



Cumbria County Council

Member Induction

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

30th June 2021

Welcome & Introductions



Agenda

- What is a Pension Fund? Introduction to the LGPS (4-9)
- Cumbria LGPS Key Considerations / Statistics
 - Administration / Scheme Member Experience (10-23)
 - Governance and Oversight (24-31)
 - Investments (32-38)
- LGPS Asset Pooling (39-44)
- Pensions Committee, Local Pension Board, Your Role & Training (45-50)
- Current Issues (51-52)



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

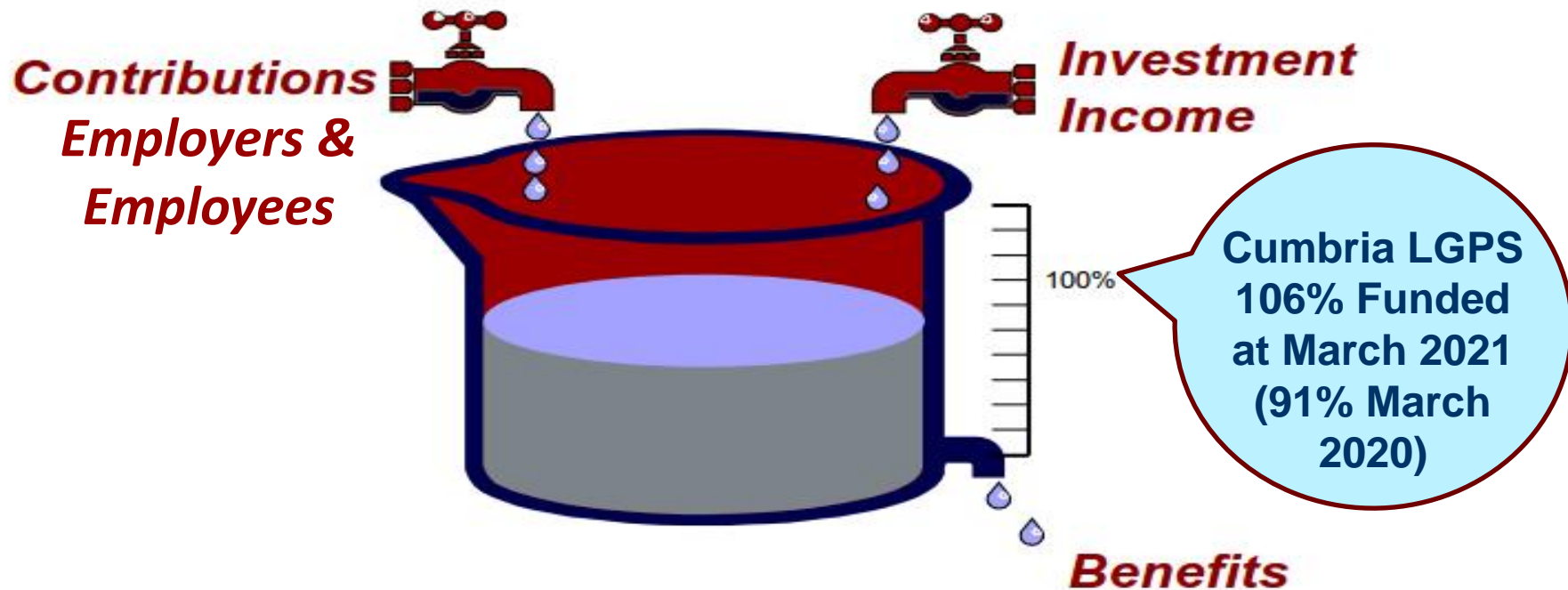


LGPS vs Other Public Pension Schemes

- 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 88 Administering Authorities (Cumbria CC being one of these)

Managing:-

- £276 billion in assets at 31/3/2020
- 98% funded in 2019 (total assets / liabilities)

Supporting:-

- 6.1m Scheme Members including 1.8m pensioners
- 16,307 employers



Source:- 2020 Scheme Advisory Board Annual Report

Cumbria LGPS

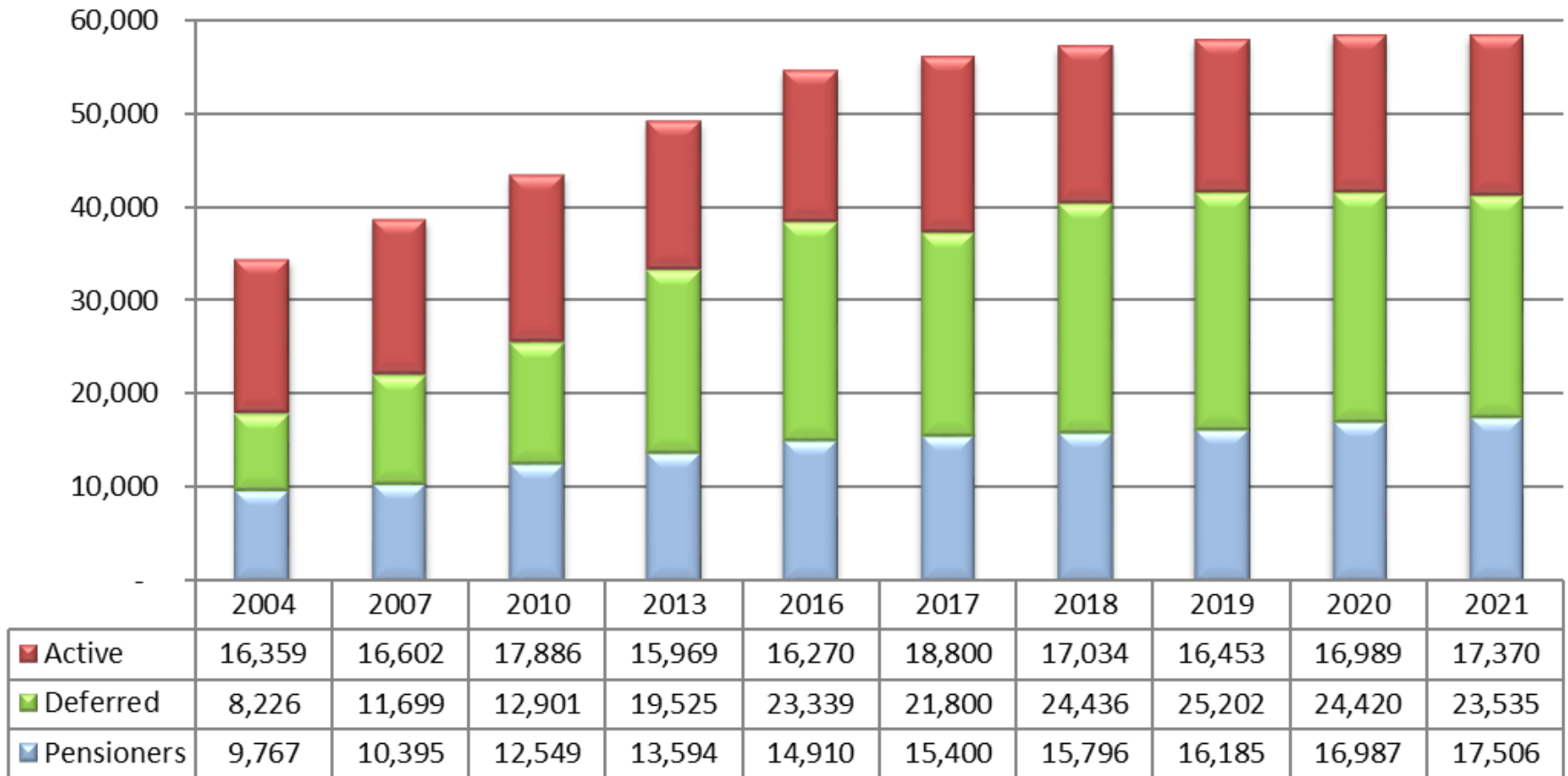
Administration / Scheme Member Experience

Cumbria LGPS – Key Statistics at March 2021

- 58,411 Fund Members
 - Actives 17,370
 - Deferred 23,535
 - Pensioners 17,506
- 124 Employers
- £3.067 billion in assets (£2.574m at 31/03/2020)
- Estimated at 106% funded (91% funded at 31/03/2020)



Membership Numbers



Current Profile of Cumbria LGPS Member

- 69% are part time
- 82% of part time staff are females
- 31% work less than 18.5 hours / week
- The average pension in 2020/21 is < £5,000 pa
- Less than 1% of pensioners have a pension of more than £30,000



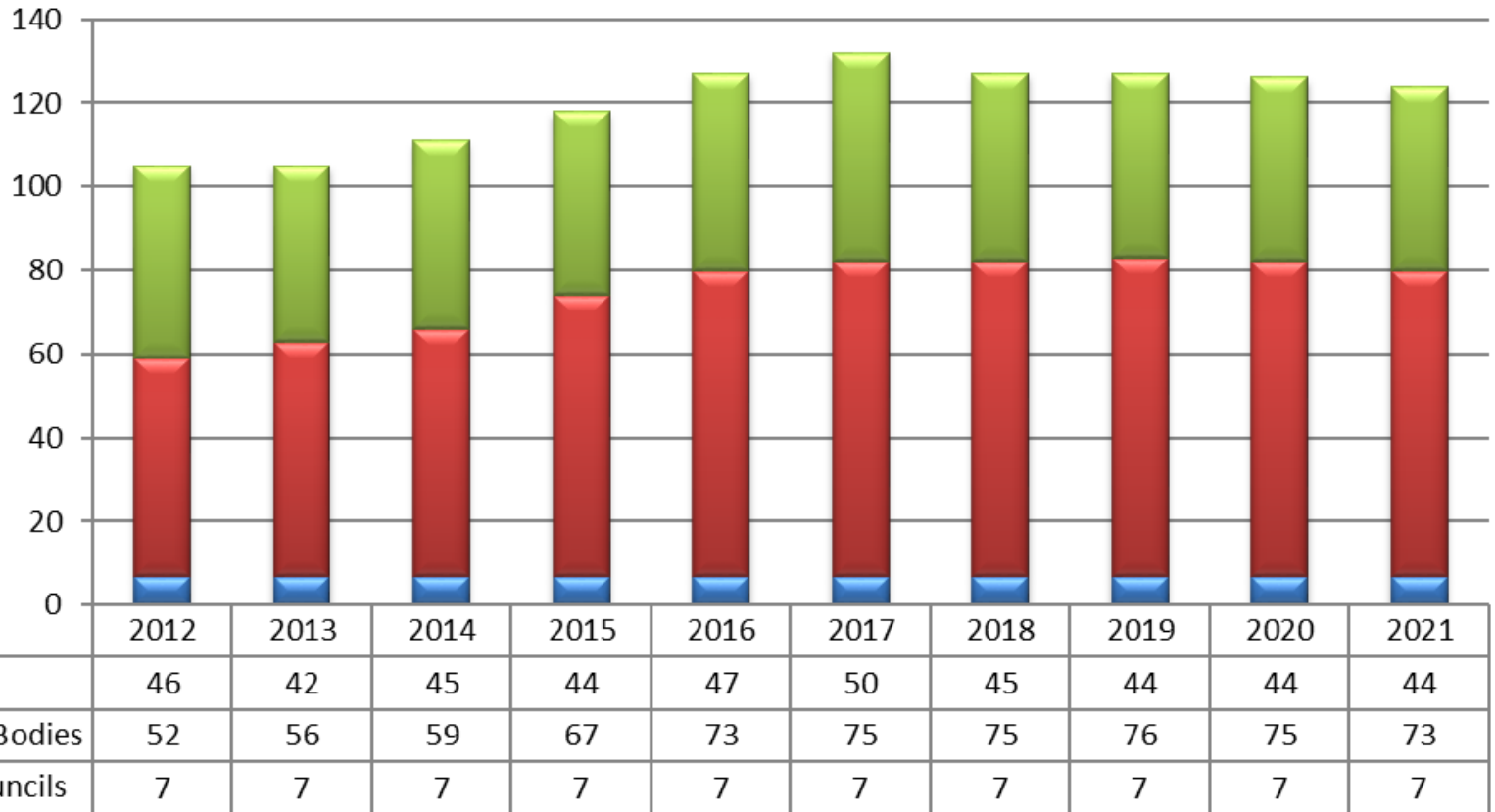
Why the LGPS Matters to Cumbria



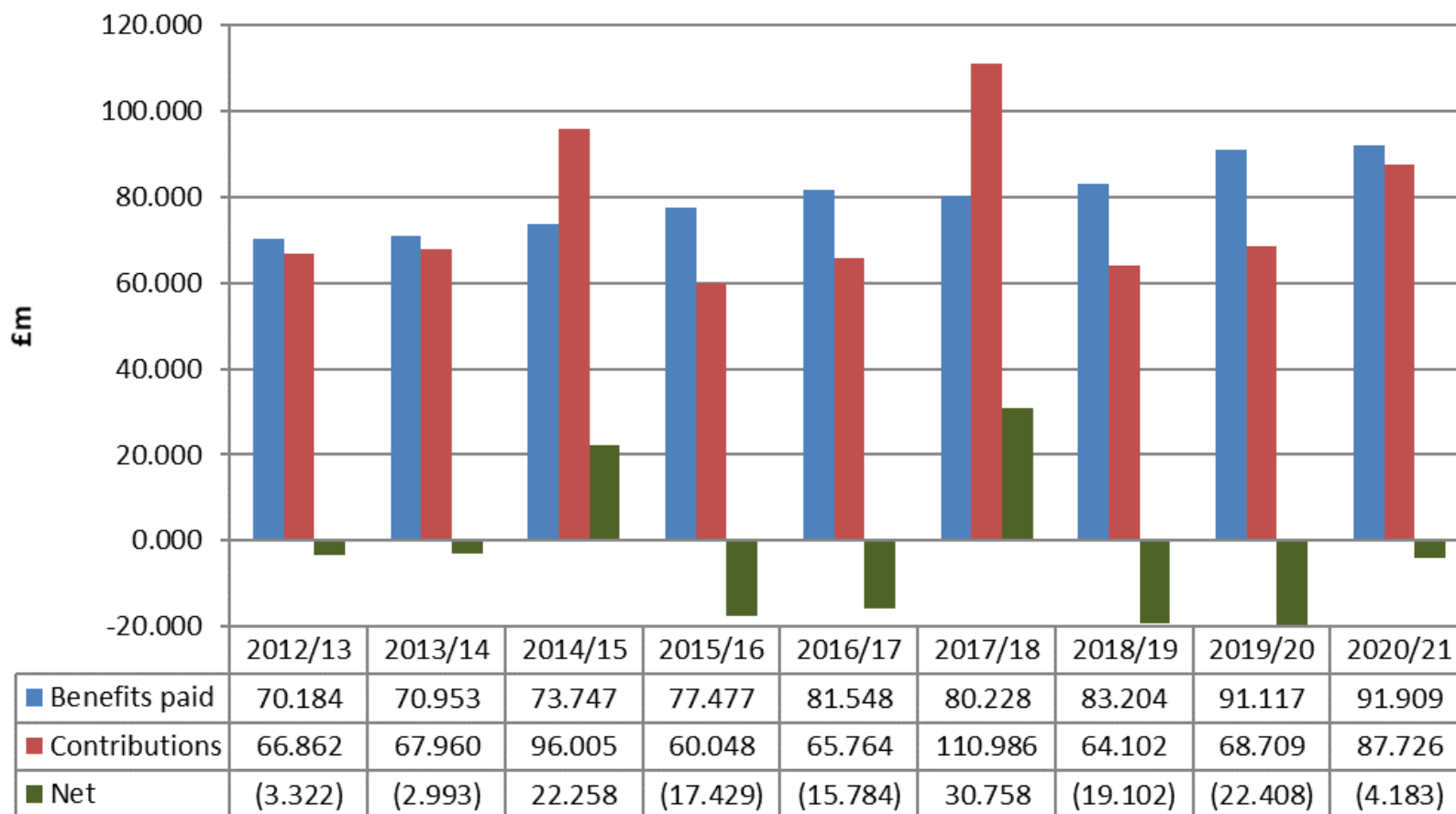
**Cumbria LGPS
has 58,411 member
records – equivalent
to 14.3% of the adult
population of
Cumbria**

Employer Numbers

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



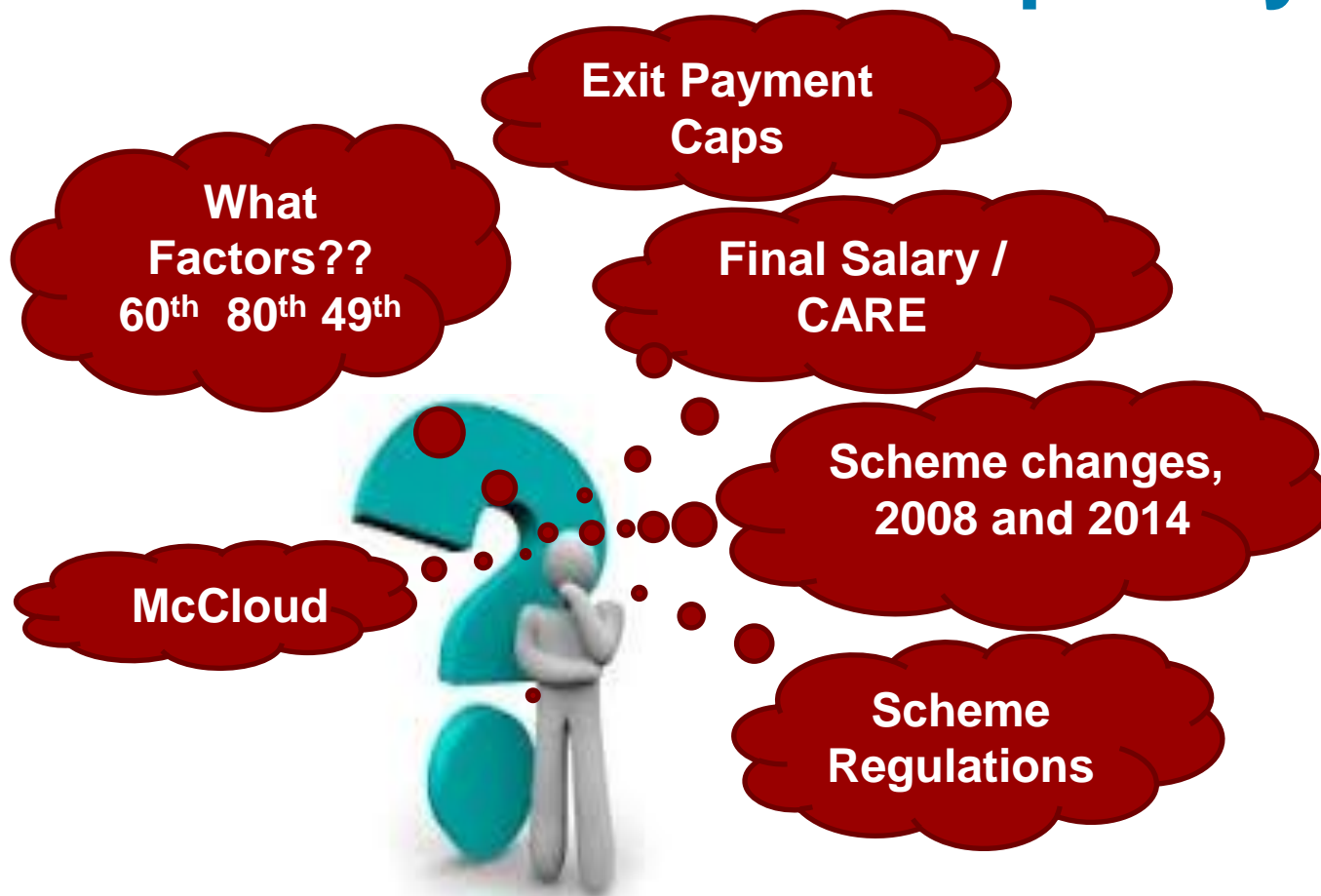
Benefits Paid & Contributions Received



Management of Administration

- Increasing number of employers, (86 to 124 over the last 10 years, 44% increase), many requiring disproportionate levels of support
- Increasing membership numbers (43,336 to 58,411 in the last 11 years, 35% 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

McCloud Case

- Age discrimination case with ramifications for all public sector pension scheme
- Consultation for proposed resolution within the LGPS issued in July 2020
- Active members at 2012 to be given the higher of Final Salary or CARE scheme option between 2014 and 2022
- LGA consider the proposals to be “necessarily complex but robust”
- Government expected the remedy to cost £2.5bn over the coming decades
- This will be administratively burdensome for many years to come.



Exit Payment Cap

- New legislation to cap the amount employers can pay to exit employees at £95,000.
- Exit payments include redundancy pay and pension strain costs (the cost to the employer from the Pension Fund for releasing an employee early).
- New LGPS Regulations due in early 2021 to reflect the exit payment cap and deliver further reforms of exit payments.
- Proposed regulations essentially give employee choice of EITHER early access to their pension or redundancy pay. Currently employee is entitled to both,

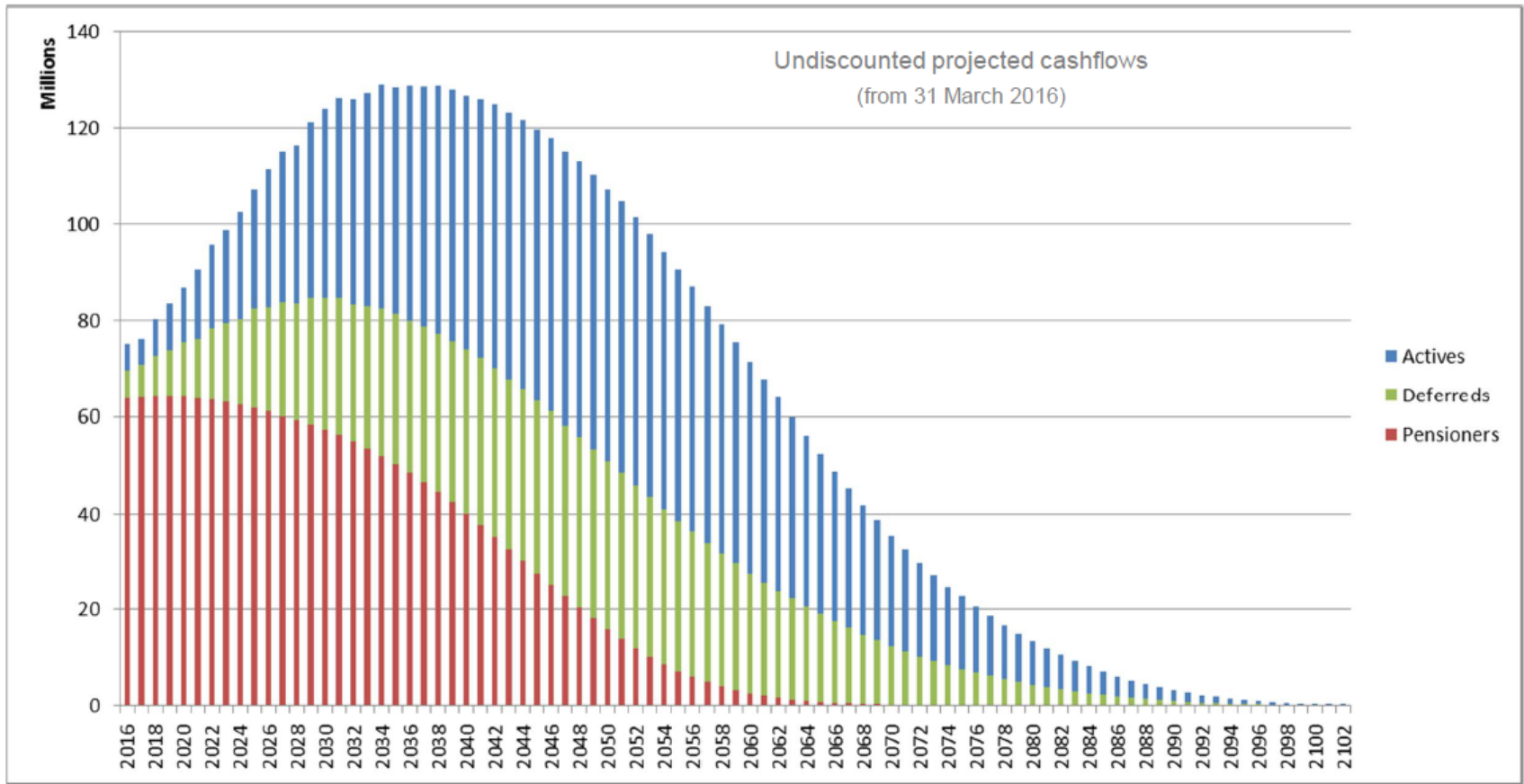


Fund Valuation

- Triennial (3-yearly) valuation
- Assesses the liabilities of the Fund at the date of the valuation (last was 31/03/2019)
- 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)
- Set employer contributions for the next 3 year period 1/4/2020 – 31/3/2023



Future Liability Profile



2021/22 Business Plan - Administration

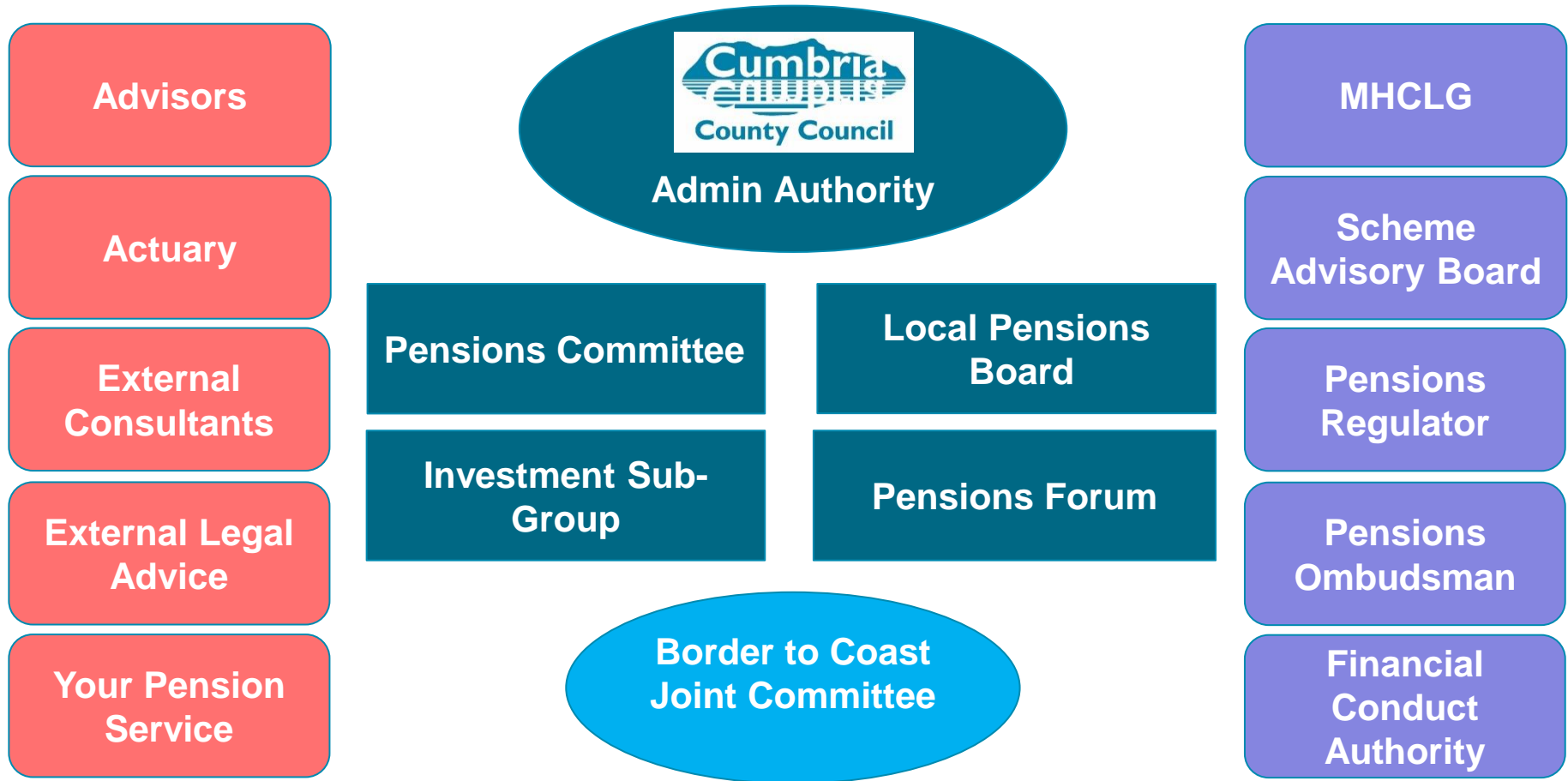
- Continue to improve pension administration arrangements for the benefit of all members and employers of the Fund.
- Continual improvement programme for the quality of data held by the Fund.
- Continue to monitor and improve employer communication and employer data submission issues.
- Appraise the impact of revised regulations arising from the resolution to the McCloud age discrimination case and the re-running of the cost cap process and implement any required changes to the scheme.



Cumbria LGPS

Governance & Oversight

Cumbria LGPS Governance Structure



Role of the Pensions Regulator (tPR)

- Regulatory role over all pension schemes
- Public Service Pension Code of Practice - COP14
- Focussed on data quality and regulatory compliance
- Enhanced focus of compliance and enforcement
- 2018/19 Cohort review of LGPS
- Regulatory and enforcement action
 - Issue Improvement Notices
 - Issue fines for breaches of the law
 - Prosecuting offences in the criminal courts
 - Banning trustees not considered fit and proper for the role.



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

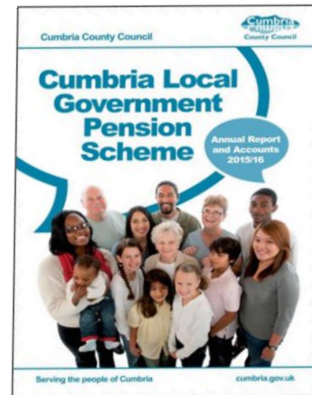
- Monitor investment performance across the Fund
- Review and consider new investment opportunities for the Fund
- Feedback work undertaken and decisions made to the Pensions Committee each quarter
- Assist the S151 Officer in:
 - Approving new investments / terminating current investments up to 5% of the portfolio (c. >£153m) 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 2019/20 with no recommendations
- Grant Thornton: *“The accounts have been produced to a very high standard and the finance team have produced good quality working papers and have been responsive to our audit queries.”*
- No significant control weaknesses identified
- 2019/20 Annual Report published on-line



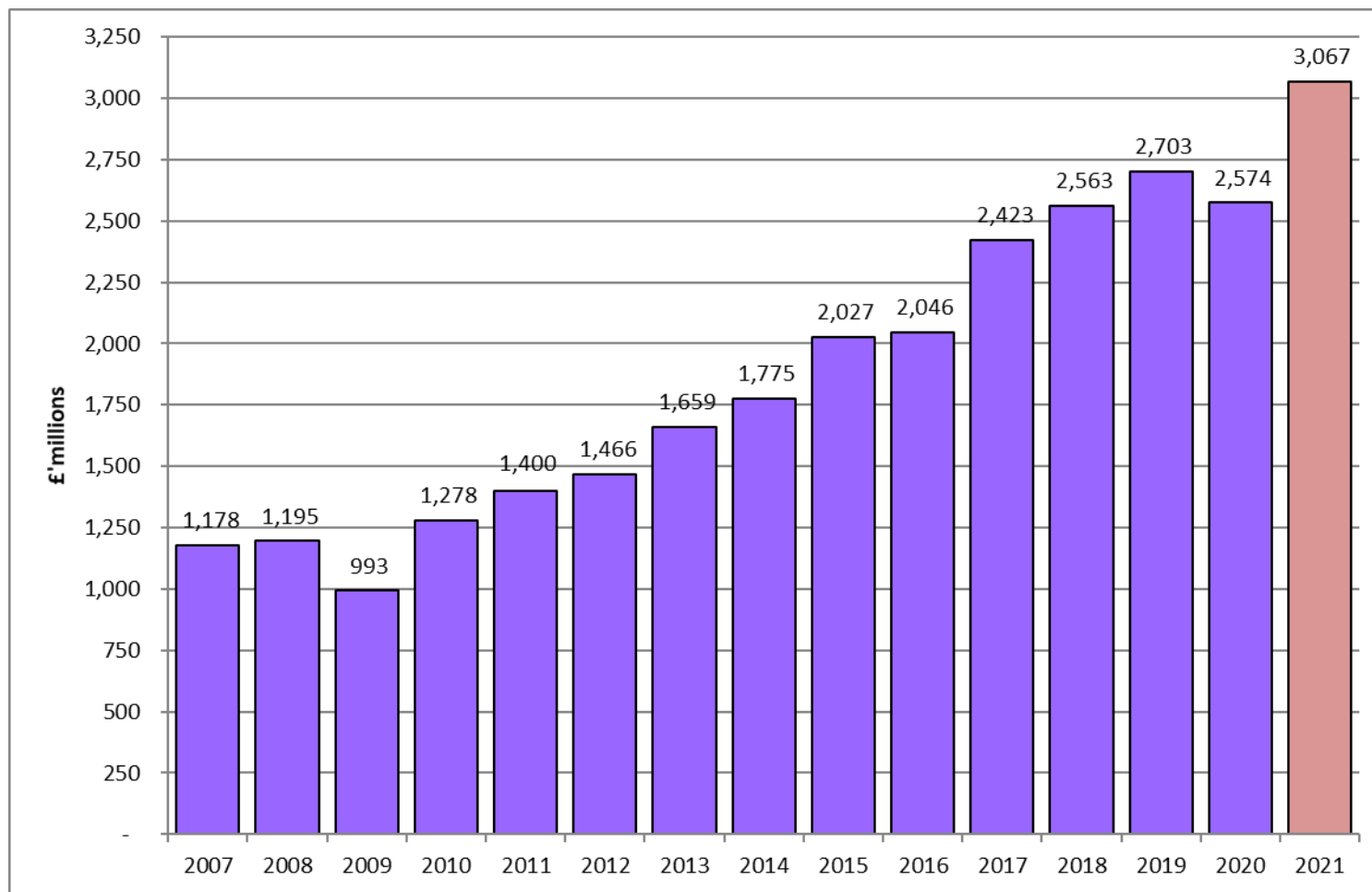
2021/22 Business Plan - Governance

- Review and update Fund risks, policies & strategies.
- 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.
- Completion of 2020/21 Accounts and Annual Report.
- Review the findings of the Scheme Advisory Board's Good Governance in the LGPS review and implement any required improvements within the Cumbria Fund.



Cumbria LGPS Investments

Value of the Fund's Assets



How do we invest our members' £3.067 billion?

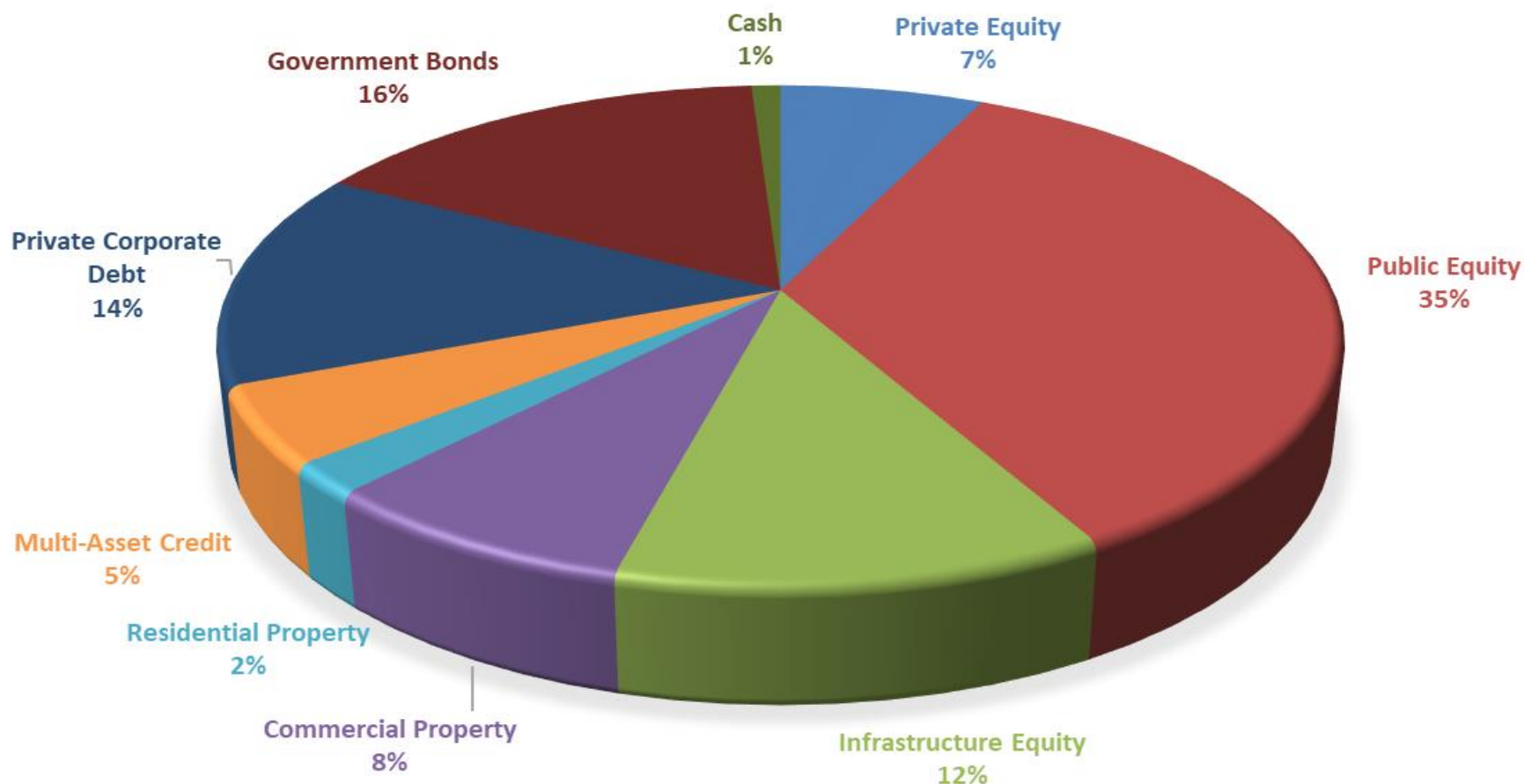


Investment Strategy

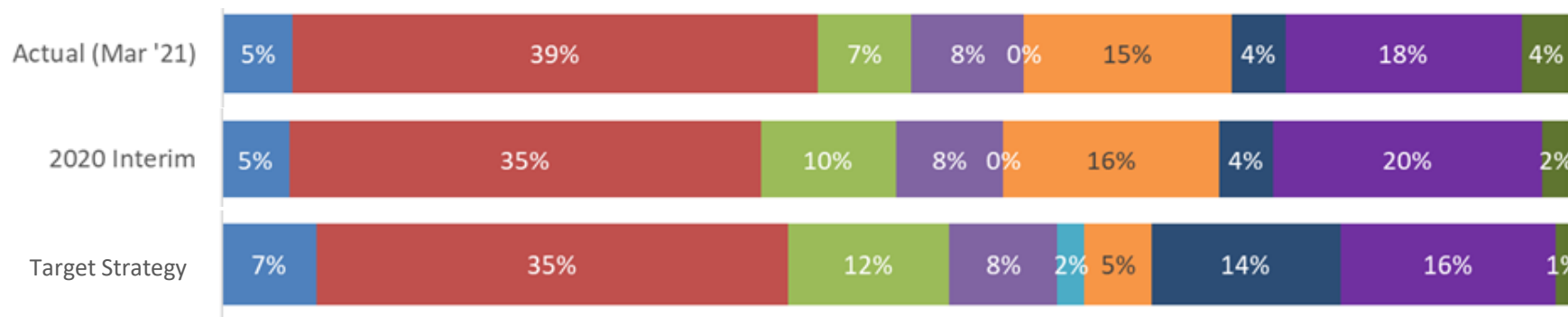
- Asset allocation (not manager selection) accounts for c. 85% investment return.
- Specific to each Fund & focus on managing risk / return.
- Should consider each Fund's individual liability profile.
- Focus on the expected long term risk adjusted returns (net of fees).
- Recently agreed a revised target.



Target Investment Strategy



Implementing the Investment Strategy



	Actual (Mar '21)	2020 Interim	Current Target
■ Private Equity	5%	5%	7%
■ Public Equity	39%	35%	35%
■ Infrastructure Equity	7%	10%	12%
■ Commercial Property	8%	8%	8%
■ Residential Property	0%	0%	2%
■ Multi-Asset Credit	15%	16%	5%
■ Private Debt	4%	4%	14%
■ Government Bonds	18%	20%	16%
■ Cash / short-dated credit	4%	2%	1%

2021/22 Business Plan - Investments

- Investigate suitable investment options to implement the Investment Strategy approved by Pensions Committee in December 2019 and revised in March 2021.
- Liaising with Border to Coast Pensions Partnership Ltd to ensure that suitable options are available within the pool for the Fund to transition to its amended investment strategy.
- Review the reporting requirements of the revised UK Stewardship Code (2020) with a view to the Fund reporting to the Financial Reporting Council on the Stewardship of the Fund's assets for the 2020/21 fiscal year.



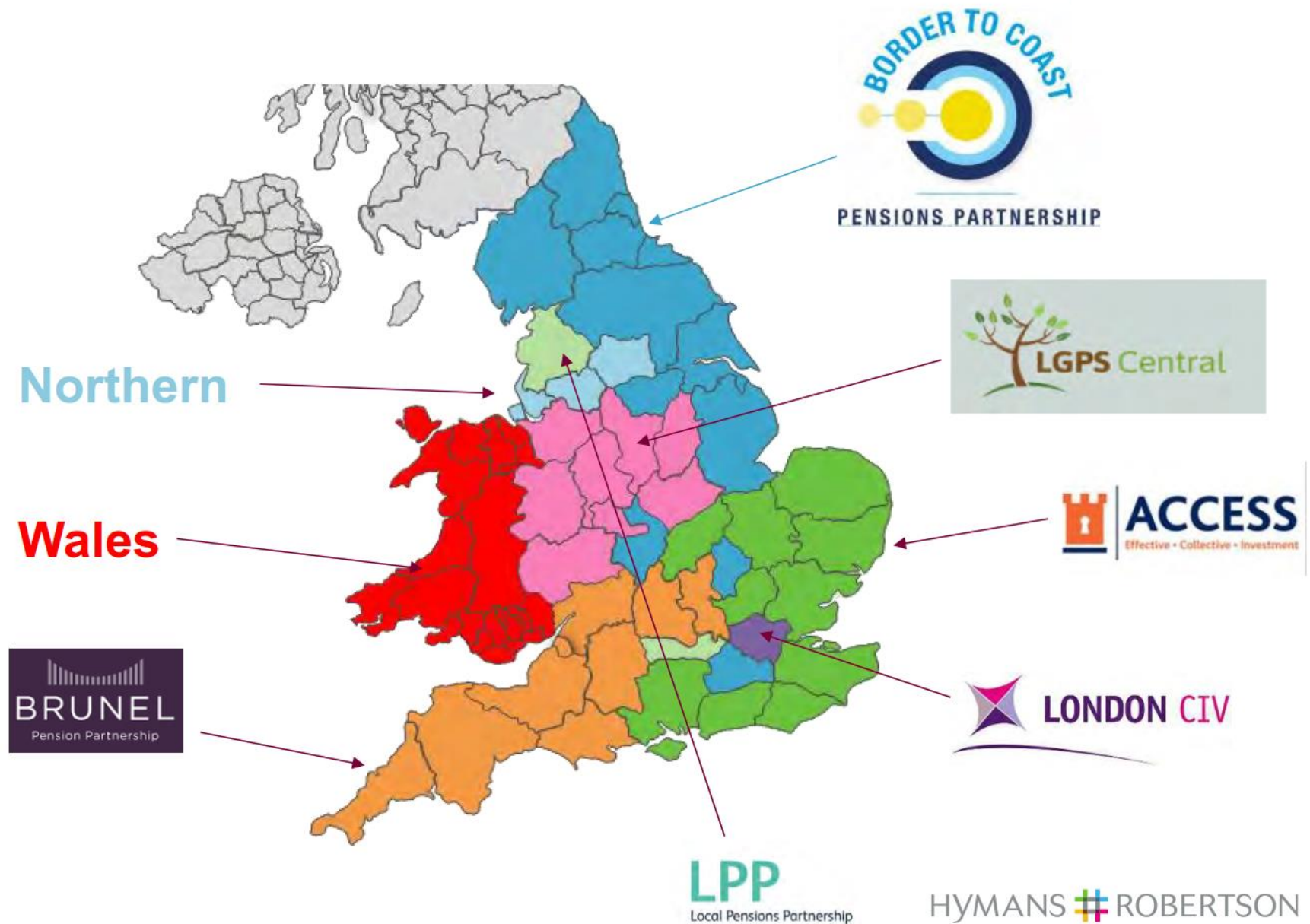


LGPS Asset Pooling

Asset Pooling - context

- Government direction to set up asset pools to manage the investments of the LGPS.
- Aim: to maximise scale through collective purchasing power and drive down management fees
 - Also: to offer LGPS access to investment opportunities not otherwise available to individual Funds
 - Funds remain responsible for asset allocation (investment strategy).
 - Pools are responsible for working with 'Partner Funds' to deliver appropriate investment 'sub funds' and for appointing investment managers.
- Ultimate goal remains unchanged; to deliver the returns needed to pay pensions (i.e. net of fees performance).

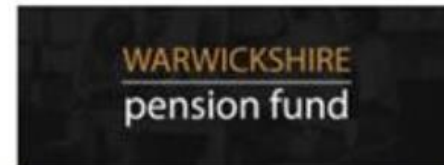
LGPS Asset Pools



Border to Coast Pensions Partnership Ltd

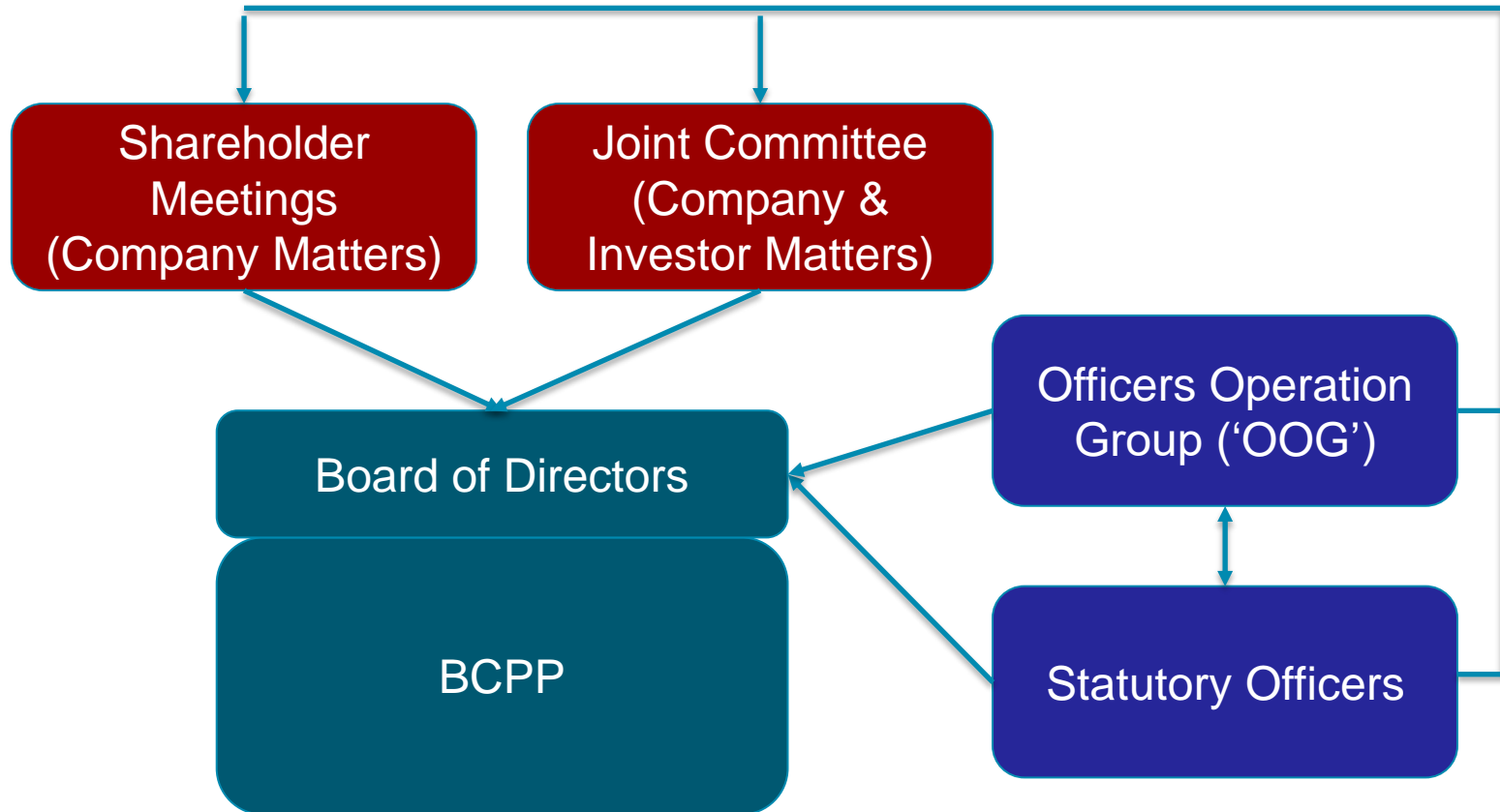


- Cumbria LGPS is one of 11 Funds in Border to Coast Pensions Partnership Ltd (“BCPP”)



Serving the people of Cumbria

BCPP- Key Governance



Cumbria's investments with BCPP

Fund	Investment 31/03/21 £'m	% of CLGPS Fund	Notes
UK listed Equity	282.7	8.7%	This is an internally managed fund, i.e. the investments are managed by BCPP itself.
Global Equity Alpha	701.7	18.4%	This is an externally managed fund i.e. the investments are managed by Investment Managers external to BCPP. The managers are selected by BCPP.
Private Equity Series 1	14.5	0.5%	We have committed £190m to this series.*
Infrastructure Series 1	19.4	0.6%	We have committed £190m to this series.*
Private Credit 1C	0	0%	We have committed £70m to this fund.**
Multi-Asset Credit	0	0%	We have committed 5% of the CLGPS Fund to this fund. ***
TOTAL	1018.3	33.2%	

* As at 31st March this has only been partially drawn-down. This is not unusual as such funds do take time to be invested.

** As at 31st March this fund had yet to draw down any capital. This is not unusual as such funds do take time to be invested.

*** As at 31st March this fund was in the final stages of the build process.



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 (>£153m)
- 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 are met.

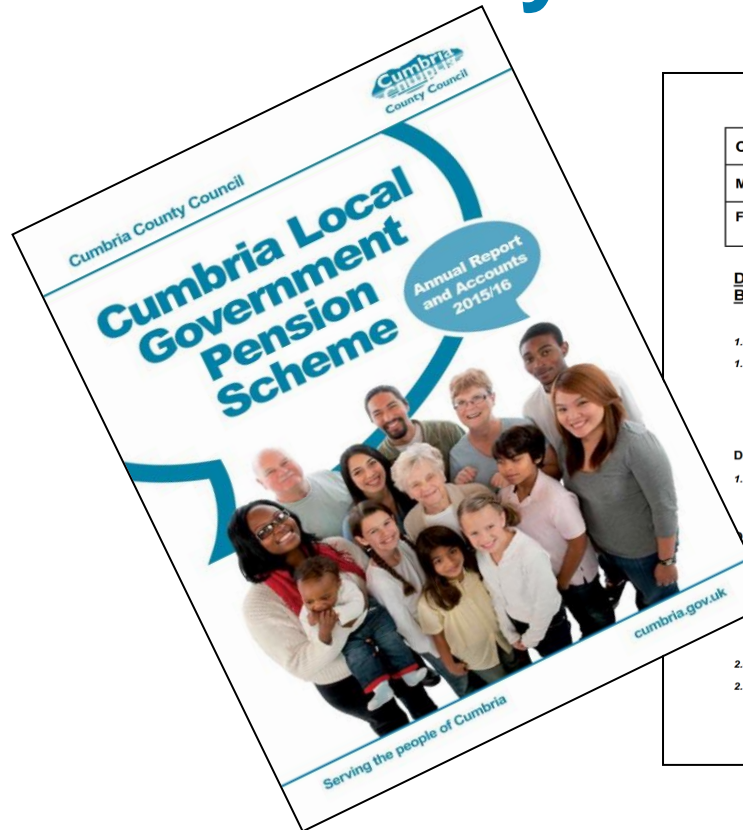
Regular Investment Sub Group Items

- Approve new investments up to 5% of the portfolio (c.£153m) 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 Local Pension Board Items

- Review decisions of the Pensions Committee
- Review administration issues within the Fund
 - Scheme Member experience
 - Fund employers' breaches
- Undertake specific work requested by the Pensions Committee
 - 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

CUMBRIA PENSIONS COMMITTEE
Meeting date: 7 th 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 due to national requirements to all functions across the LGPS and effective governance and operation of the Fund is required to ensure the Fund is appropriately managed and can meet these changes.

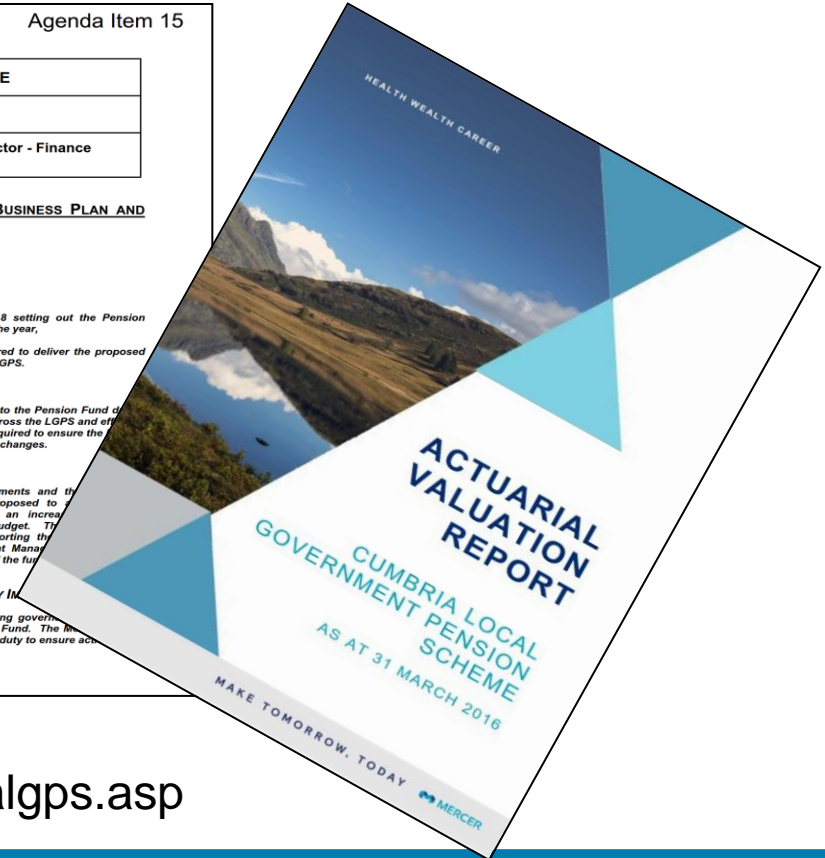
DRAFT BUDGET 2017/18

To take account of the national requirements and the ambitious Business Plan the Budget proposed to the Cumbria LGPS in 2016/17 is £5,744m, 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 Investment Trustees of the Fund have a statutory duty to ensure active

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www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp

How Member Training Requirements are 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

COVID-19!!

Investments:

- Transition of assets to Border to Coast
- Implement Investment strategy

Governance:

- Governance arrangements within the LGPS

Administration:

- Scheme Member experience
- Data quality improvements
- Current legislation / regulation changes



Key Contacts

Pam Duke - *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

Allison McGuinness, Stacey
Eide-Johansen, Janet Bozic,
Steven Lawson, LPPA (Local
Pensions Partnership Admin.)



Cumbria County Council

Thanks for Listening

Any Questions?