

**Cumbria County Council**

**Member Induction**

**Cumbria Local  
Government Pension  
Scheme (LGPS)**

10<sup>th</sup> June 2019

# Welcome & Introductions



# Agenda

- What is a Pension Fund? Introduction to the LGPS (4-9)
- Cumbria LGPS Key Considerations / Statistics
  - Administration / Scheme Member Experience (10-21)
  - Governance and Oversight (22-28)
  - Investments (29-36)
- LGPS Asset Pooling (37-41)
- Pensions Committee, Local Pension Board, Your Role & Training (42-47)
- Current Issues (48-49)



# **What is a Pension Fund? Introduction to the LGPS**

# What is a Workplace Pension?

- Employers & employees jointly saving throughout working life to provide an income in retirement.
- Defined Benefit -vs- Defined Contribution
- All employers must provide “auto-enrolment” but employees can opt out
- Workplace pension is paid in addition to the State Pension



# Core Functions of a Pension Fund

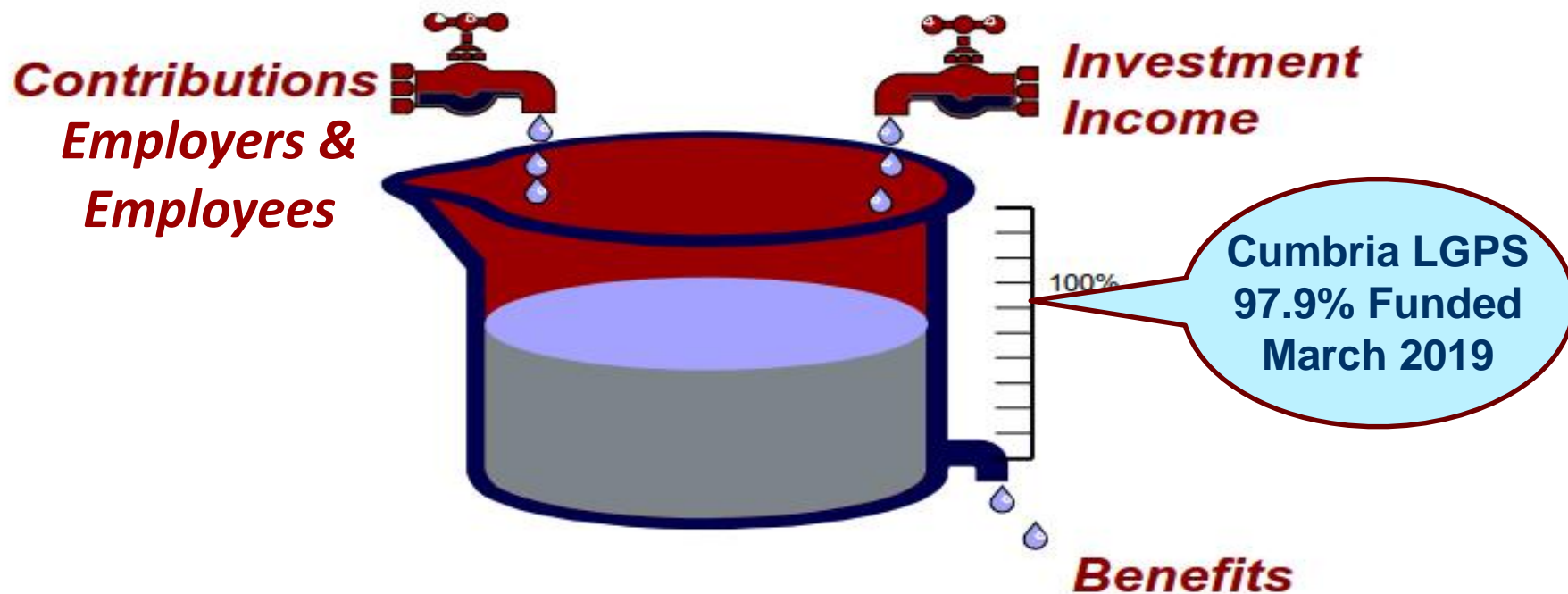


# LGPS vs Other Public Pension Schemes

- Most public sector schemes are “pay as you go” (Teachers; Fire; Police; NHS; Civil Service) and therefore 100% Unfunded
- Only public sector funded schemes are LGPS; Universities Superannuation Scheme; and Environment Agency
- LGPS is open to employers providing local government services, academies and colleges and to employers where LG services have been contracted out (e.g. school cleaning contracts)



# How does the LGPS (Defined Benefit Scheme) Work?





# LGPS (England & Wales) Key Statistics

## One of the largest DB Schemes in the world:-

- Controlled by 89 Administering Authorities (Cumbria CC being one of these)

## Managing:-

- £275 billion in assets
- 85% funded in 2016 (total assets / liabilities)

## Supporting:-

- 5.8m Scheme Members including 1.7m pensioners
- 14,800 employers



Source:- 2018 Scheme Advisory board Annual Report

# **Cumbria LGPS**

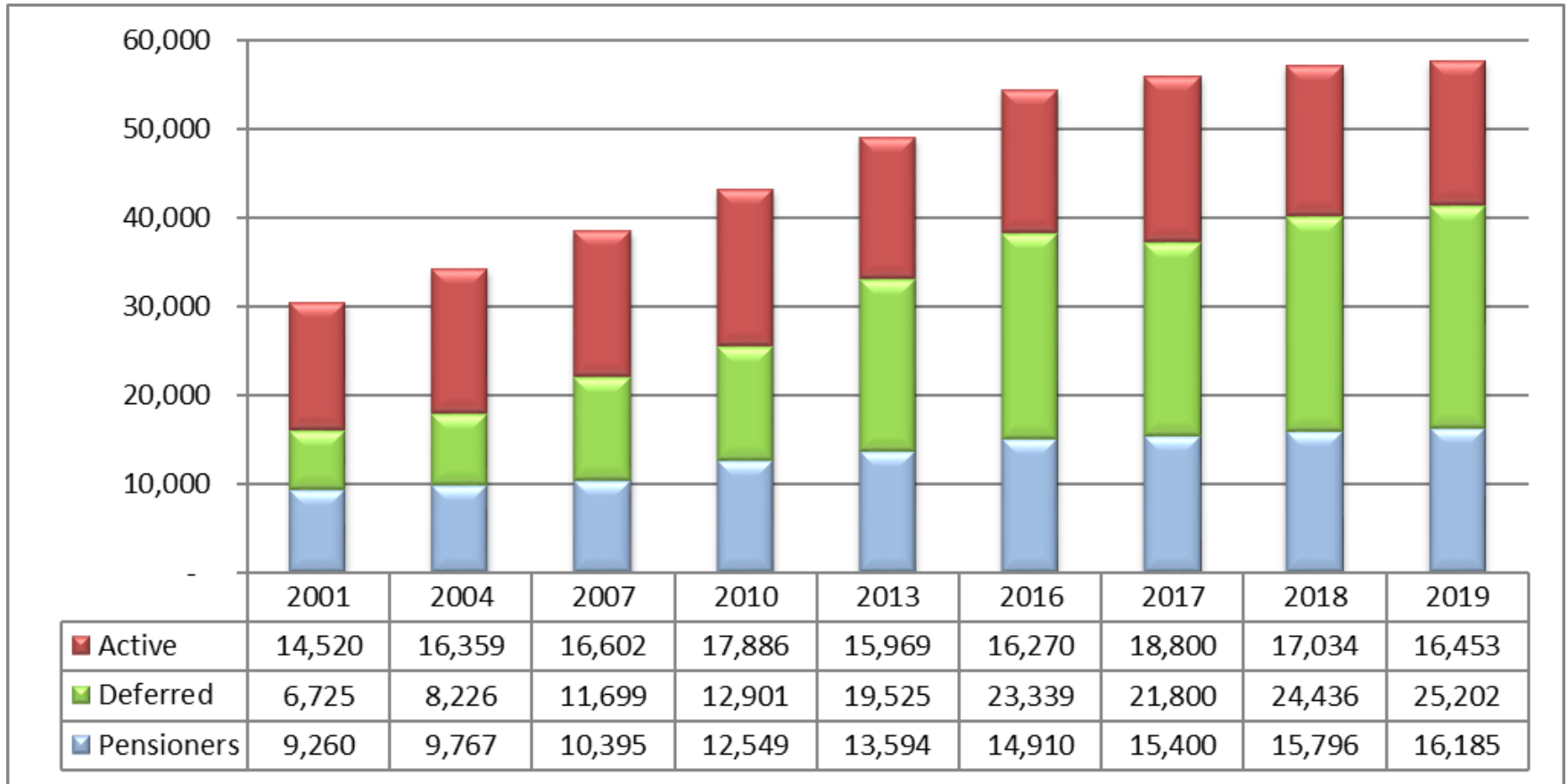
## **Administration / Scheme Member Experience**

# Cumbria LGPS – Key Statistics at March 2019

- 57,840 Fund Members
  - Actives 16,453
  - Deferred 25,202
  - Pensioners 16,185
- 127 Employers
- £2.703 billion in assets
- Estimated at 98% funded (91% funded at 31/3/2016)



# Membership Numbers



# Current Profile of Cumbria LGPS Member

- 69% are part time
- 82% are part time females
- 31% work less than 18.5 hours / week
- The average pension in 2018/19 was £4,465 pa
- Less than 1% of pensioners have a pension of more than £30,000



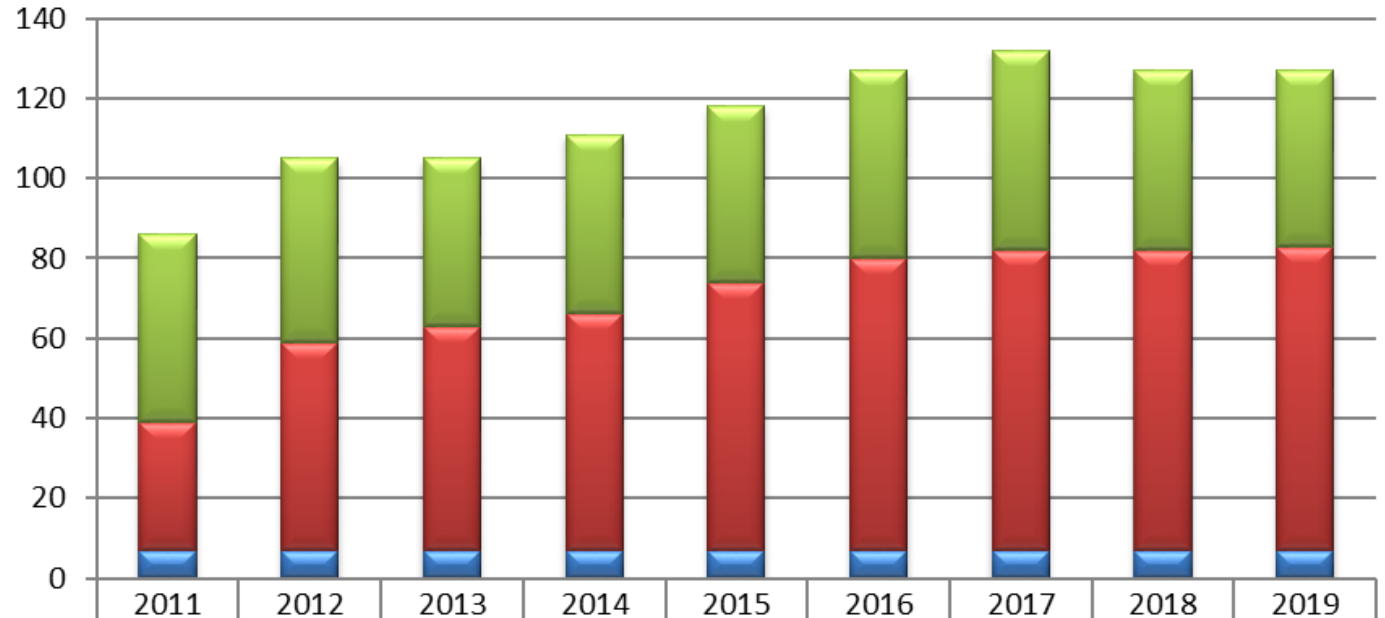
# Why the LGPS Matters to Cumbria



**Cumbria LGPS  
has 57,840 member  
records – equivalent  
to 13.9% of the adult  
population of  
Cumbria**

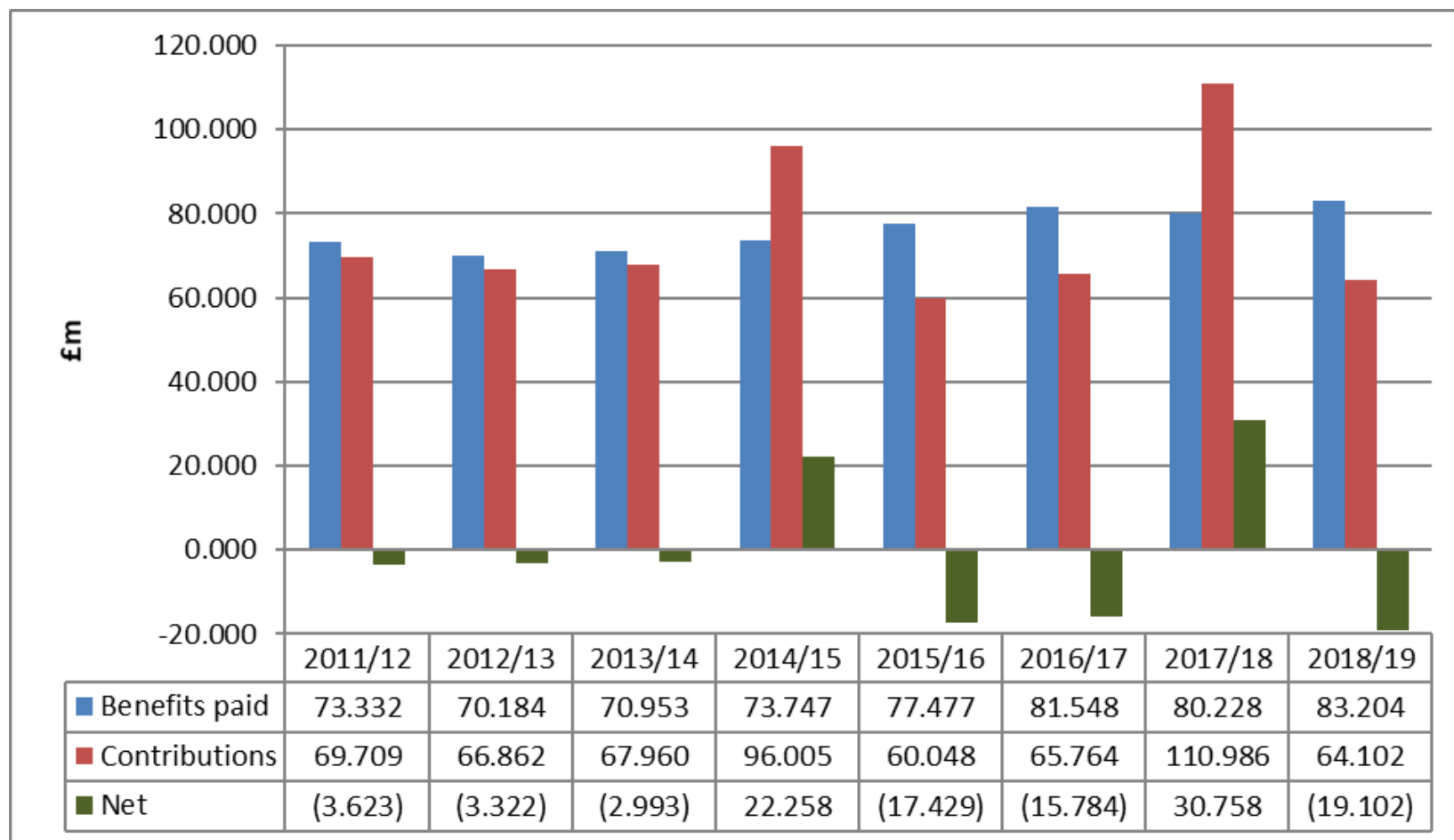
# Employer Numbers

Numbers of employers in the Cumbria Fund has increased due to outsourcing & academy conversions



Admitted Bodies	47	46	42	45	44	47	50	45	44
Other Scheduled Bodies	32	52	56	59	67	73	75	75	76
CCC & District Councils	7	7	7	7	7	7	7	7	7

# Benefits Paid & Contributions Received

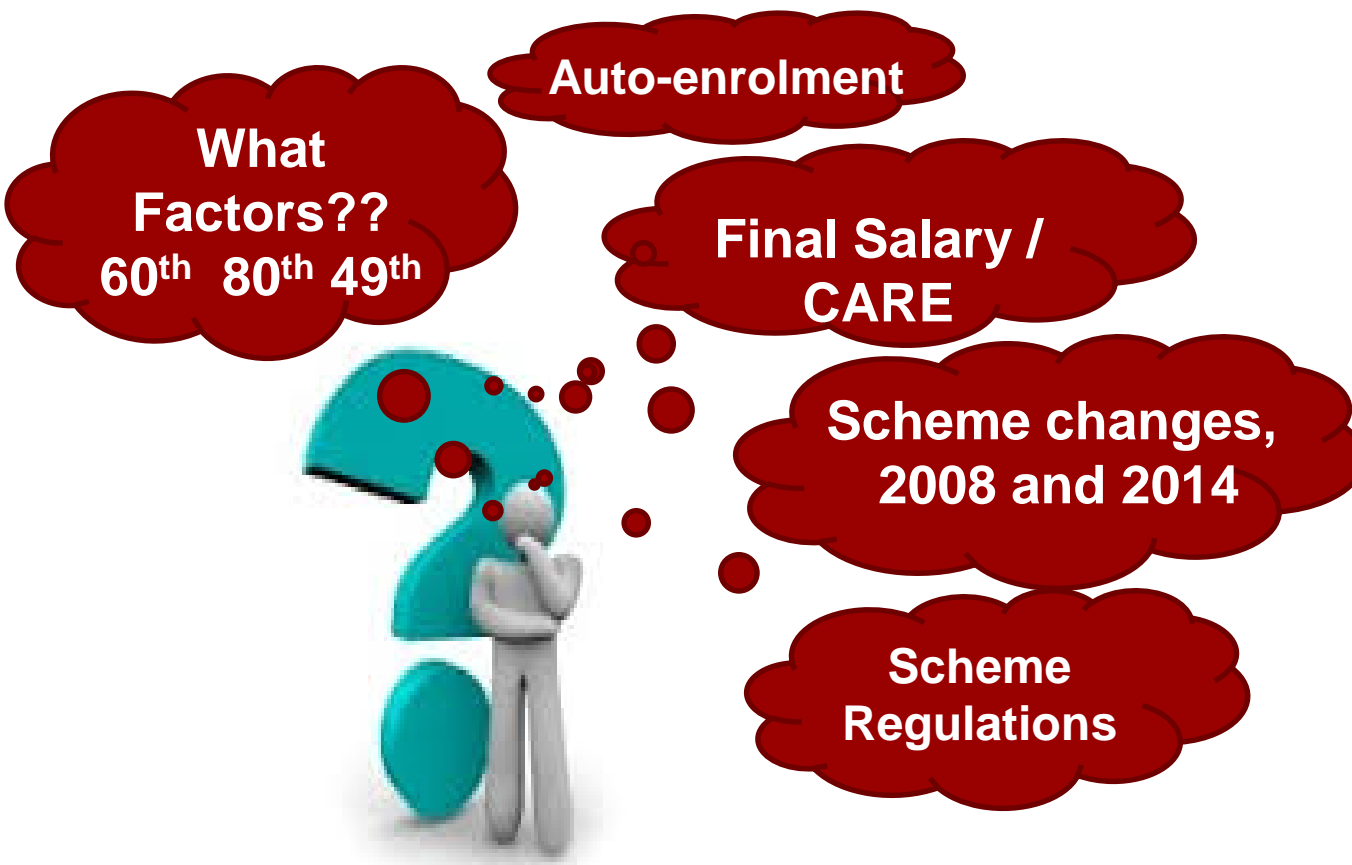




# Management of Administration

- Increasing number of employers, (86 to 127 over the last 8 years, 48% increase), many requiring disproportionate levels of support
- Increasing membership numbers (43,300 to 57,800 in the last 8 years, 33% increase)
- Increasing Scheme complexity - harder to administer and requires more communication / advice to employers and members
- Volatility in the membership due to mobile workforce and austerity measures across local government

# Scheme Complexity



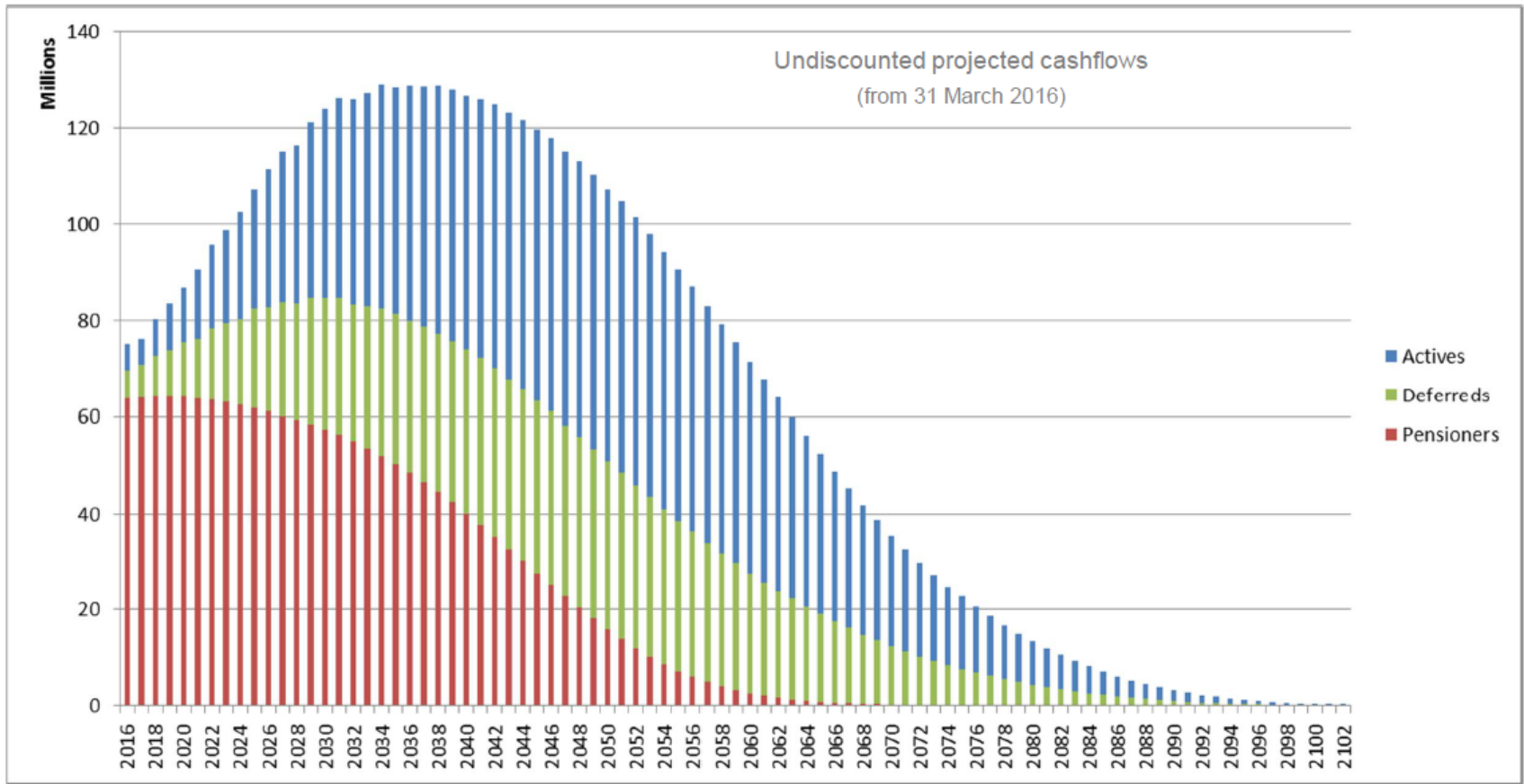
- More complex to administer
- More advice required to both
  - employers
  - members

# Fund Valuation

- Triennial (3-yearly) valuation
- Assesses the liabilities of the Fund as at 31<sup>st</sup> March 2019
- Considers a wide range of factors including discount rate, life expectancy, pay assumptions etc.
- Determines the funding level of the Fund and individual employers (assets / liabilities)
- Sets employer contributions for the period 1/4/2020 – 31/3/2023



# Future Liability Profile



# 2019/20 Business Plan - Administration

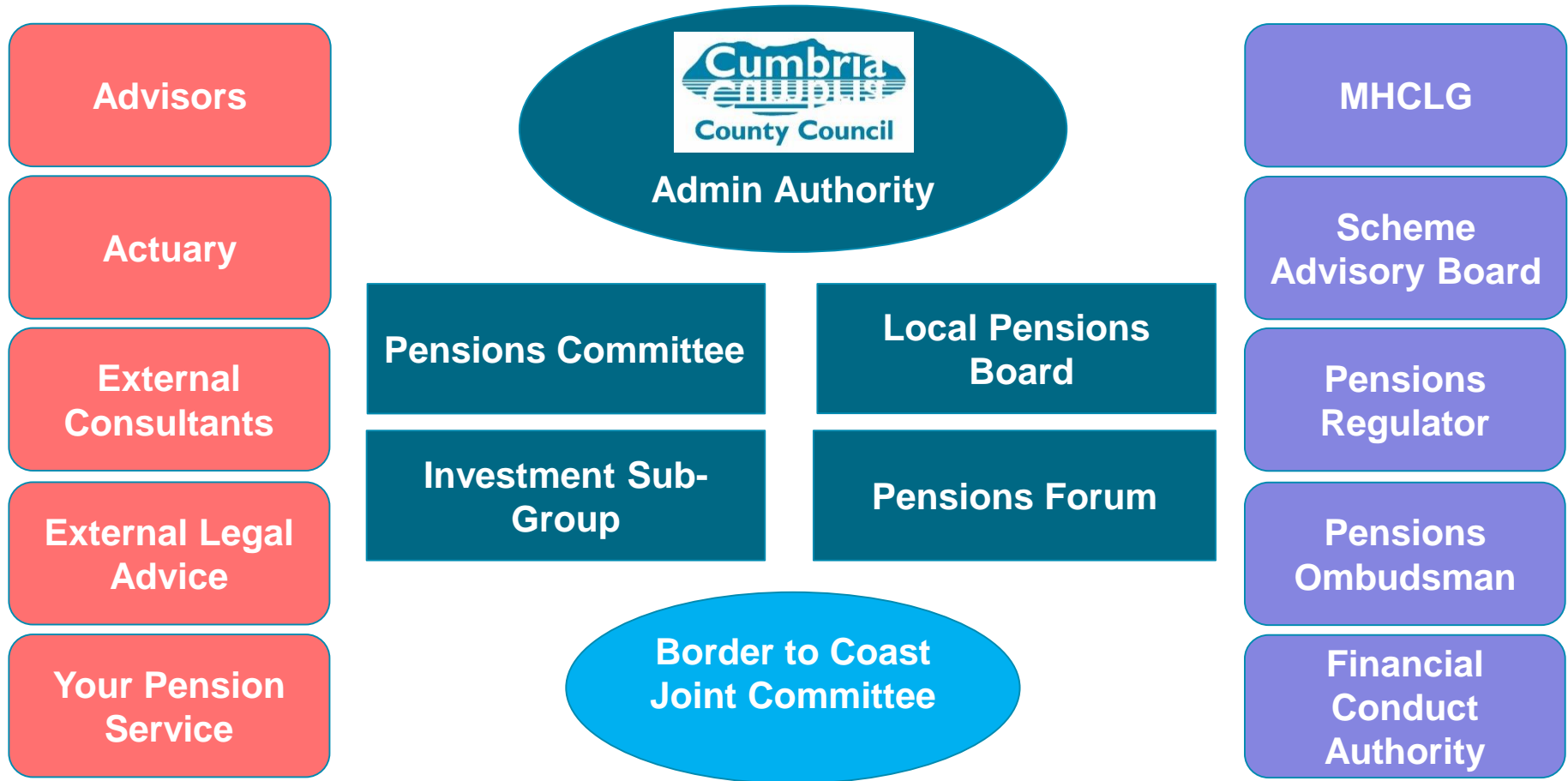
- Continue to improve pension administration arrangements for the benefit of all members and employers of the Fund
- Continual improvement programme for the quality of data held by the Fund
- Implement action plan from the Pensions Regulator's cohort review of the Fund
- Continue to monitor and improve employer communication and employer data submission issues
- Undertake the three-year valuation of the Fund as at 31<sup>st</sup> March 2019



# **Cumbria LGPS**

## **Governance & Oversight**

# Cumbria LGPS Governance Structure



# Role of the Pensions Committee

- Oversee all investment, administration and governance of the Fund
- Represent the Authority at Border to Coast Joint Committee and shareholder meetings
- Considers recommendations of the Local Pensions Board
- Reports on Cumbria LGPS performance to Council
- Required to collectively have the knowledge and skills to make appropriate decisions.



# Role of the Investment Sub Group

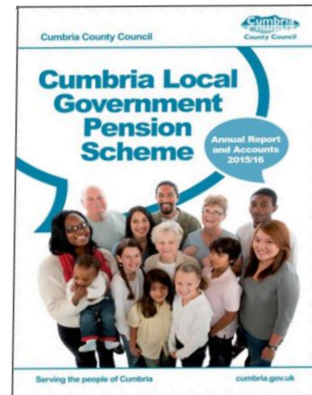
- Monitor investment performance across the Fund
- Review and consider new investment opportunities for the Fund
- Feedback work undertaken and decisions made to the Pensions Committee each quarter
- Assist the S151 Officer in:
  - Approving new investments / terminating current investments up to 5% of the portfolio (c. <£135m) in compliance with the investment strategy
  - Appointment / termination of investment managers with holdings less than 5% of portfolio

# Role of the Local Pension Board

- Assisting the Admin Authority in securing compliance with LGPS regulations, relevant legislation and requirements of the Pensions Regulator
- To ensure the effective and efficient governance of the Cumbria LGPS
- Reports through to the Pensions Committee
- No decision making responsibilities
- Members have a personal responsibility for ensuring they have appropriate skills to undertake their role

# Accounts and Annual Report

- Pensions Committee review and submit accounts to Audit & Assurance Committee
- Unqualified opinion on the financial accounts of the Pension Fund in 2017/18
- Grant Thornton: *“The accounts have been produced to a very high standard... a good achievement, especially in the context of a complex set of statements...”*
- No significant control weaknesses identified
- Annual Report published on-line



# 2019/20 Business Plan - Governance

- Review and update Fund risks, policies & strategies
- Continue to influence the development of robust governance arrangements within Border to Coast
- Review, measure and deliver training to Members and Officers as outlined in the Training Plan
- Assess the impact of and respond to consultations that will have an impact on the structure and performance of the Fund
- Undertake the election process for the Local Pension Board
- Completion of 2018/19 Accounts and Annual Report



# **Cumbria LGPS Investments**

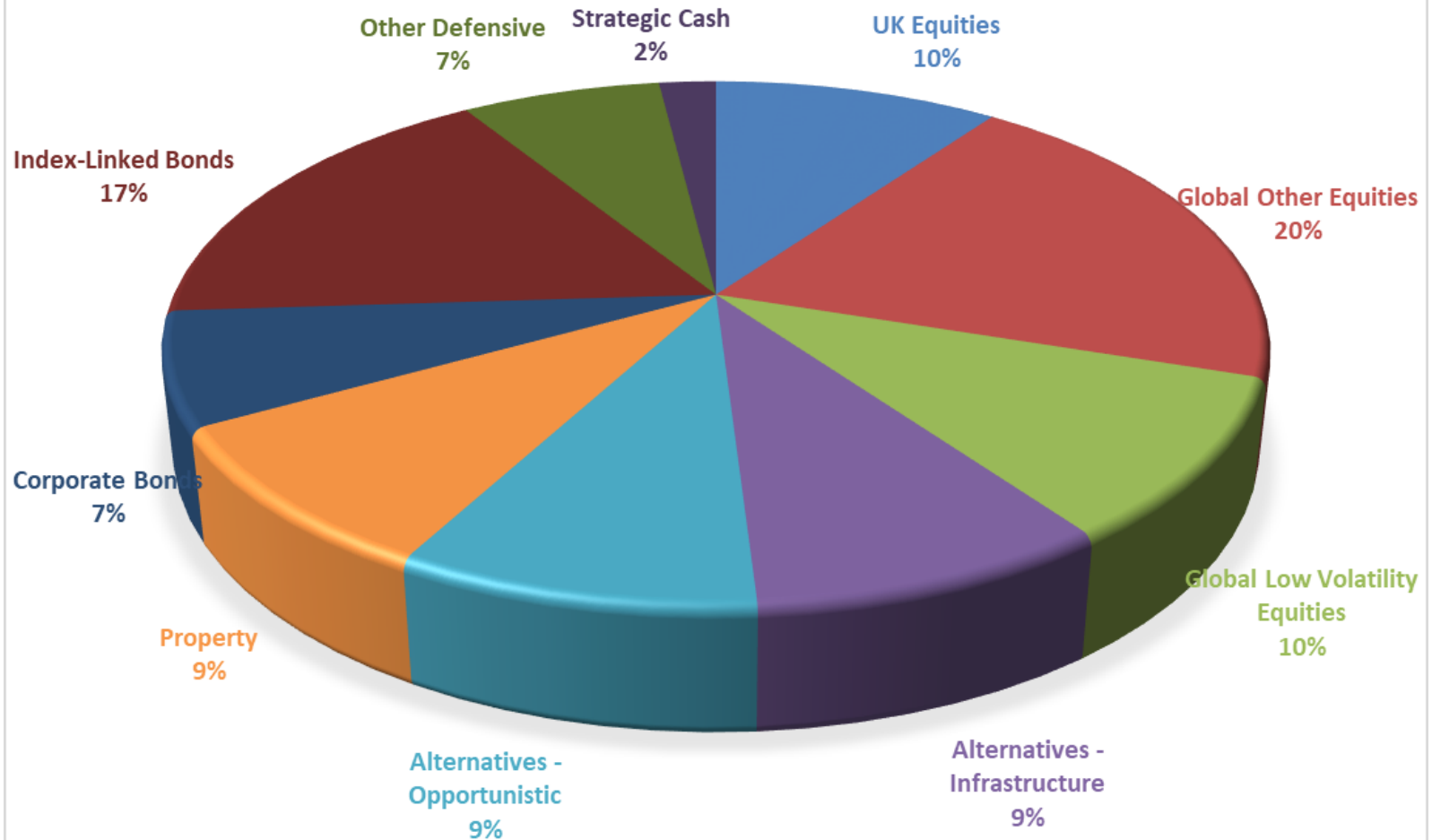
# Investment Strategy

- Asset allocation (not manager selection) accounts for c. 85% investment return
- Specific to each Fund & focus on managing risk / return
- Should consider each Fund's individual liability profile
- Focus on the expected long term risk adjusted returns (net of fees)
- Current strategy to be reviewed after 2019 Fund valuation

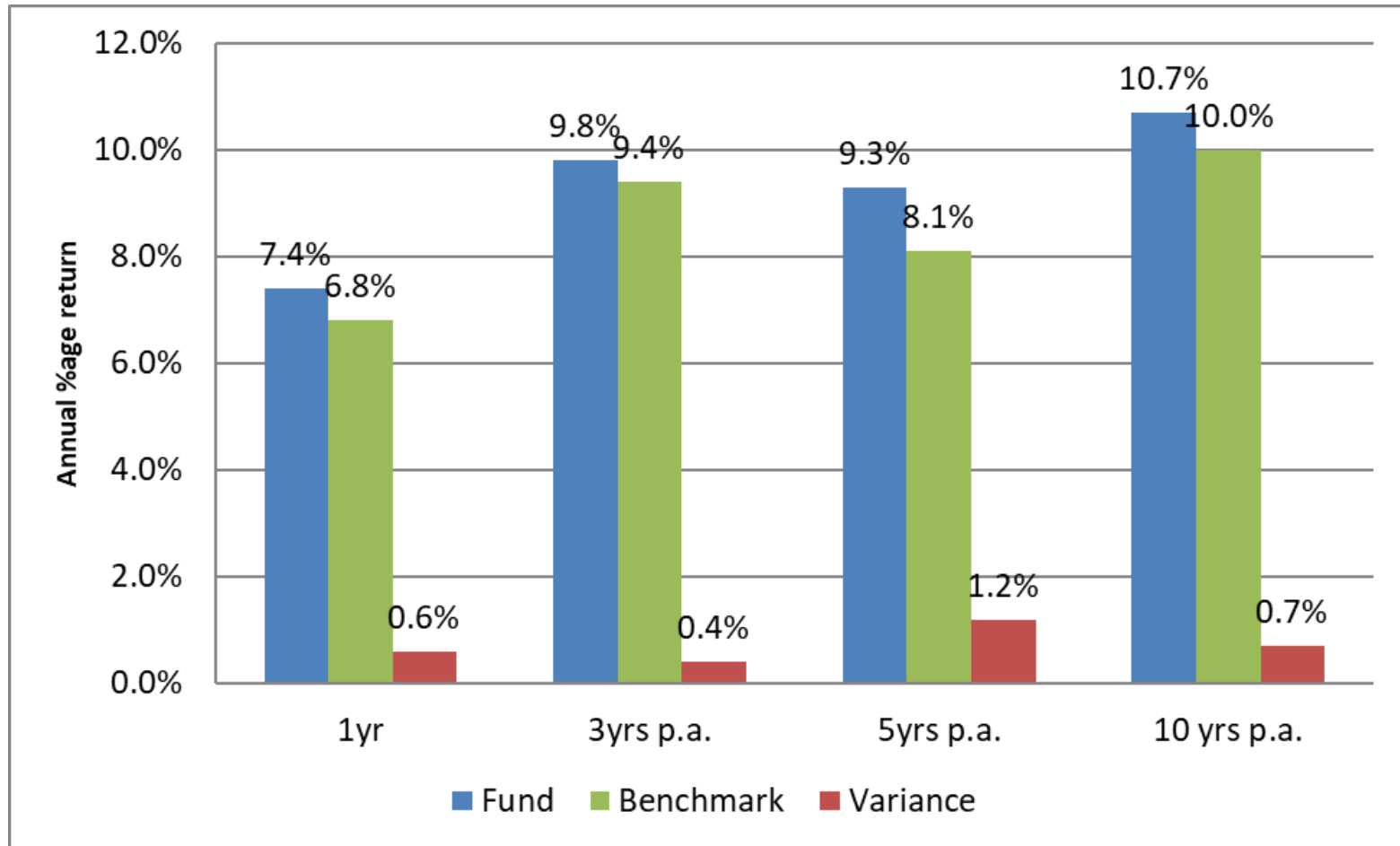
***What it should not be is all about fees or mandated solely by ethical views.***



## Target Asset Allocation



# Fund Specific Performance

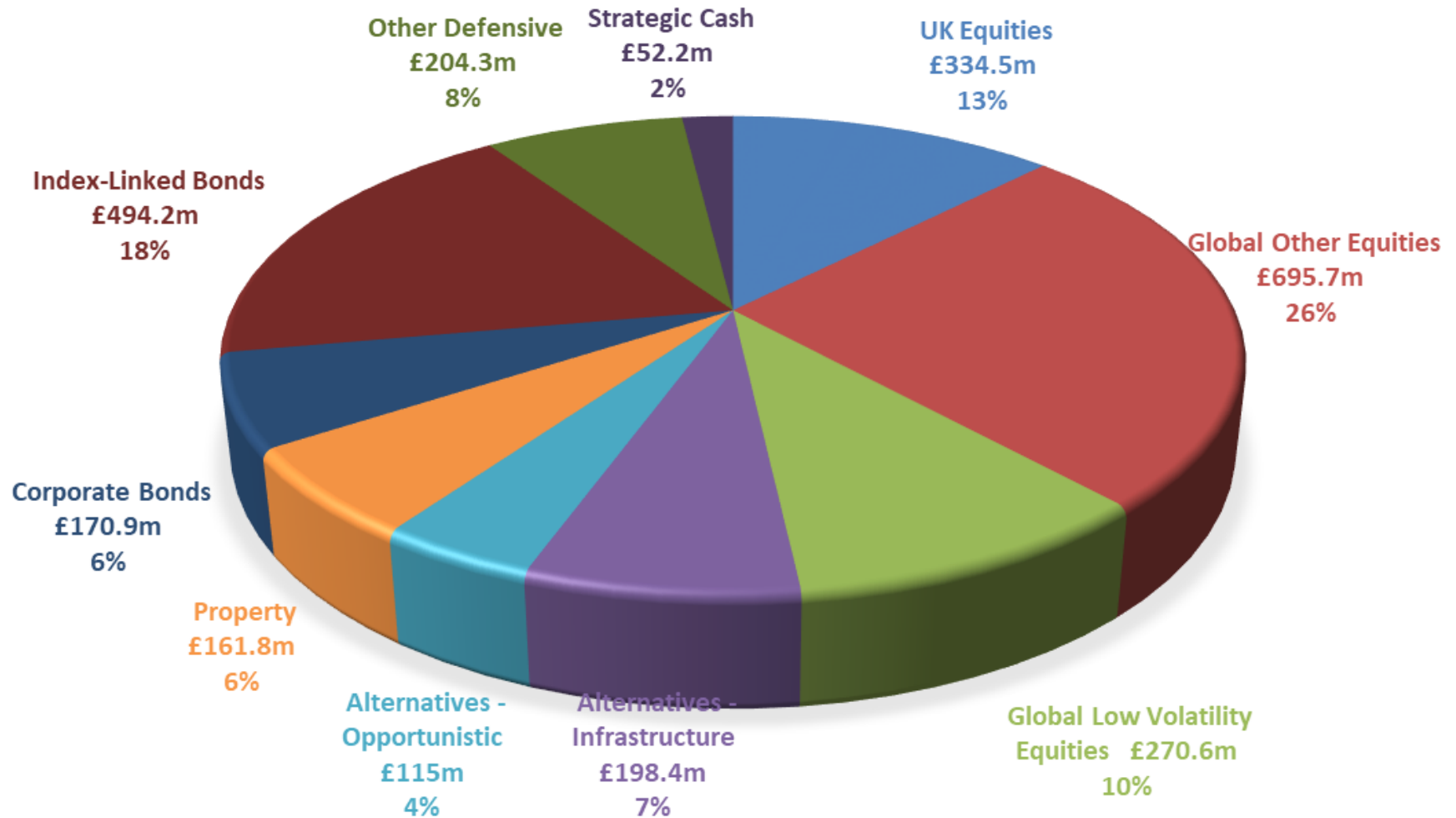




# How do We Invest our Members £2.703 billion?



## Actual Asset Allocation at 31st March 2019



# Actual Asset Allocation -vs- Target

	Target	Actual at 31/3/2019	
	%	£m	%
UK Equities	10%	334.5	12%
Global Other Equities	20%	695.7	26%
Global Low Volatility Equities	10%	270.6	10%
Alternatives - Infrastructure	9%	198.4	7%
Alternatives - Opportunistic	9%	115.0	4%
Property	9%	161.8	6%
Corporate Bonds	7%	170.9	6%
Index-Linked Bonds	17%	494.2	18%
Other Defensive	7%	204.3	8%
Strategic Cash	2%	52.2	2%
Other (e.g. creditors)	0%	5.4	0%
<b>Total</b>		<b>2,703.0</b>	

# 2019/20 Business Plan - Investments

- Continue to investigate investment options for the Fund's 'underweight' positions in asset allocations (primarily opportunistic and property)
- Continue the transition of assets from the Fund to Border to Coast
- Consideration of options to address negative cash flow position of the Fund
- Continual monitoring of the Equity Protection solutions held within the Fund



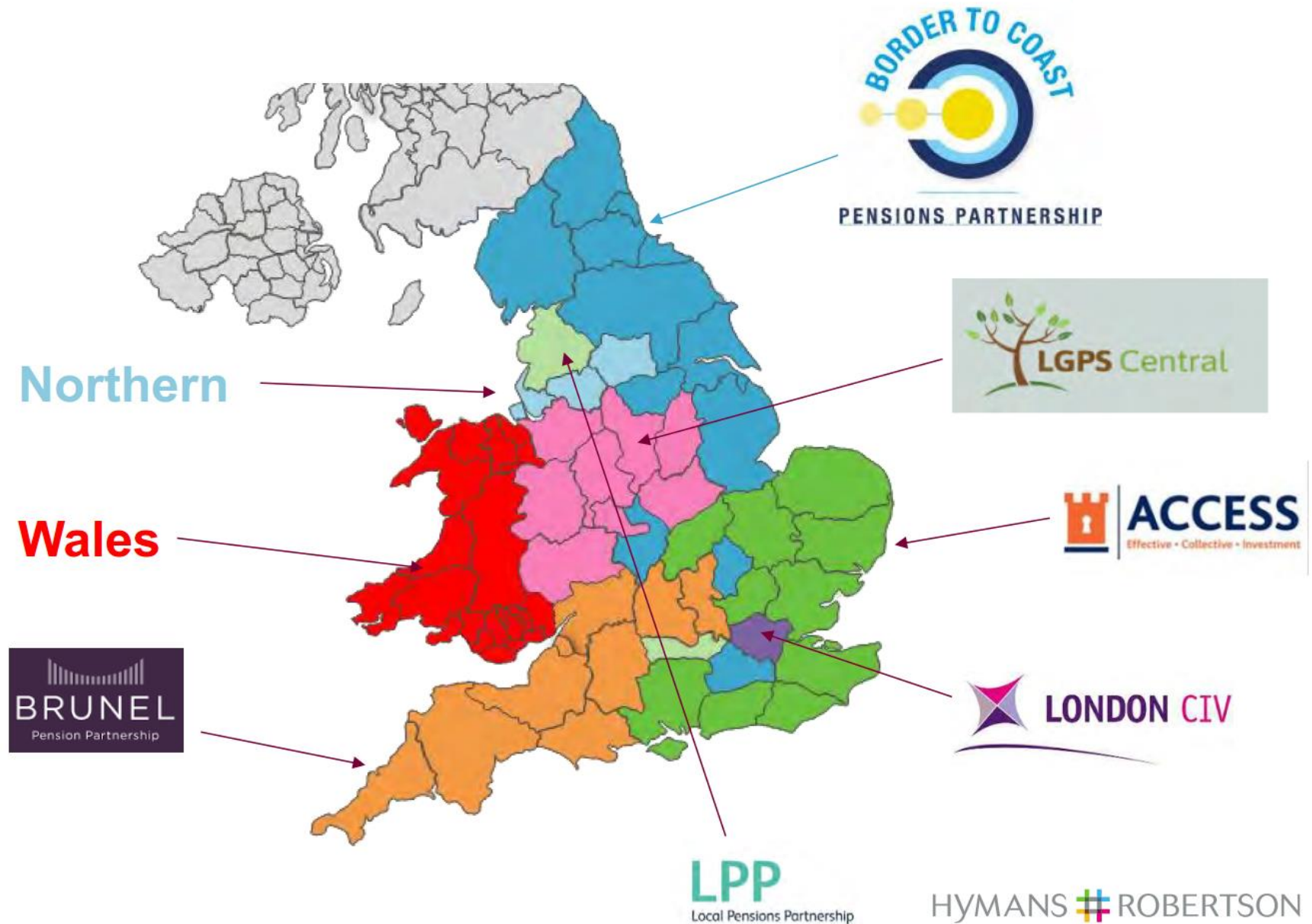
# **LGPS Asset Pooling**

# Asset Pooling

- Government direction to set up asset pools to manage the investments of the LGPS
- Funds remain responsible for asset allocation
- Pools responsible for delivering on the Fund's investment strategy
- Aim to maximise scale collective purchasing power and drive down management fees
- Aim to also offer LGPS access to investment opportunities to available to individual Funds



# LGPS Asset Pools



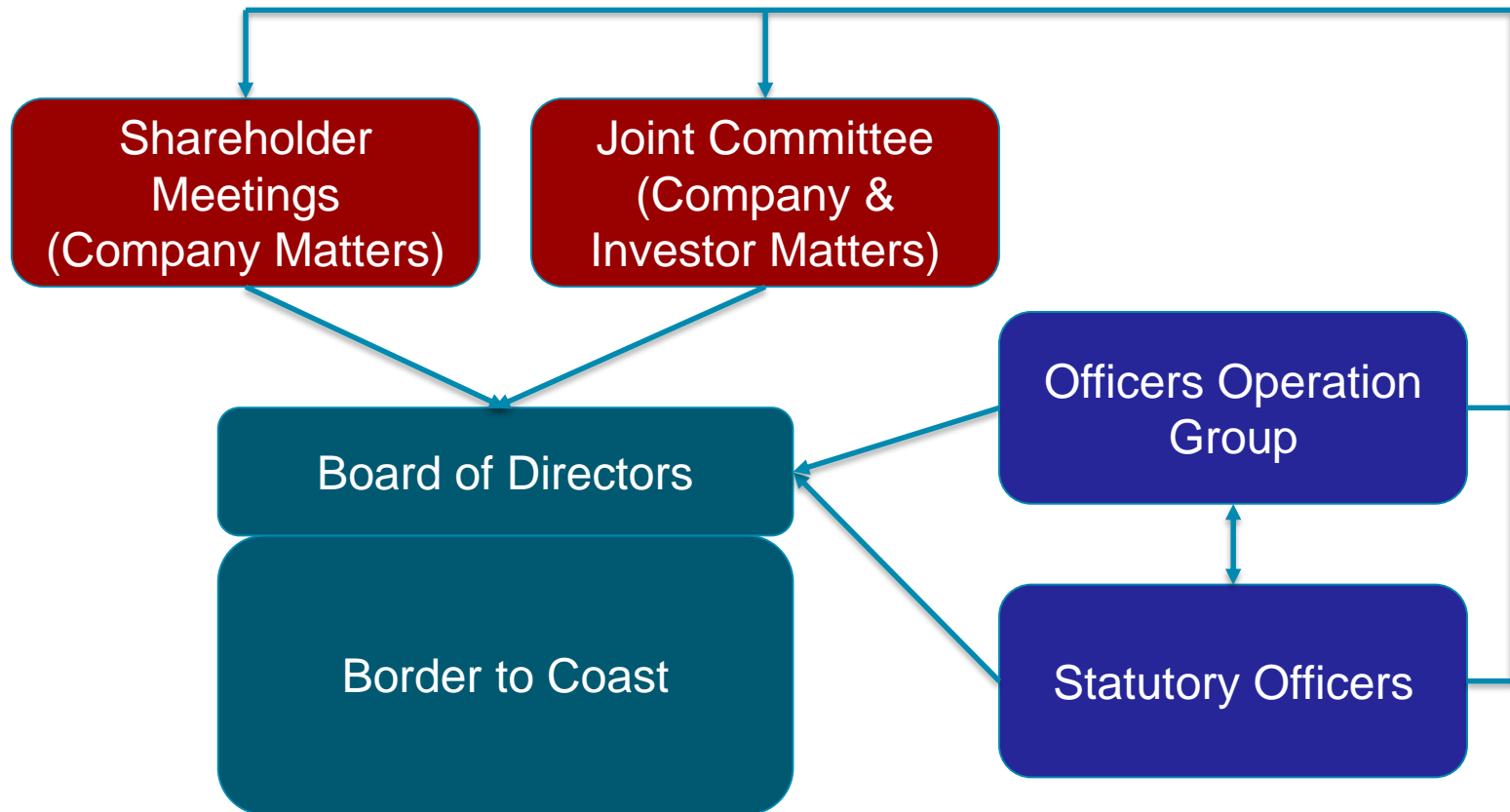
# Border to Coast Pensions Partnership

- Cumbria LGPS is one of 12 Funds in Border to Coast Pensions Partnership Ltd (“Border to Coast”)
- Border to Coast commenced transitioning assets in May 2018
- Cumbria transitioned its first assets (UK equity) in Dec 2018
- Cumbria has agreed to invest £50m in infrastructure and £50m in Private Equity with Border to Coast
- Cumbria to consider the transfer of 20% of its portfolio to Border to Coast’s global equities Fund at Committee on 11<sup>th</sup> June.





# Border to Coast - Key Governance





# **Pensions Committee, Local Pension Board, Your Role & Training**

# Regular Committee Items

- Approve Annual Business Plan & Budget
- Approve changes to Fund Policies including investment strategy
- Approve investment decisions in excess of 5% of portfolio value (>£135m)
- Review and submit financial accounts to Audit Committee
- Review and approve Annual Report of the Fund
- Review Performance, Risks, Policy / Regulation updates, Breaches on a quarterly basis
- Ensure collective training needs met.

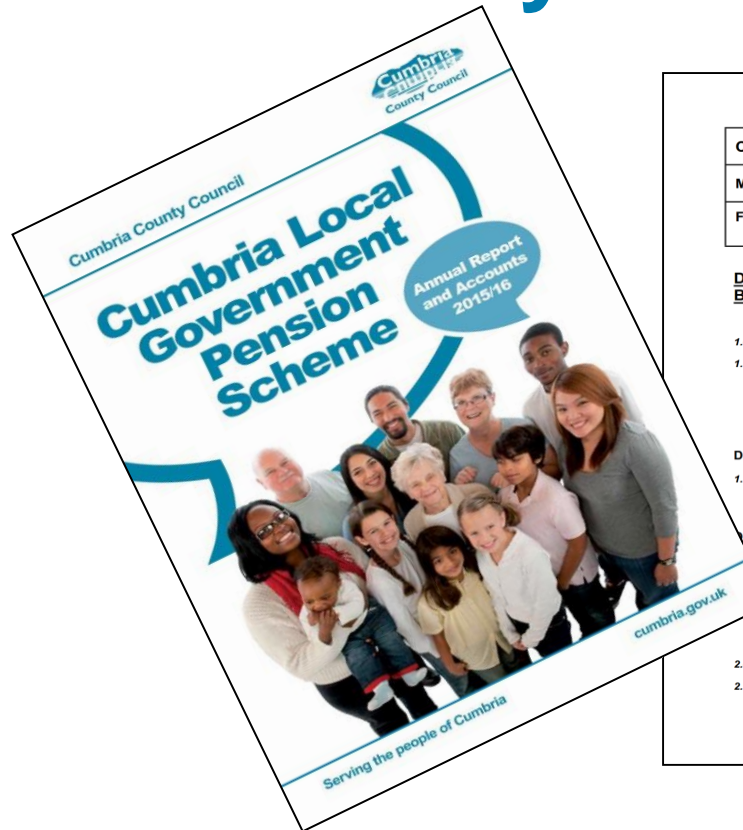
# Regular Investment Sub Group Items

- Approve new investments up to 5% of the portfolio (<£135m) in compliance with the investment strategy
- Review and consider new investment opportunities for the Fund
- Monitor investment performance across the Fund
- Feedback relevant issues to the Pensions Committee

# Regular Board Items

- Review decisions of the Pensions Committee
- Review administration issues within the Fund
  - Scheme Member experience
  - Fund employers' breaches
- Review data improvement programme
- Review progress against Pensions Regulator action plan
- Feedback relevant issues to the Pensions Committee
- Ensure personal training needs met

# Key Policy Documents



Agenda Item 15

<b>CUMBRIA PENSIONS COMMITTEE</b>
Meeting date: 7 <sup>th</sup> March 2017
From: Julie Crellin, Assistant Director - Finance (S151 Officer)

**DRAFT PENSIONS ADMINISTRATION BUSINESS PLAN AND BUDGET 2017/18**

1.0 EXECUTIVE SUMMARY

1.1 This report advises members of the;

1.1.1 Draft Business Plan for 2017/18 setting out the Pension Fund's proposed work plan for the year,

1.1.2 The Draft Budget 2017/18 required to deliver the proposed Business Plan for the Cumbria LGPS.

**DRAFT BUSINESS PLAN 2017/18**

1.2 2017/18 will see a continuance of changes to the Pension Fund by national requirements to all functions across the LGPS and effective governance and operation of the Fund is required to ensure the appropriately managed and can meet these changes.

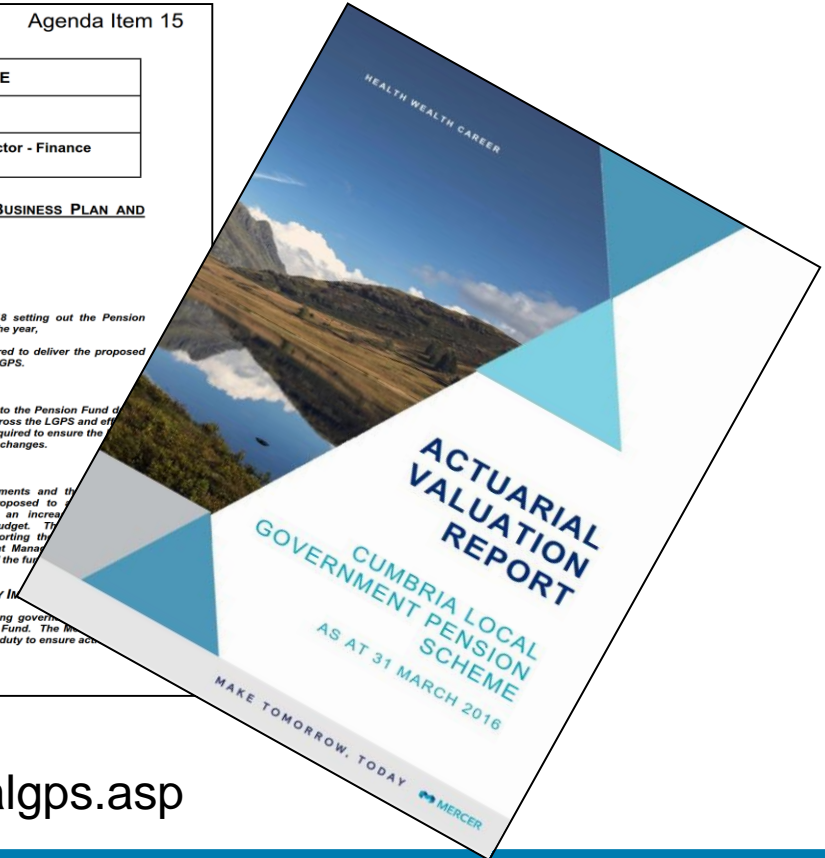
**DRAFT BUDGET 2017/18**

To take account of the national requirements and the ambitious Business Plan the Budget proposed to Cumbria LGPS in 2016/17 is £5,744n, an increase compared to the previous year's budget. This is predominantly due to the costs of supporting the BCPP and increased projected Investment Management result of an increased value of the assets of the fund.

2.0 STRATEGIC PLANNING AND EQUALITY IMPACT

2.1 Active performance management and strong governance are required to provide a well-run Pension Fund. The fact Trustees of the Fund have a statutory duty to ensure act

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[www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp](http://www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp)

# How Member Training Requirements Provided For

- Annual skills and knowledge assessment
- Training policy (including dynamic training plan)
- Pensions Committee and Board training events
- Tailored training programme
- External conferences & courses
- Support from Officers, Advisors & Service Providers





# Current Issues



# Current Issues

## Investments:

- Transition of assets to Border to Coast
- Investment strategy review (following Fund valuation)

## Governance:

- Governance arrangements within the LGPS

## Administration:

- Fund valuation
- Scheme Member experience
- Data quality improvements



# Key Contacts

Julie Crellin - *Director of Finance (S151 Officer)*

Alison Clark - *Senior Manager Pensions & Financial Services  
(Deputy S151 LGPS)*

Peter George - *Group Finance Manager*

## **Investments & Governance**

Debbie Purvis, Lucy Taylor,  
Gill Welbourn, Sue McGill,  
Phil Whyte

## **Member & Employer Liaison**

Julie Dole, Allison McGuinness,  
Janet Bozic, Steven Lawson,  
YPS (Your Pension Service)



Cumbria County Council

**Thanks for Listening**

**Any Questions?**