to diverge and many asset returns fall short of those achieved over the past 30 years.”

JP Morgan 2016

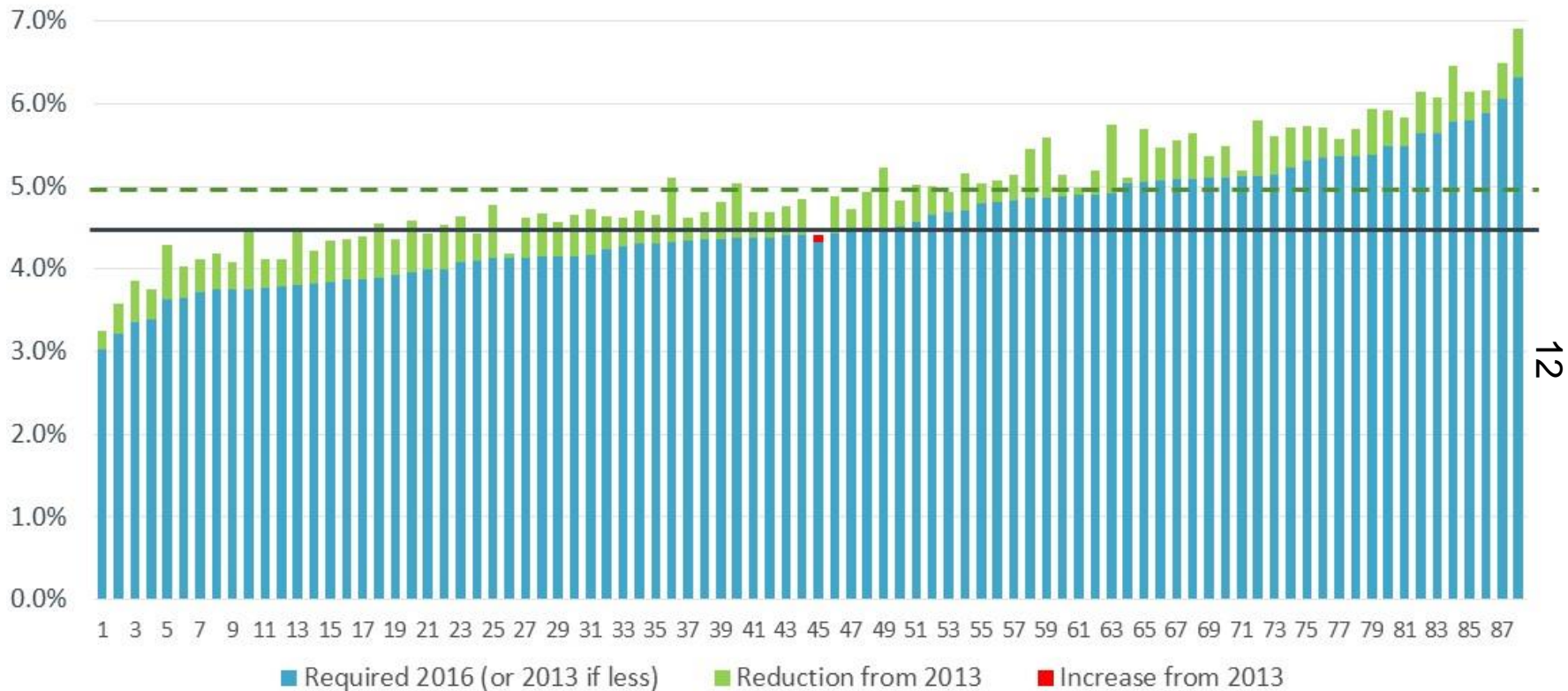
“Economic growth in the developed world since the Financial Crisis has been slower than at any comparable period except the Great Depression”

GMO, 2016

The outlook is for lower returns

LGPS Success Story

Required returns from 2016 (E&W)



Reduced asset dependence from 5.0% to 4.5%
Holding more assets than before to meet future benefit payments

Thank you

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