

# LEICESTERSHIRE COUNTY COUNCIL PENSION FUND



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ANNUAL GENERAL MEETING 9 DECEMBER 2024

CHAired BY THE CHAIRMAN OF THE LOCAL PENSION COMMITTEE  
MR TOM BARKLEY CC

# Agenda Item 1: Minutes of the meeting held on 11 December 2023

# Agenda Item 2: Question Time

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

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

# Agenda Item 5: Declarations of Interest

# Agenda Item 6: Pension Fund Annual Report and Accounts

# Introduction

Declan Keegan, Director of Corporate Resources



What is the LGPS?



An introduction to the Leicestershire County Council Pension Fund



Pensions Administration



Pensions Investment



Responsible Investment and Net Zero



# What is the LGPS?

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National Scheme

Defined Benefit Pension Scheme

Final Salary v Career Average

183 employers with active members (Councils, Academies, Universities etc)

Overseen by the Ministry of Housing, Communities and Local Government and the Pension Regulator

Two local governance bodies

- Local Pension Committee
- Local Pension Board

# An Introduction to the LCCPF

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IAN HOWE PENSIONS MANAGER

# Governance

## Local Pension Committee – Chaired by Mr Tom Barkley CC

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

## Local Pension Board – Chaired by Mrs Rosita Page CC

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



# Administering Authority

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## Main Administration Duties include:

- Calculating and paying all types of pension benefits
- Employers joining and leaving the scheme
- Regulation changes
- Year-end, benefit statements, Fund valuation
- Governance - Reports to the Pension Board and as part of the Fund's Annual Report.

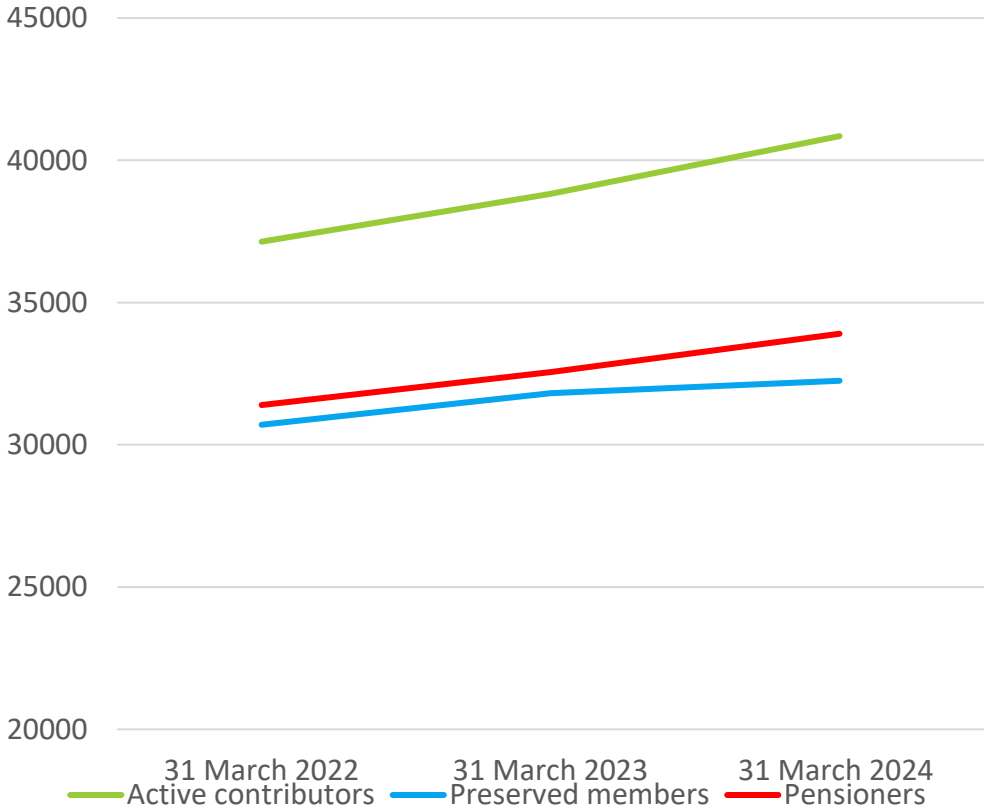
# Pensions Administration

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IAN HOWE PENSIONS MANAGER

# Fund Statistics: Membership Numbers

Membership numbers



	<b>31 March 2022</b>	<b>31 March 2023</b>	<b>31 March 2024</b>
Active contributors	37,139	38,823	40,848
Preserved members	30,704	31,811	32,250
Pensioners	31,397	32,560	33,902
<b>Total</b>	<b>99,240</b>	<b>103,194</b>	<b>107,000</b>

# Administration Statistics 2023/24

Area of work	Cases Completed
Preserved Benefits	1,948
Retirements	3,042
Divorce quotes	160
Deaths	954
Refunds	3,428
Estimates	1,277
Transfers in and out	472
Aggregations (combining membership)	994
New starters	9,552

# 2023/24 Admin Key Performance Indicators

Full Year - 1 April 2023 to 31 March 2024						
Business Process Perspective	Target			Customer Perspective - Feedback	Target	
Retirement Benefits notified to members within 10 working days of paperwork received	92%	88%	▶	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%	94%	▶	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%	83%	▼	Establish members thoughts on the amount of info provided - rated as about right	92%	93% ▲
				Establish the way members are treated - rated as polite or extremely polite	97%	99% ▲
Below target	▼			Email response - understandable	95%	98% ▲
Close to target	▶			Email response - content detail	92%	100% ▲
Good or better than target	▲			Email response - timeliness	92%	95% ▲



# Looking Ahead

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Judgement - McCloud/Sargeant Judgement



Pension Dashboard



Expected national pension changes

# Looking Ahead

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## McCloud Sargeant Judgement

- In December 2018 the Court of Appeal found the protections granted during the move from final salary to career average (CARE) unlawful, on the grounds of age discrimination
- Remedy has been finalised for the Local Government Pension Scheme
- All Leicestershire Fund employers were written to requesting scheme members hour changes for the period April 2014 to March 2022, required for the remedy
- The system is being developed to enable leaver's benefits to be "rerun"
- Benefits will be compared – using the better of final salary versus CARE
- Members benefits that increase will have arrears paid
- Active member's benefits are calculated with the remedy applied
- The increased cost of the remedy was scoped into the Fund valuation

# Looking Ahead

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## Dashboard

- National move to improve the pension experience
- People will have a "single sign in" to view all their pension benefits in one place (the dashboard)
- Data will be "pulled" securely from all pension systems – including the Leics LGPS
- Officers hope this will increase our own member self-service take up and increase member awareness
- Pension schemes will have a phased implementation
- Leicestershire Fund started connection testing in late 2024, with a connection date 31 October 2025
- All Pension schemes in scope must be connected to the dashboard by 31 October 2026

# Looking Ahead

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## Expected national pension changes

- Announced in 2014 - Minimum retirement age increasing from age 55 to 57 in April 2028
- To coincide with the rise of State Pension Age to 67
- We expect some form of protection for members who will be impacted
- Ill health retirements will remain protected
- Announced in the November 2024 Budget - Pension Fund death grants to fall in scope for inheritance tax from April 2027

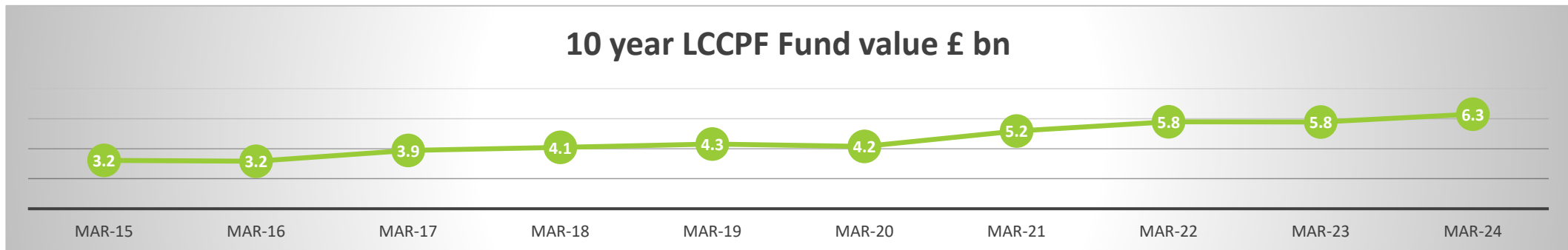
# Pension Investments

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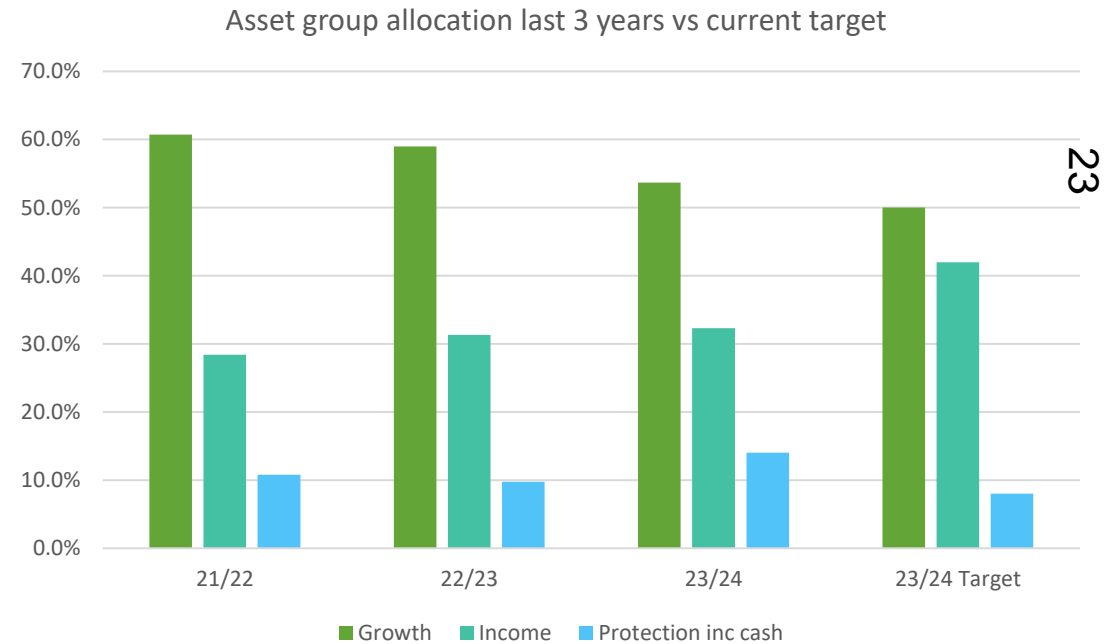
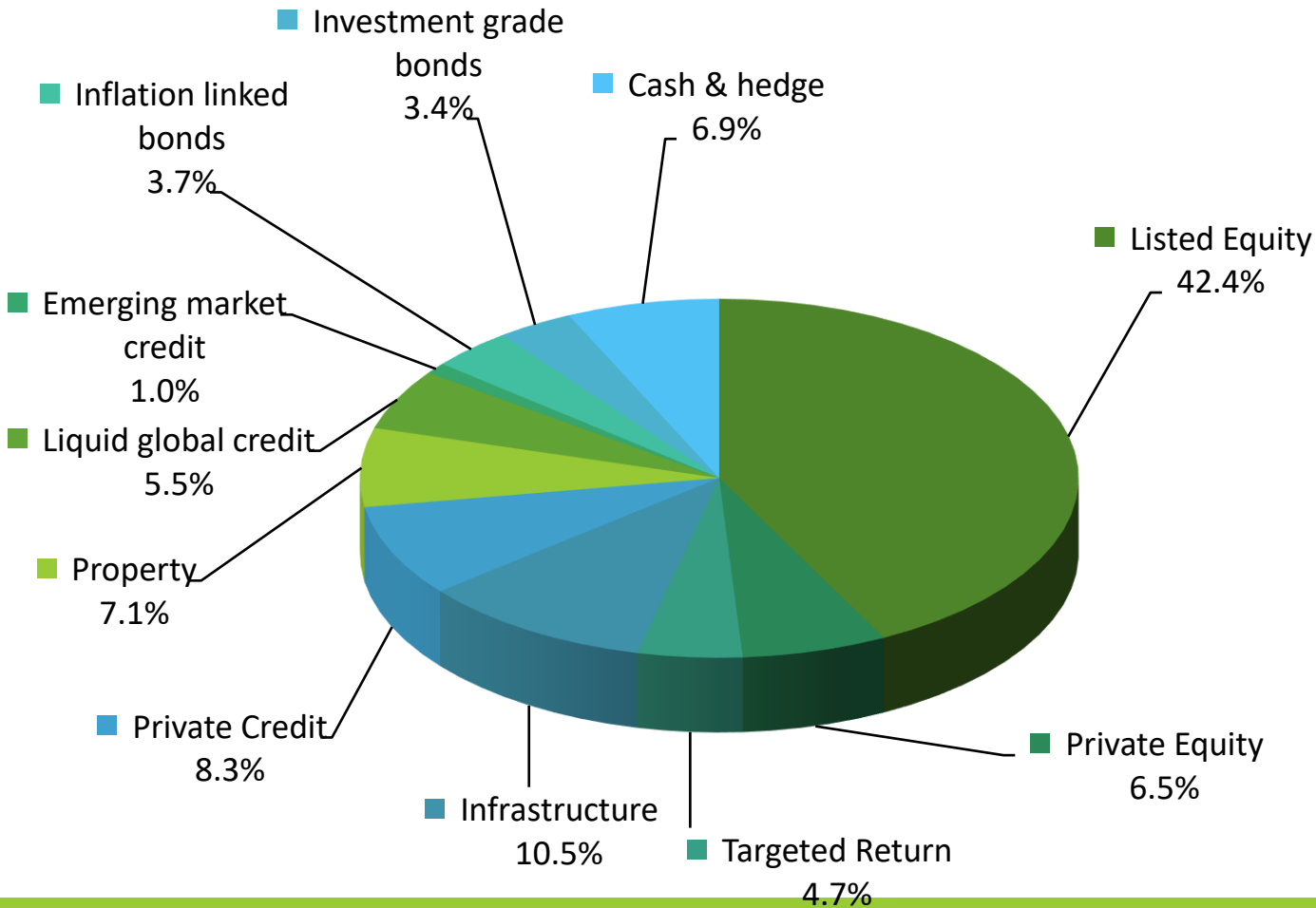
BHULESH KACHRA, SENIOR FINANCE ANALYST

# Current Investment Goals

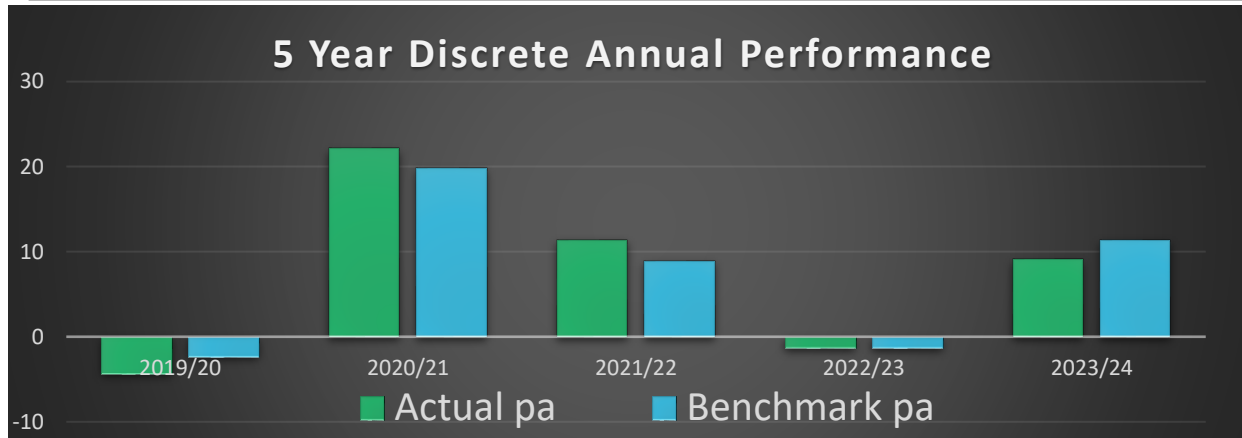
- Long term view of investment returns 20 years +
- Continued commitment to Responsible Investment with a comprehensive Net Zero Climate Strategy (NZCS) approved at the March 2023 Local Pension Committee after successful engagement and consultation during 2022.
- Annually balancing investment returns versus risk with the Fund's investment advisor taking into account a variety of factors
- Considerable diversification to asset classes to balance risk and volatility whilst continuing to simplify the Fund
- Preference to investing with the 'Pool' (LGPS Central) and established external institutional managers
- Continued commitment to asset pooling, improving ESG goals & generating cost savings



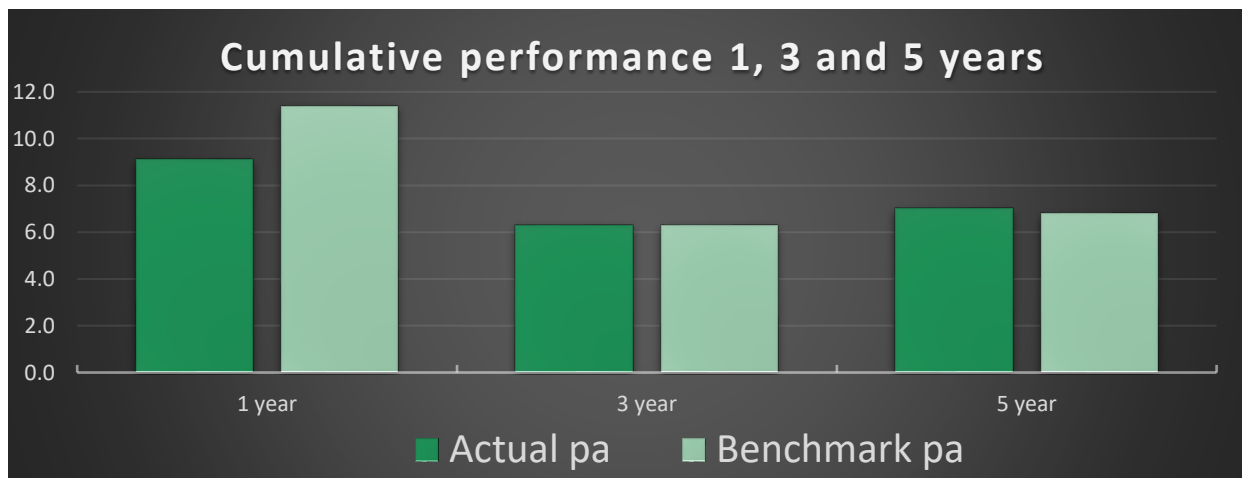
# Investment allocation as at March 2024 (£6.3bn)



# Investment Returns



	Actual % pa	Benchmark % pa	Diff %
2019/20	-4.3	-2.3	-2
2020/21	22.1	19.8	2.3
2021/22	11.4	8.9	2.5
2022/23	-1.3	-1.3	0
2023/24	9.1	11.4	-2.3



	Actual % pa	Benchmark % pa	Diff pa
1 year	9.1	11.4	-2.3
3 year	6.3	6.3	0.0
5 year	7.0	6.8	0.2



# LGPS Central and LCCPF

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LGPS Central continues to be the first port of call for investments for the Fund:

- One of 8 investment pooling companies, LGPS Central has now been in operation for 7 years
- Total value of pension assets from the eight totals over £60bn and is of a similar size to the 3 other large pools (Northern LPGS, Access and Border to Coast)
- As at March 31 2024; 32% of the 8 LGPS funds assets are pooled. This excludes commitments made to private market funds and the 24% within collaboratively procured investment products.
- A combination of internally managed and externally managed investment products are available, covering passive funds, active funds and private markets, a total of 27 investment products have been launched.
- A single investment 'manager' providing access to multiple asset classes and providing client support
- Access to Environmental, Social and Governance (ESG) specialism incorporating responsible investing and climate risk reporting, the Fund has now received it's 5<sup>th</sup> annual climate risk report from Central



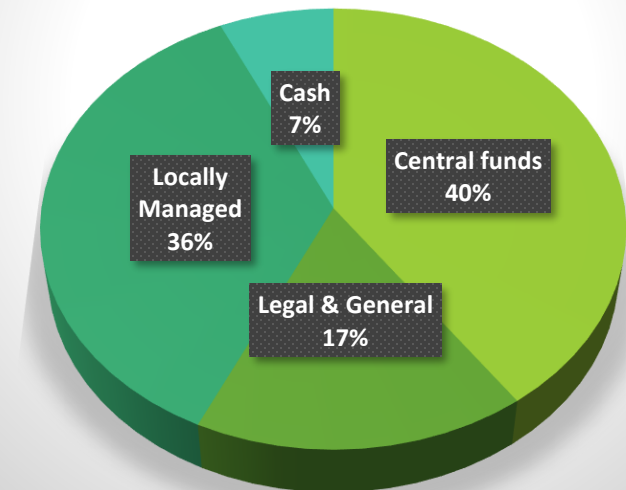
# LGPS Central investments for the LCCPF

The LCCPF is has invested in 12 investment products as 31<sup>st</sup> March 2024

- 2 active and 1 passive equity fund - c£1.6bn
- 3 private equity vintages - £120m (80m after 31 March 2024)
- Infrastructure core/core+ £235m committed, (with approvals for a further £200m split 2025 and 2026)
- Infrastructure value add / opportunistic £30m committed after 31 March 2024, with a further £60m split 2025 and 2026
- Private credit 2021 - £417m committed
- Private credit 2023 - £280m committed after 31 March 2024
- Multi Asset Credit – £348m (with a further £221m planned)
- Investment Grade Credit – £159m

Including LGIM low cost passive investments the Fund has pooled 57% of total funds. (55% this point last year)

**40% of funds Pooled with Central with an additional 17% pooled with a collectively procured Legal and General low cost passive tracker**

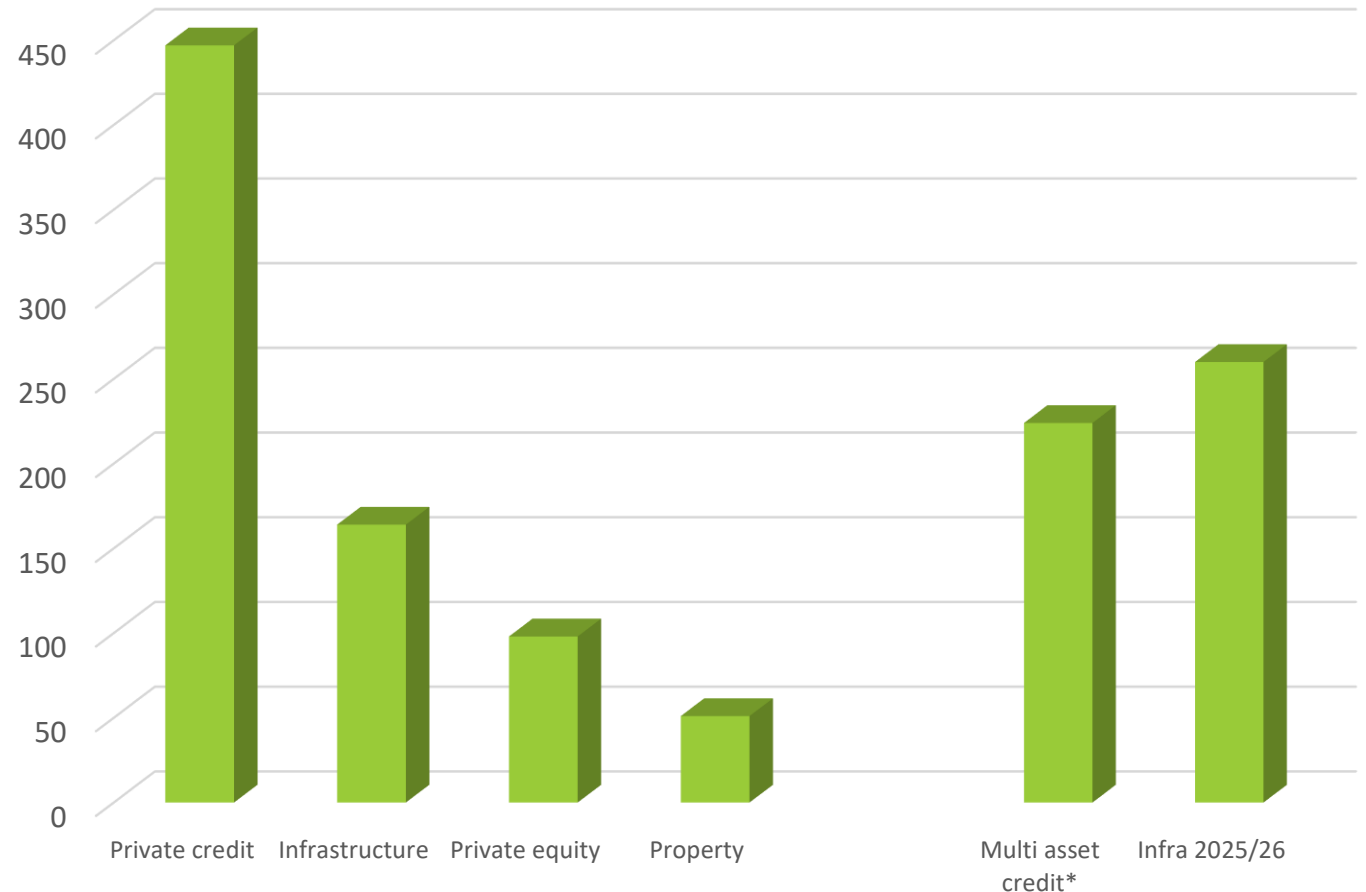


# Uncalled commitments...

The Fund at the time of writing has c£940m in uncalled commitments

With the Fund's commitment to pooling, over £750m (about 80%) is earmarked to Central products

LGPS Central commitments and future approvals



# Fit for the future consultation

This consultation follows the previous governments call for evidence on the 4 September which the Fund responded to.

MHCLG consultation seeks views on 3 main proposals covering :

- reforming the LGPS asset pools,
- boosting LGPS investment in the localities and UK,
- strengthening governance of administering authorities and LGPS pools.

A paper was presented to the LPC last month and feedback received; a full response will be submitted by the deadline, 16 Jan 2025

Reforming LGPS Pooling:

AA's to delegate implementation of investment strategy to the pool

Take principal investment advice from pool

Transfer assets to pool by April 2026

Local investments (UK):

Fund to set out approach wrt local growth plans and include within the investment strategy

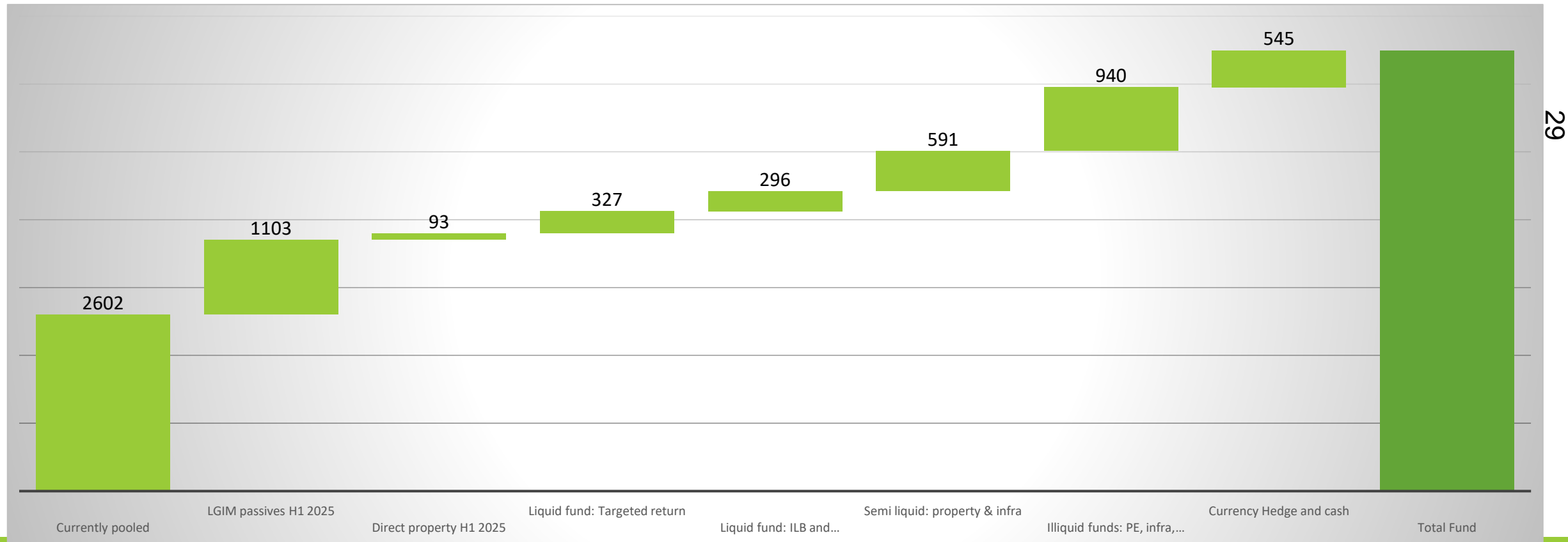
Minded to encourage the government to be clearer on local investment requirements

Governance of pools and funds:

How to instil recommendations from the SAB's good governance review

# Future plans to pool £6.5bn, based on 30<sup>th</sup> September portfolio

In line with previous guidance and the current governments push to pool faster the table below describes the Fund's options based on current investments



# RESPONSIBLE INVESTMENT

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CAT TUOHY, RESPONSIBLE INVESTMENT ANALYST



## ENVIRONMENTAL

- climate change
- resource depletion
- waste
- pollution
- deforestation



## SOCIAL

- human rights
- modern slavery
- child labour
- working conditions
- employee relations



## GOVERNANCE

- bribery and corruption
- executive pay
- board diversity and structure
- political lobbying and donations
- tax strategy

# Responsible Investment

“Responsible investment is an approach to investment that aims to incorporate environmental including climate risk, social and governance (ESG) factors into investment decisions, to **better manage risk** and **generate sustainable investment returns**”

Climate risk is considered through the physical risk it may pose to certain assets, and through transition risks. These same risks may generate opportunities

- Policy changes both domestic and international
- Technology developments
- Market changes
- Resource scarcity and disruption of supply chain
- Extreme weather events

# Progress so far



2011: The Fund first began investing in forestry.

2019: Became members of the Local Authority Pension Fund Forum

2020: First annual Responsible Investment Plan approved and first iteration of the Climate Risk Management Report.

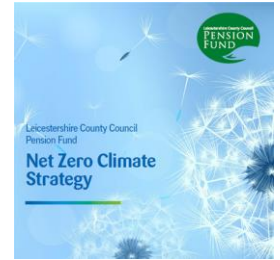
2022: Development of the Net Zero Climate Strategy and engagement with scheme members, employers and other stakeholders.

2021: First Taskforce for Climate related Financial Disclosure aligned report

£800 million invested in a Central Climate Fund that tilts away from carbon intensive companies towards those that generate green revenue.

2023: Approval of the Net Zero Climate Strategy following over 1700 responses.  
£1billion invested in climate related investments.

2024: ....





# Progress against the NZCS



Achieved **both 2030** interim primary targets for in scope investments to:

reduce weighted average carbon intensity by 50%  
reduce financed emissions by 40%



Over 20% of the Fund invested in climate related investments.



75% of equity financed emissions are aligned, aligning to the Paris Agreement, or under engagement.



57% of the Fund assets are able to be monitored, targeting 90% by 2030.

EQUITY FINANCED EMISSIONS:

**112,811** tCO<sub>2</sub>e

↓ 40.4%  
vs 2019

↓ 39.2%  
vs reference index

EQUITY WEIGHTED AVERAGE CARBON INTENSITY:

**76.7** tCO<sub>2</sub>e/\$m sales

↓ 52.8%  
vs 2019

↓ 45.5%  
vs reference index

EQUITY EXPOSURE TO CLEAN TECH:

**6.5%**

(apportioned by revenue)

↑ 1.6 percentage points vs 2019

EQUITY EXPOSURE TO FOSSIL FUEL:

**1.9%**

(apportioned by revenue)

↓ 0.1 percentage points vs 2019

# Climate Stewardship Plan Companies

- These are the key companies LGPS Central target on our behalf due to their outsized contributions to the Fund's financed emissions, in support of real-world emissions reductions.

Company Name	Weight in Total Portfolio (%)	Financed Emissions	Contribution to Total Financed Emissions
SHELL	0.4%	5,975	4.3%
CEMEX	0.1%	4,758	3.4%
CRH	0.1%	3,570	2.5%
HOLCIM	<0.1%	2,885	2.1%
GLENCORE	0.2%	2,271	1.6%
BP	0.2%	1,494	1.1%
LINDE	0.2%	1,492	1.1%
TAIWAN SEMICONDUCTOR MANUFACTURING CO	1.2%	1,271	0.9%

# Engagement in numbers 2023/24

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- LGPS Central and LGIM vote on our behalf, over 2023/24 this was at 9863 meetings amounting to 125,468 resolutions
  - Opposing one or more resolution in 68% of the meetings
  - Voting with management by exception in 1.6% of meetings and abstained in less than 0.1% of meetings.



ShareAction, a nongovernmental organisation working to define the highest standards for responsible investment ranked LGIM within the top 5 asset managers that support shareholder resolutions aimed at improving companies' impacts on some of the most pressing social and environmental issues.

# Agenda Item 7: Hymans Robertson Valuation Presentation

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# Leicestershire Pension Fund AGM - 2025 Employer Valuation Preparation

9 December 2024

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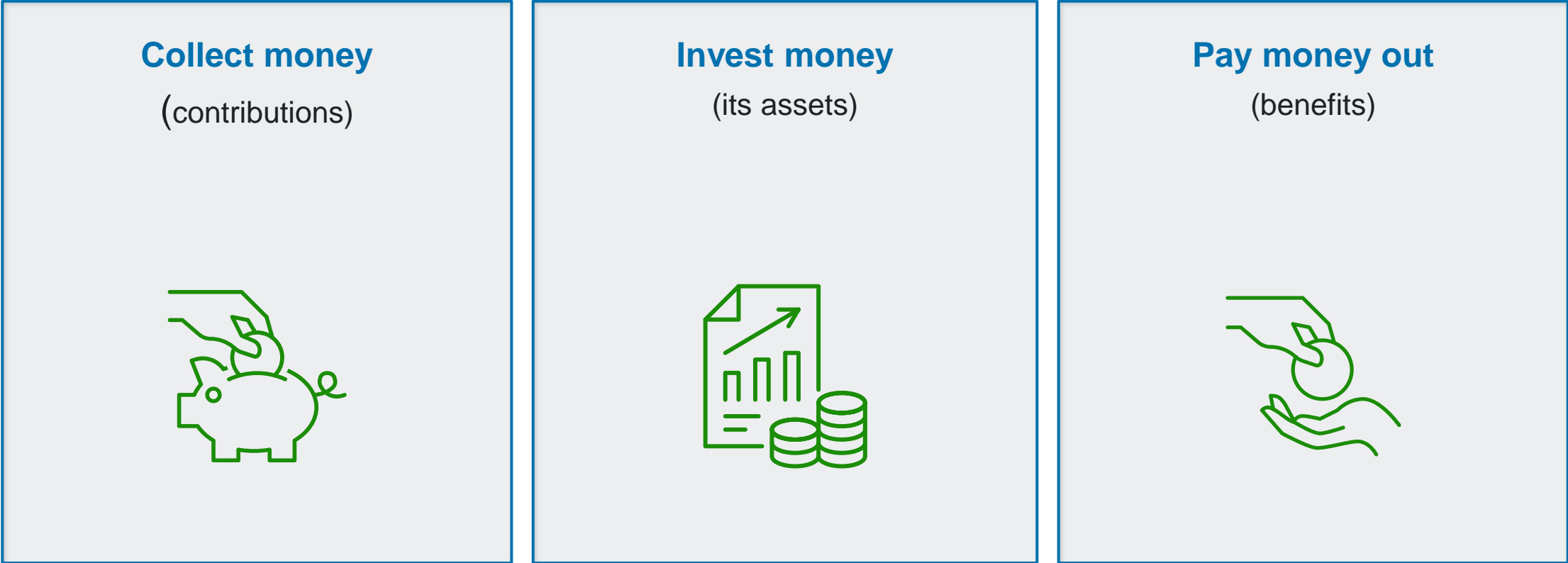


# Agenda

- 1 Formal funding valuations – a refresher
- 2 What has happened since the 2022 formal valuation?
- 3 Key funding risks at the 2025 valuation
- 4 What does this mean for the 2025 formal valuation?
- 5 2025 valuation timeline
- 6 How can you help?

# Formal funding valuations – a refresher

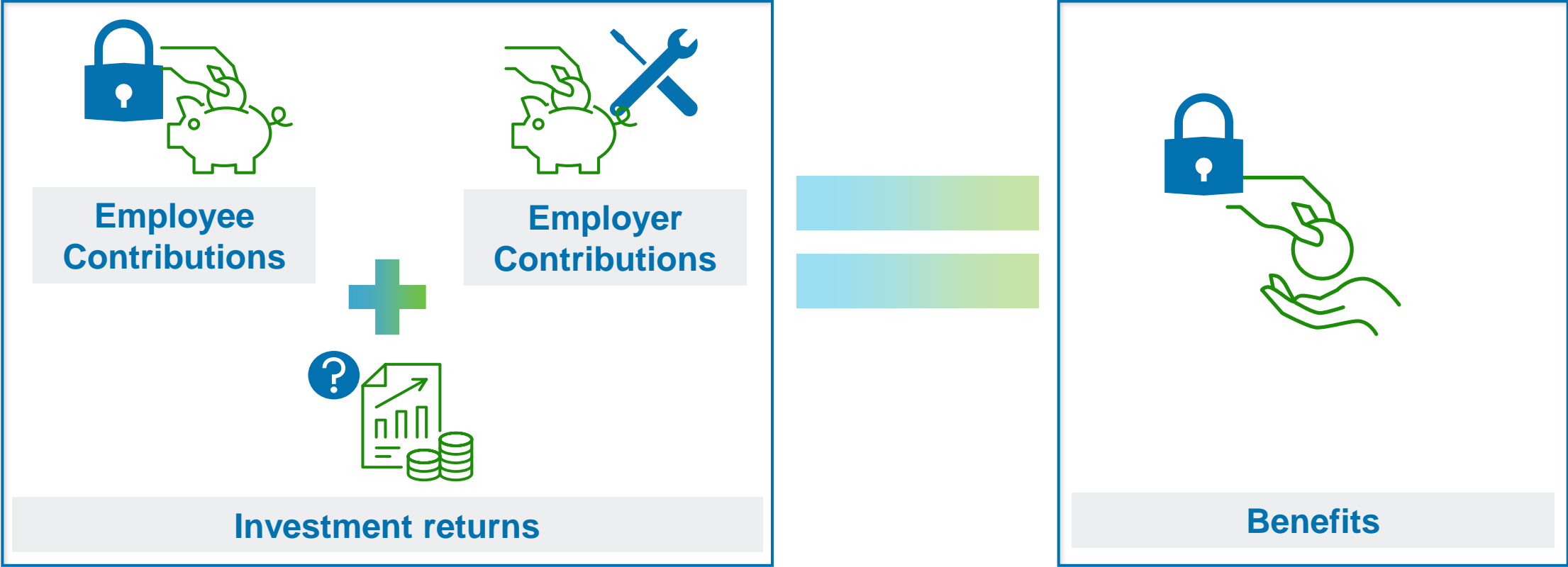
# How the Fund works



**Contributions and investment returns fund all the benefits**








# How do we get the sides to balance?



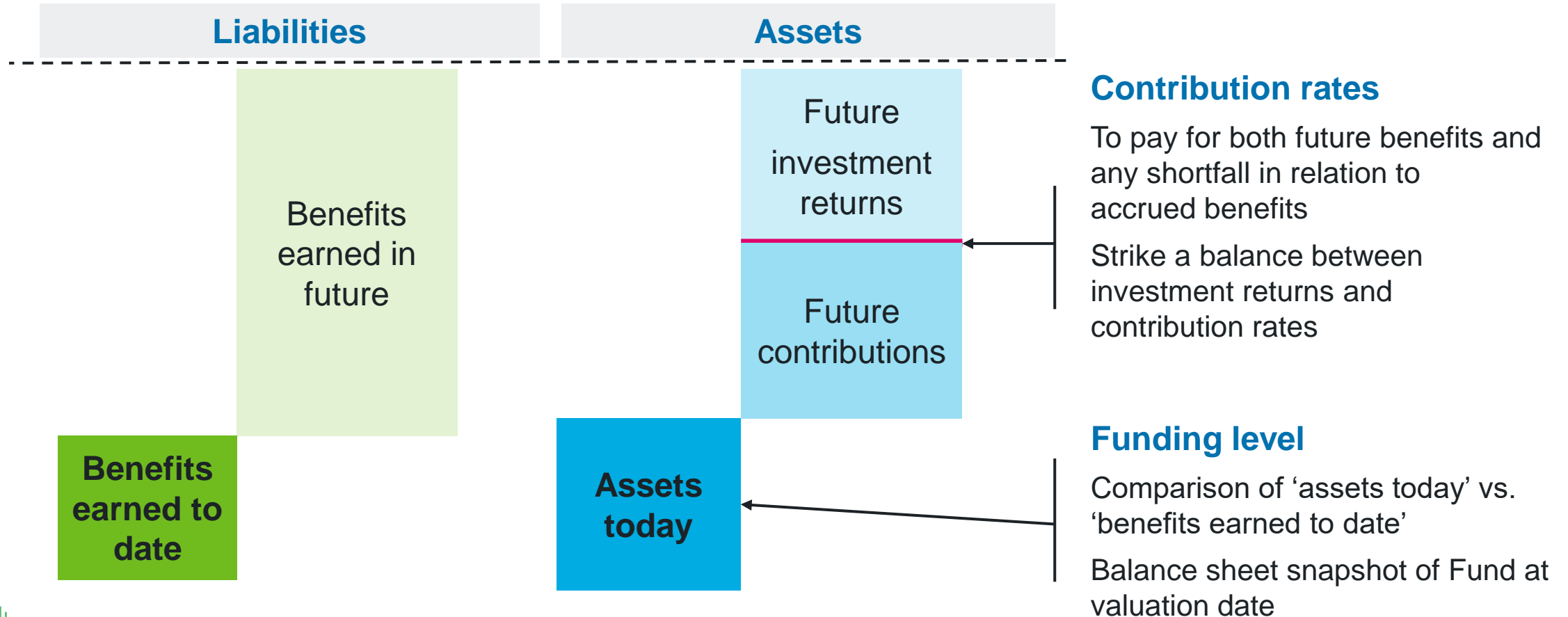
**Employer contributions are the main tool we can control to meet the balance of cost**

# Why do we do a valuation?

-  Calculate employer contribution rates
-  Compliance with legislation
-  Analyse actual experience vs assumptions
-  Review Funding Strategy Statement
-  Part of continual 'health check' on Fund's solvency

**A valuation is a large risk management exercise**

# Outputs of the valuation



# How we do the valuation

## Inputs

Data for each member

Financial and demographic assumptions

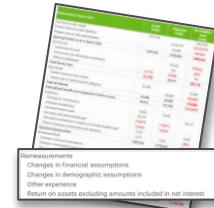
Funding and investment strategy

LGPS benefit structure

## Actuary's models



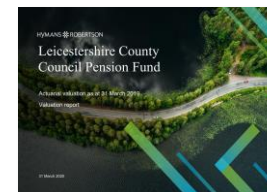
## Primary outputs



Individual employer results schedule



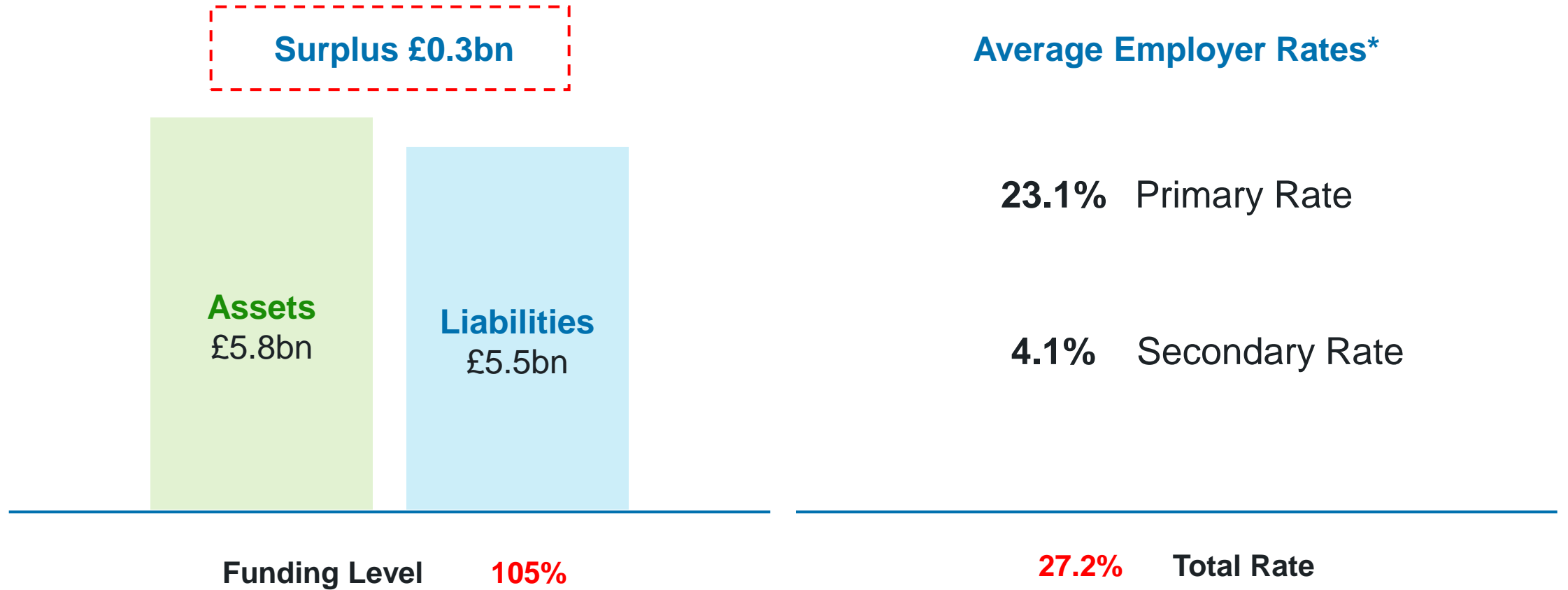
Updated Funding Strategy Statement



Final valuation report

What has happened  
since 2022?

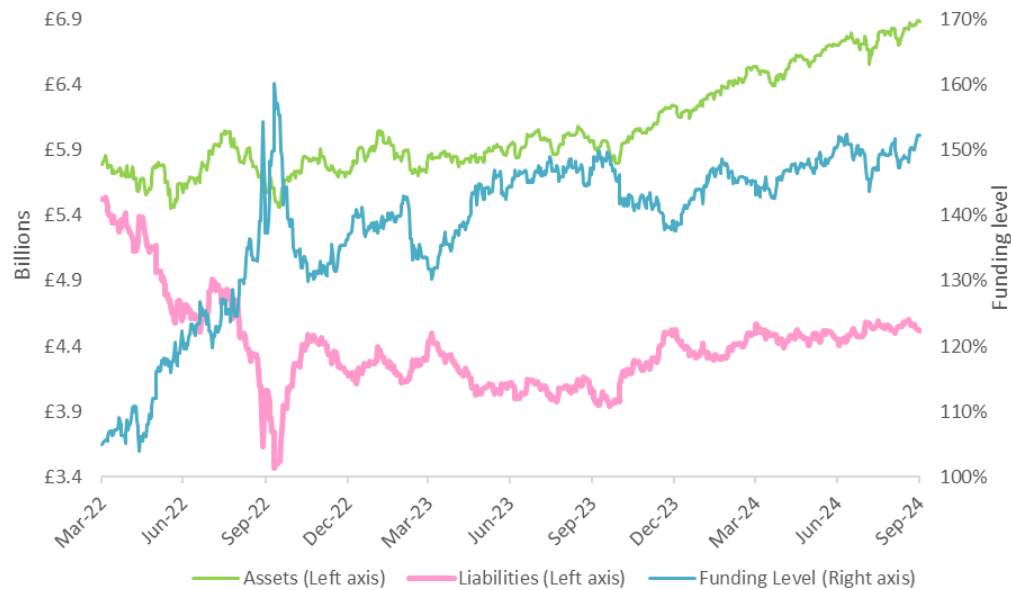
# Recap of 2022 valuation results



\*Contribution rates are expressed as a percentage of pensionable payroll

# What has happened since 2022?

## Funding progression since 2022 valuation



## General insights



Whole Fund funding position has improved since 2022



Investment returns were lower than expected up to September 2023 in line with the general market, but have since improved



Rising interest rates & high inflation



Higher expected future return on the Fund's assets

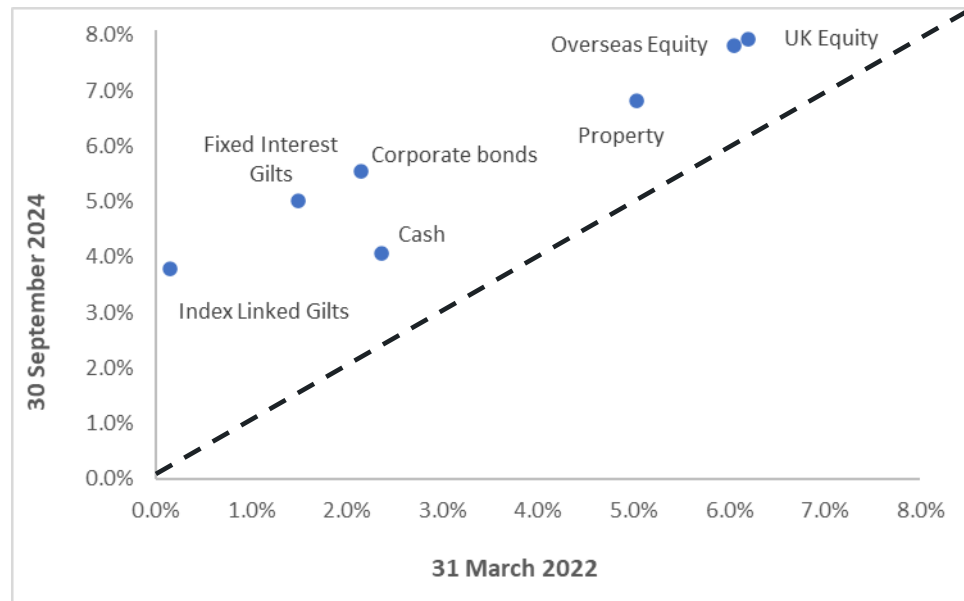
Employers will see variation based on their own circumstances

# Key funding risks at 2025



# Investment outlook

## Expected future investment returns



## General insights



Expected returns are higher for all asset classes



Higher returns driven by increased interest rates



Leads to a lower value placed on employer liabilities

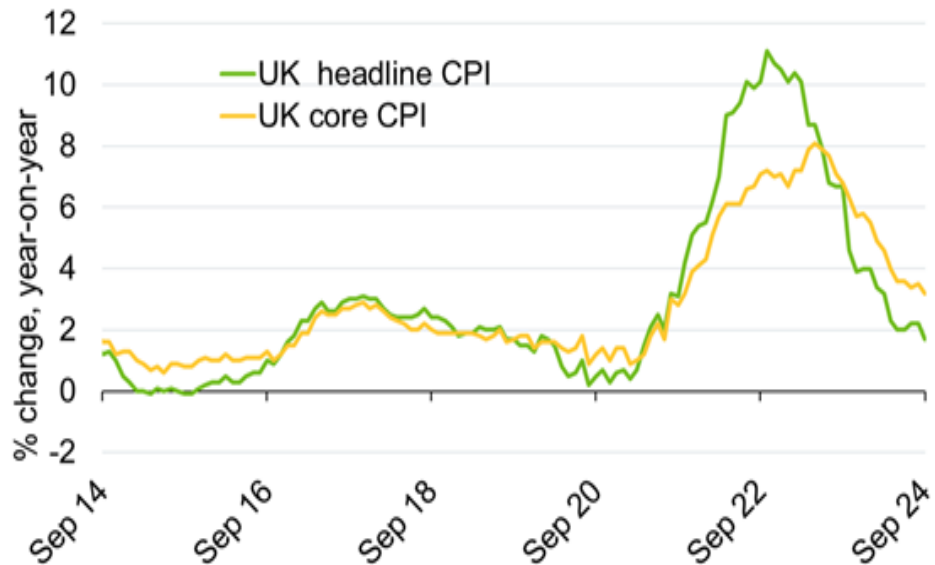


Caution required at 2025 valuation

The improved funding level is being driven by higher expected future investment returns

# High inflation

## UK inflation over past 10 years



## General insights



High inflation increases the cost of benefits



Pension increases of 10.1% (2023) and 6.7% (2024)



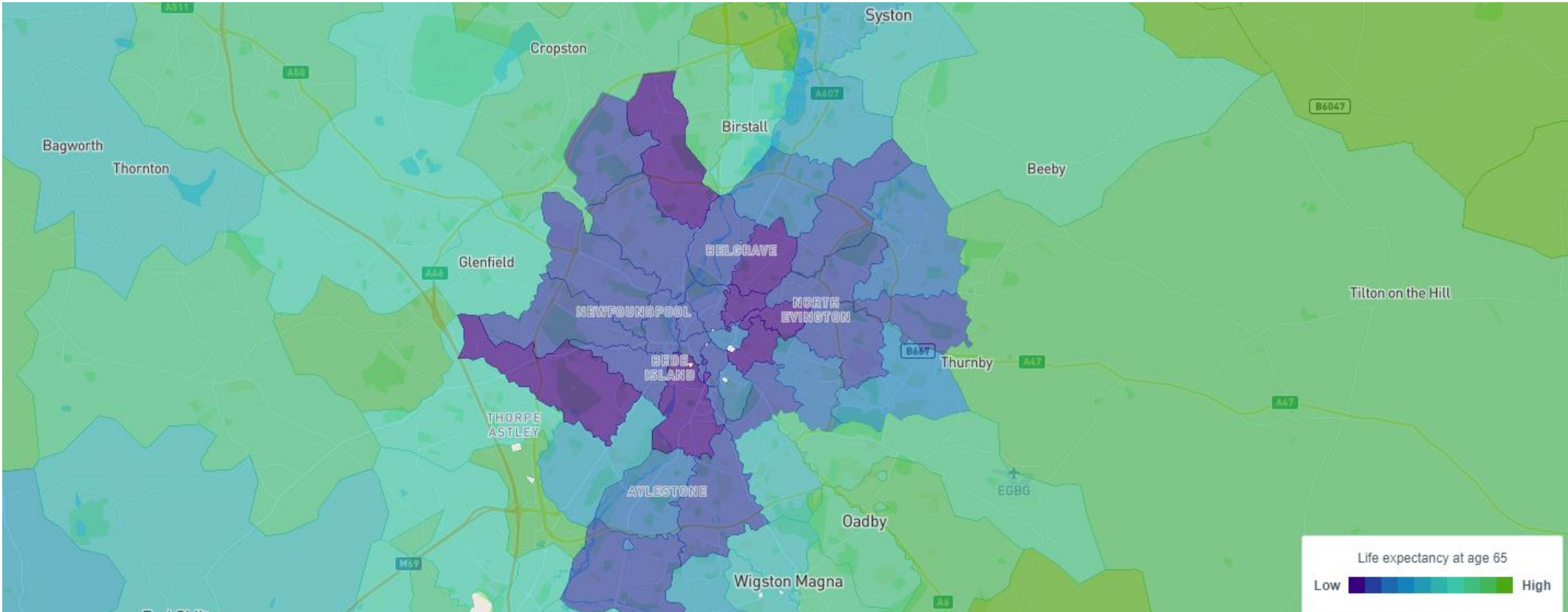
Varying impact on employer net cashflow positions



Future inflation remains uncertain

**Monitoring inflation is important to manage long-term benefit cost and short-term cashflow risks**

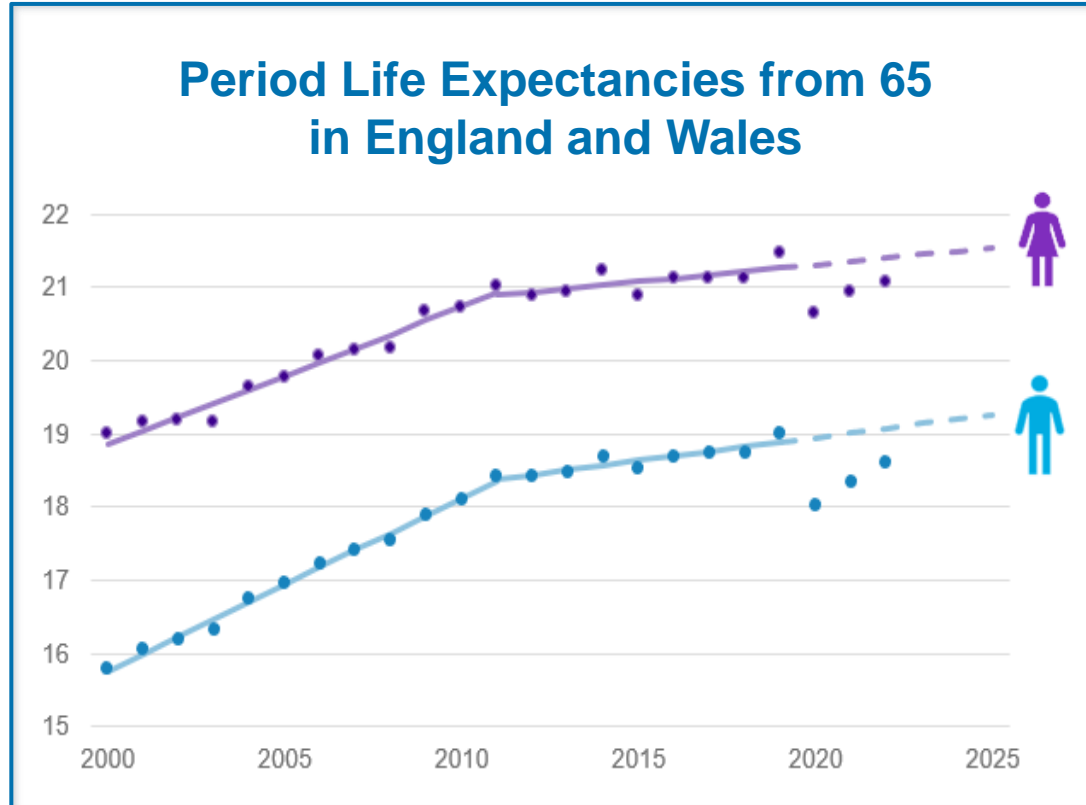
# Life expectancy



**Socio-economic factors can make a big difference to longevity**

Source: Club Vita, map available at <https://maps.clubvita.co.uk>

# Recent longevity trends



## General insights



Improvements slowing down



Long term impact of the pandemic uncertain



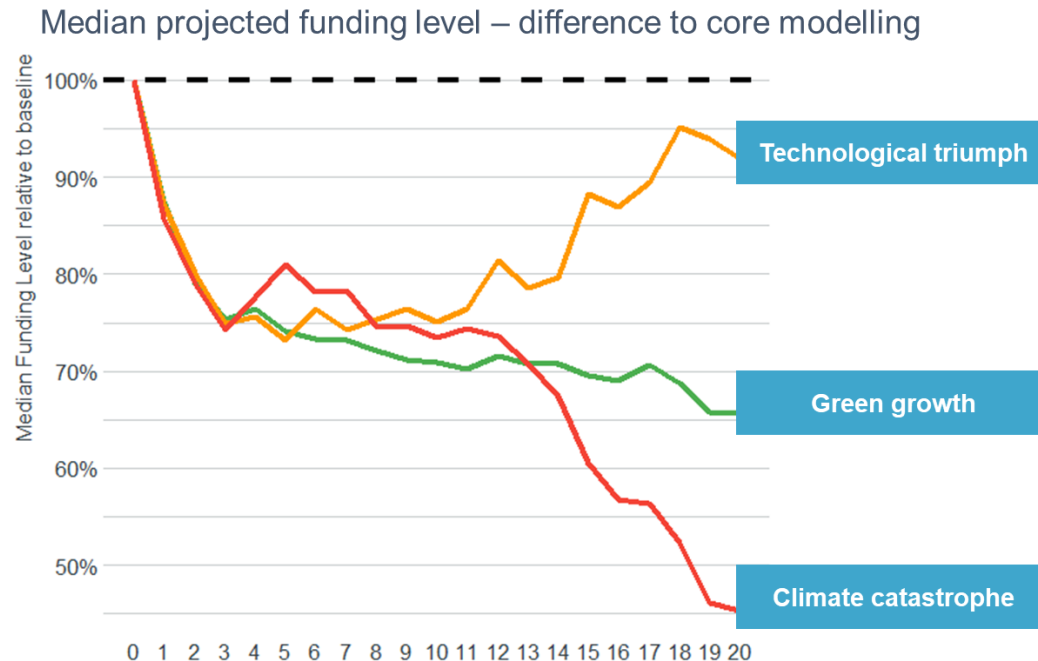
LGPS 'bucking the trend' on excess deaths

**Monitoring longevity trends is key to setting life expectancy assumptions**

Source: CMI\_2022 model. Life expectancies calculated using projected qx rates, using calibration data, with W2020 through W2022 set to 100% and Sk set to 0%.

# Climate risk

## Global food supply shock (example)



## General insights



Climate damages could be extreme




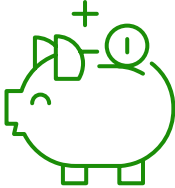


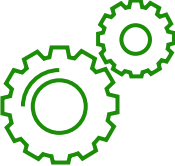
Sectors have strong correlations under stress



Events can cascade through supply chains

Factor in risks when exploring strategy at 2025 valuation

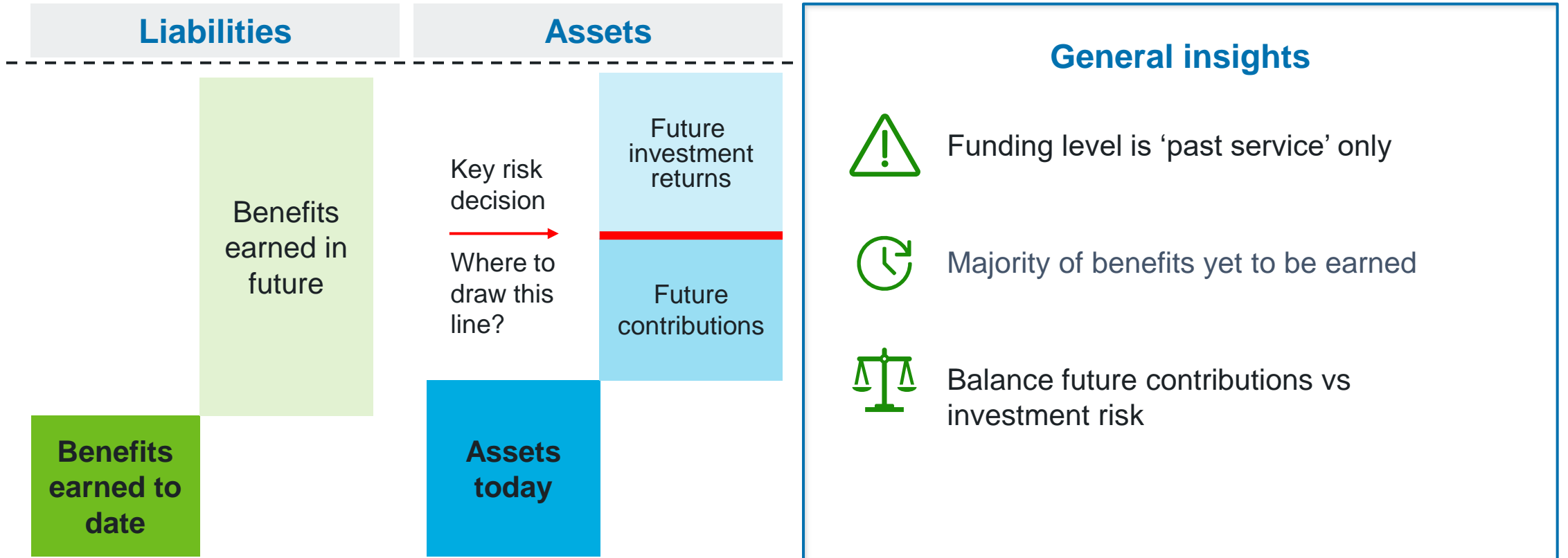
# A challenging environment?

Market risk	Cashflow risk	Longevity risk	Climate risk	Covenant risk
<ul style="list-style-type: none"><li>• High inflation</li><li>• Interest rates</li><li>• Market volatility</li></ul>	<ul style="list-style-type: none"><li>• High inflation</li><li>• Reduced contributions</li><li>• Liquidity risks</li></ul>	<ul style="list-style-type: none"><li>• Increased deaths</li><li>• Longevity trends</li><li>• Future improvements</li></ul>	<ul style="list-style-type: none"><li>• Inflation</li><li>• Investment returns</li><li>• Longevity</li></ul>	<ul style="list-style-type: none"><li>• (Economic environment)</li><li>• Demographic changes</li><li>• Regulatory environment</li></ul>
				

**New economic cycle? What are the key risks to future funding...**

What does this mean  
for 2025?

# Surplus – what now?



Setting contributions requires careful management



# Considerations

Reasons for Caution	<b>Future asset returns</b> Central banks signalling economic slow-down	<b>Inflation</b> BoE signalling higher than 2% expectations	<b>Other risks</b> Central banks signalling economic slow-down
Reasons for Optimism	<b>Higher interest rates vs 2022</b> Puts downwards pressure on contribution rates	<b>Investment experience</b> Below expectation, but recently made-up ground	<b>Benefit certainty</b> Cost-sharing and McCloud increasingly settled
Known unknowns	<b>Pensions review</b> Potentially impacting investment risk / benefits	<b>GAD Section 13</b> Increasing focus on intergenerational fairness	<b>Opportunistic exits</b> Employers tactically exiting the Fund

Overall, it is looking positive, but what does the new economic cycle mean for the 2025 valuation...

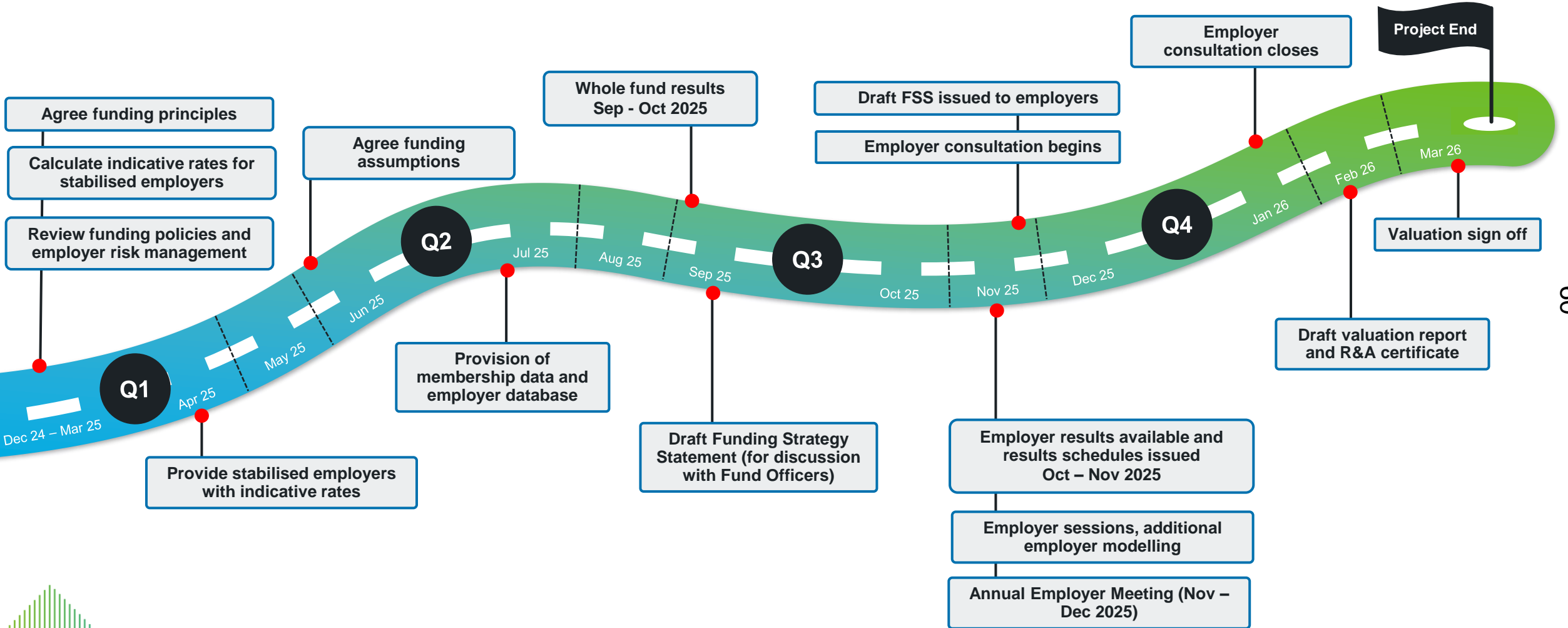
# In surplus? What are the options?



**Focus on balancing employer affordability with long-term sustainability**

# 2025 valuation timeline

# 2025 valuation timeline



How can you help?

# How can you help now?

## Data Timescales

- Review the data you hold and ensure it is up to date
- Submit returns on time
- Promptly reply to any admin queries

## Keeping informed

- Attend employer forums – for information on general outlook for 2025, hot topics and trends
- Read valuation communications from the Fund

## Engagement with the Fund

- Speak regularly to your local contact at Leicestershire County Council
- Ask questions – especially if this is your first valuation
- Communicate any changes in your circumstances

# Thank you

## Questions

Hymans Robertson LLP (HR) has relied upon or used third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst reasonable efforts have been made to ensure the accuracy of such estimates or data, these estimates are not guaranteed, and HR is not liable for any loss arising from their use. This report does not constitute legal or tax advice. Hymans Robertson LLP (HR) is not qualified to provide such advice, which should be sought independently.

# Agenda Item 8: Local Pension Board Report

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MRS PAGE CC



# Agenda Item 9: Local Pension Committee Employee Representatives Report

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# Agenda Item 10: Election of Local Pension Committee Employee Representative

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# Agenda Item 11: Election of Local Pension Board Employee Representative

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