

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND

ANNUAL GENERAL MEETING – JANUARY 11TH 2019

**REPORT OF STAFF REPRESENTATIVES OF THE LOCAL PENSION
COMMITTEE**

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 2018 showed an increase of £203 million over the year, leaving the Fund's value at £4,083 million. This is a 5.2% increase over the twelve months. Equity returns during 2017-18 were not as strong as the prior year though overseas equities were stronger than those from the UK.
3. In recent weeks however equity markets have declined partly due to trade war worries between the US and China, and specifically in the UK due to fears of a disorderly 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. Over the last five years up to 31st March 2018, the fund has outperformed its benchmark by 1.2% (9.2% p.a. compared to 8% p.a.).
5. The latest full actuarial valuation of the fund showed that as of 31st March 2016, the assets represented 76% of the liabilities, though a review by the Government Actuary using slightly different assumptions calculated the figure as 92%. However, it seems clear that it will still be a long haul to get back to full funding status.
6. 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.
7. LGPS Central in which the Leicestershire pension fund is one of nine 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.
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.