

Cumbria County Council

Member Induction

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

14 July 2022

Welcome & Introductions



Agenda

- Introduction to the LGPS (5-9)
- Governance and Oversight (10-17)
- Pensions Committee, Local Pension Board, Your Role & Training (18-23)
- Administration / Scheme Member Experience (24-37)
- Investments (38-44)
- Asset Pooling (45-51)
- Current Issues (52-54)

Governance Arrangements - in brief

At the most basic level:

- Pensions Committee sets and reviews the policies for Cumbria LGPS and monitors performance against them
- Local Pension Board reviews decisions of the Pensions Committee to ensure these have been taken appropriately.
- Thereby assisting the Administering Authority in securing compliance with LGPS regulations, relevant legislation and requirements of the Pensions Regulator



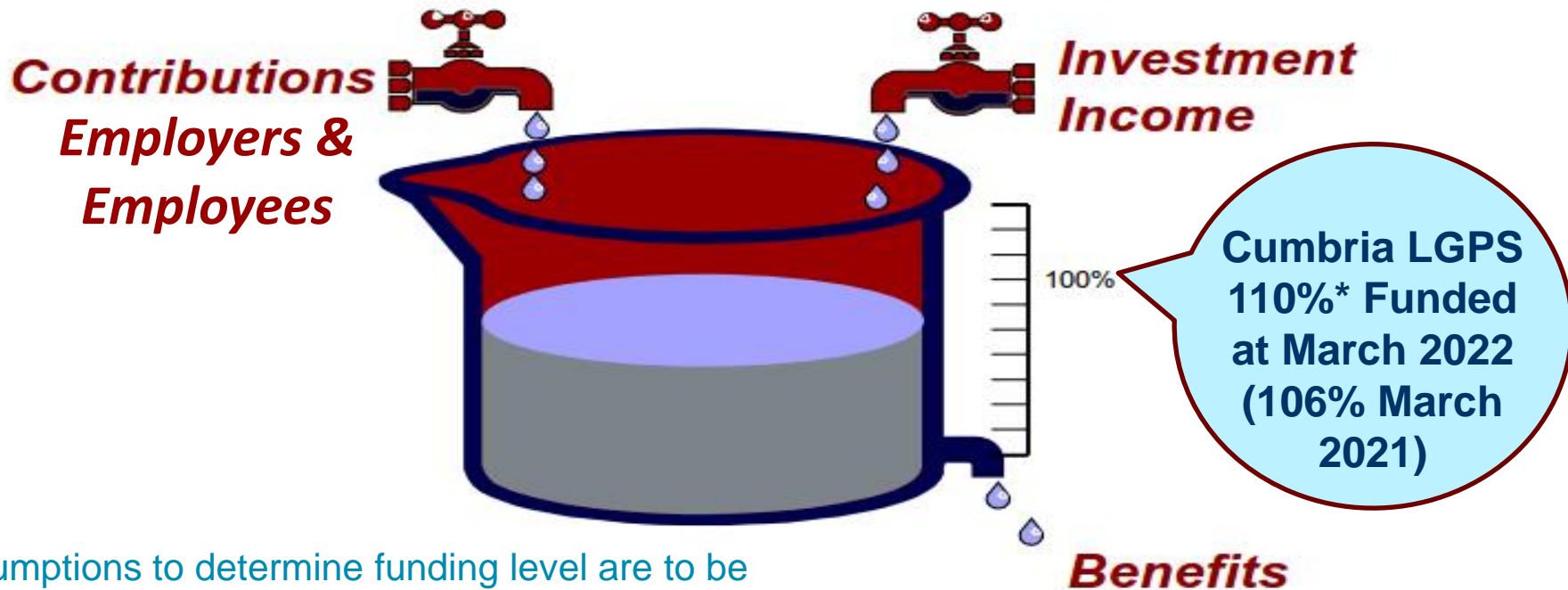
What is a Pension Fund? Introduction to the LGPS

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?



* Assumptions to determine funding level are to be reviewed as part of a three yearly review of the Fund

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



Serving the people of Cumbria

Core Functions of a Pension Fund

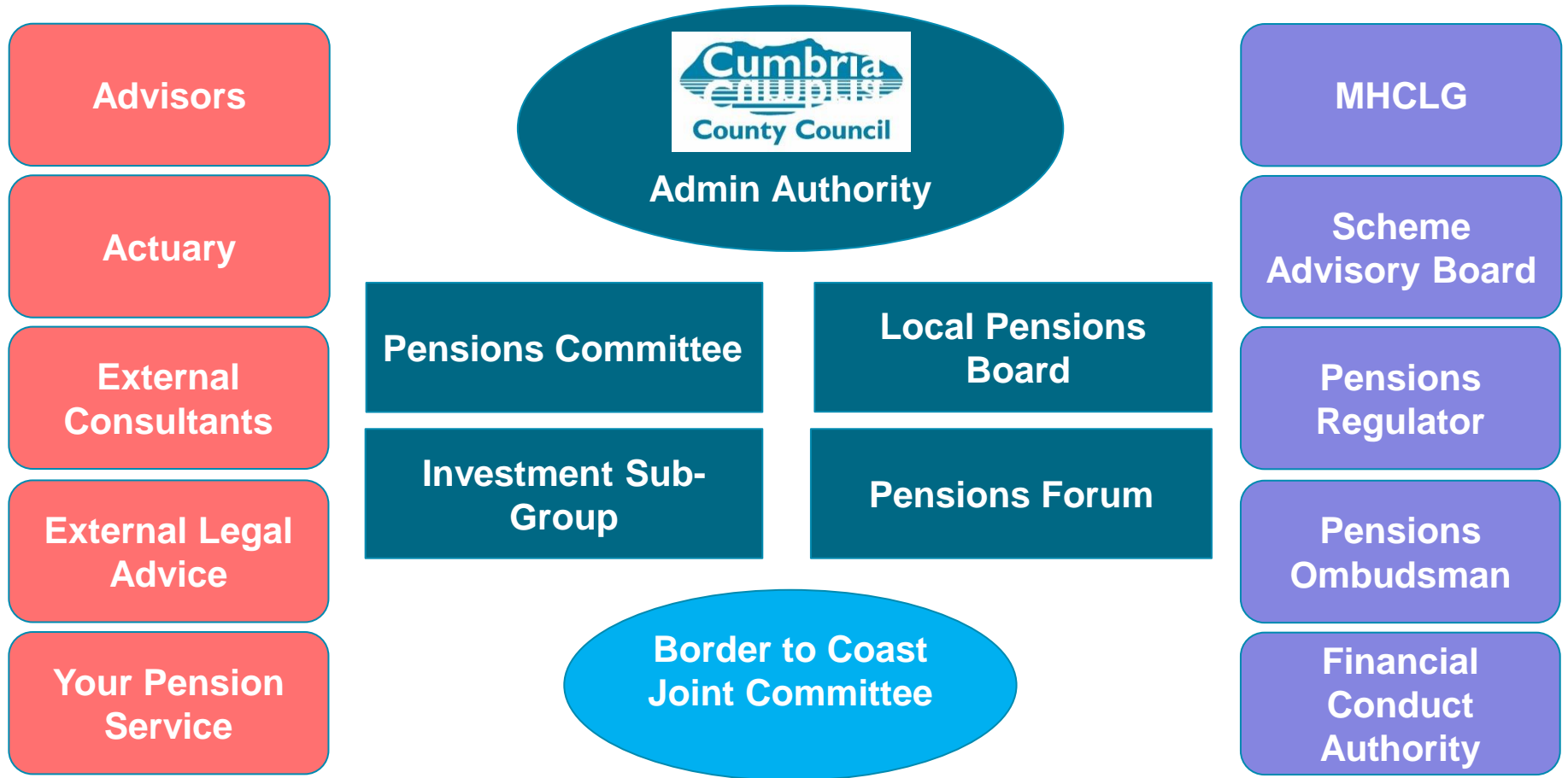




Cumbria LGPS

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

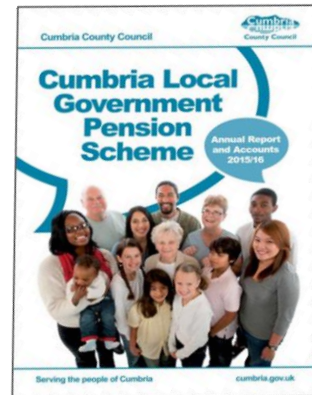
- Monitor investment performance across the Fund
- Review and consider new investment opportunities for the Fund
- Feedback work undertaken and decisions made to the Pensions Committee each quarter
- Assist the S151 Officer in:
 - Approving new investments / terminating current investments up to 5% of the portfolio (c. >£166m) 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 2020/21 with no recommendations
- Grant Thornton: *“The accounts have been produced to a very high standard and the finance team have produced good working papers and have been responsive to our audit queries.”*
- No significant control weaknesses identified
- 2020/21 Annual Report published on-line in Dec.



2022/23 Business Plan - Governance

- Prepare the Cumbria Pension Fund for organisational change resulting from Local Government Reorganisation (LGR).
- Completion of 2021/22 Accounts and Annual Report.
- Review of governance arrangements in response to financial, regulatory and structural changes.
- Review and update Fund risks, policies & strategies.
- Review, measure and deliver training to Members and Officers as outlined in the Training Plan.



**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 (>£166m)
- 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.

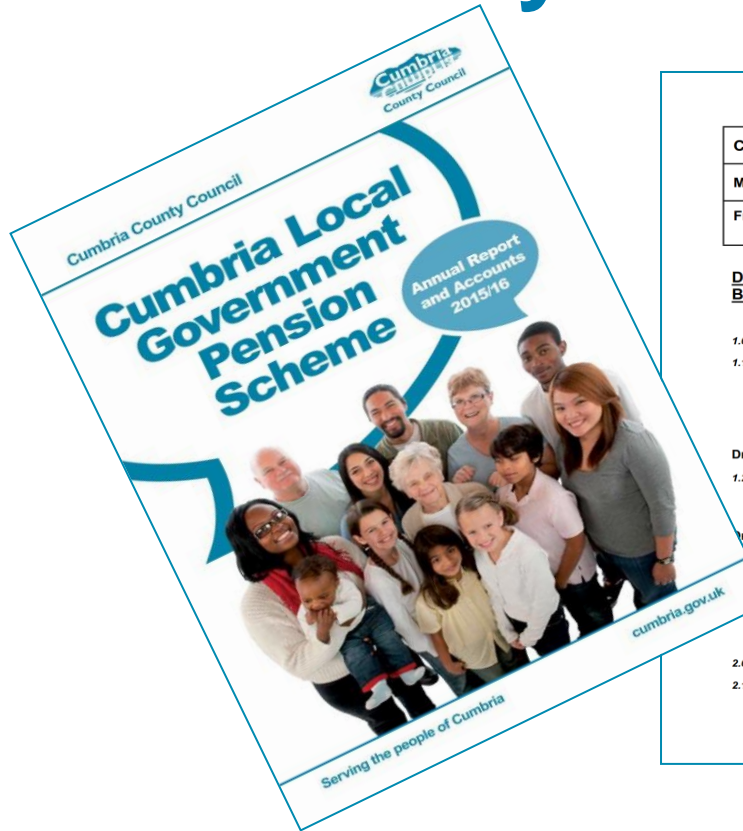
Regular Investment Sub Group Items

- Approve new investments up to 5% of the portfolio (c.£166m) 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 or other specific interests
 - Review of cyber security resilience
- 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 efficient governance and operation of the Fund is required to ensure the Fund is appropriately managed and can meet these changes.

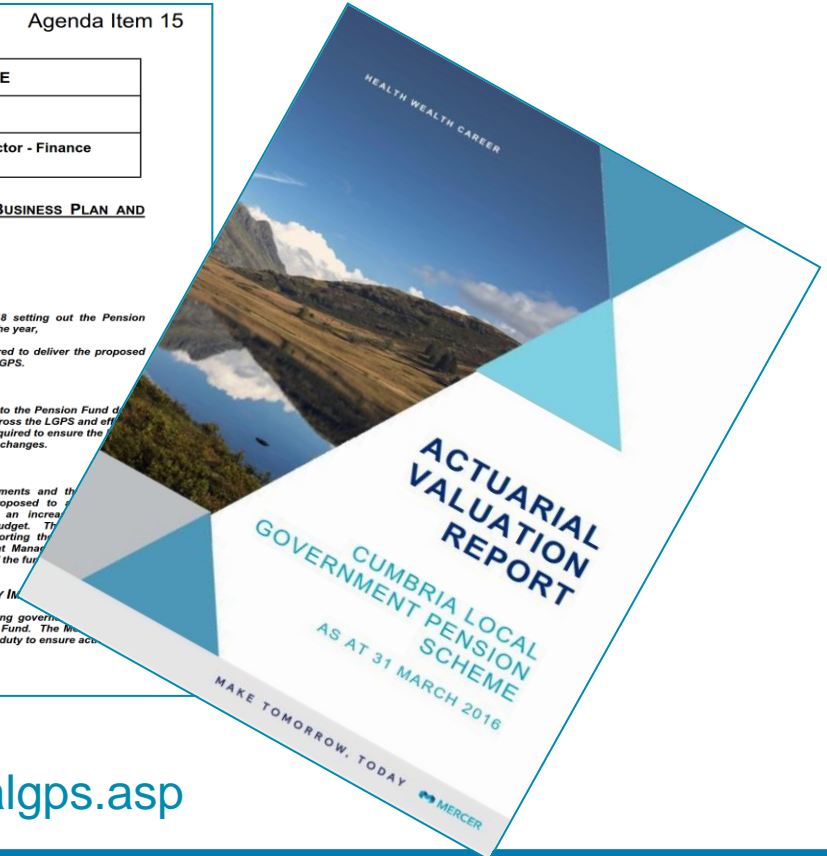
DRAFT BUDGET 2017/18

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

2.0 STRATEGIC PLANNING AND EQUALITY IMPACT STATEMENT

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

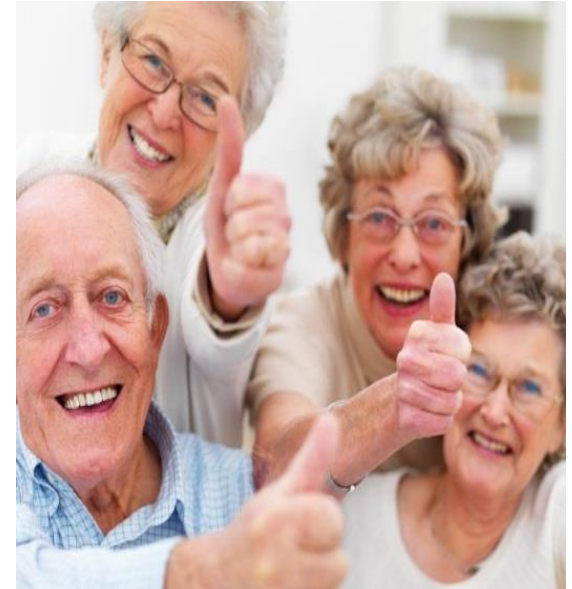


Cumbria LGPS

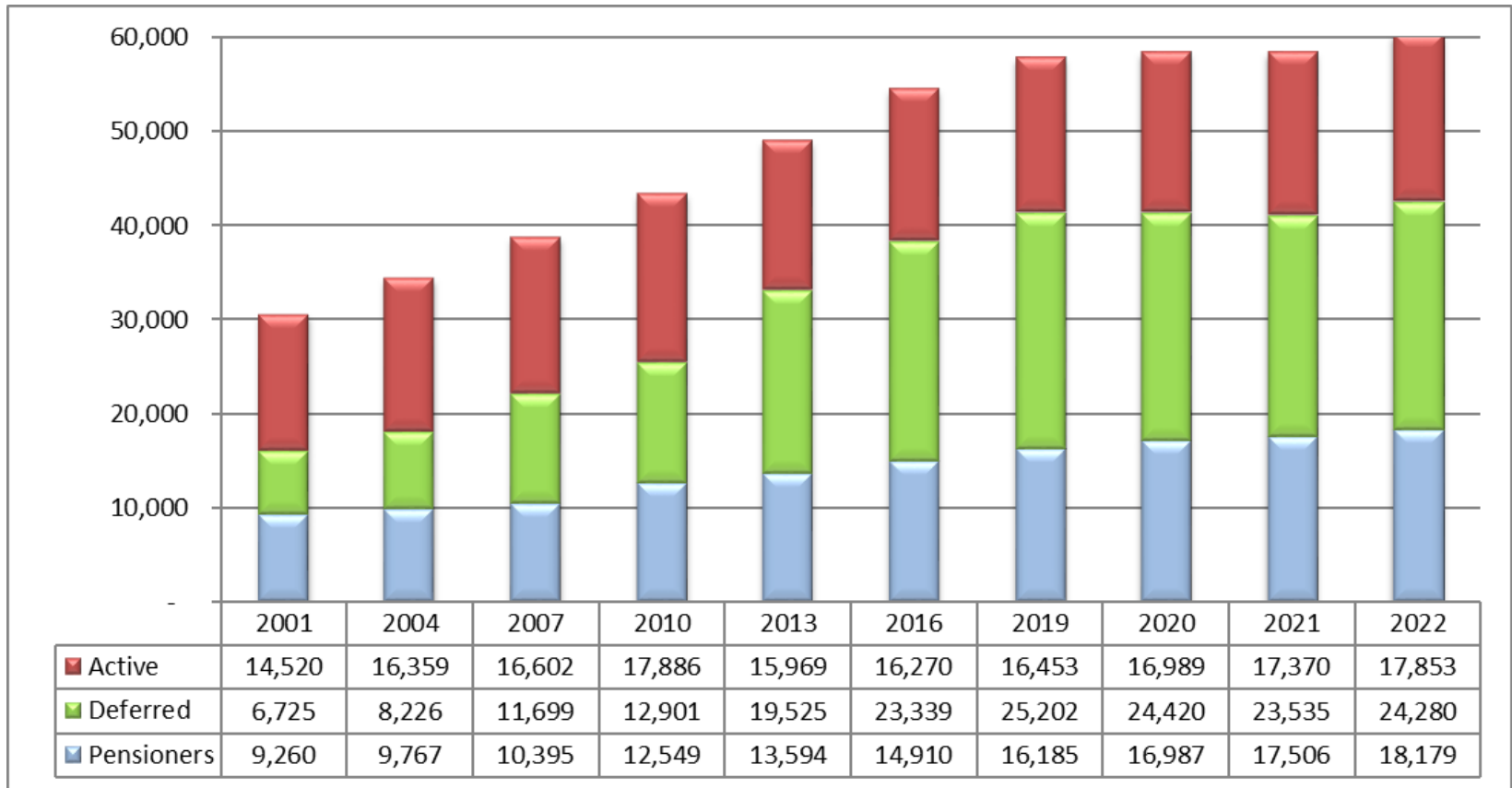
Administration / Scheme Member Experience

Cumbria LGPS – Key Statistics at March 2022

- 60,312 Fund Members
 - Actives 17,853
 - Deferred 24,280
 - Pensioners 18,179
- 127 Employers
- £3.317 billion in assets (£3.067m at 31/03/2021)
- Estimated at 110% funded (106% funded at 31/03/2021)



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 2022/23 is < £5,000 pa
- Less than 1% of pensioners have a pension of more than £30,000



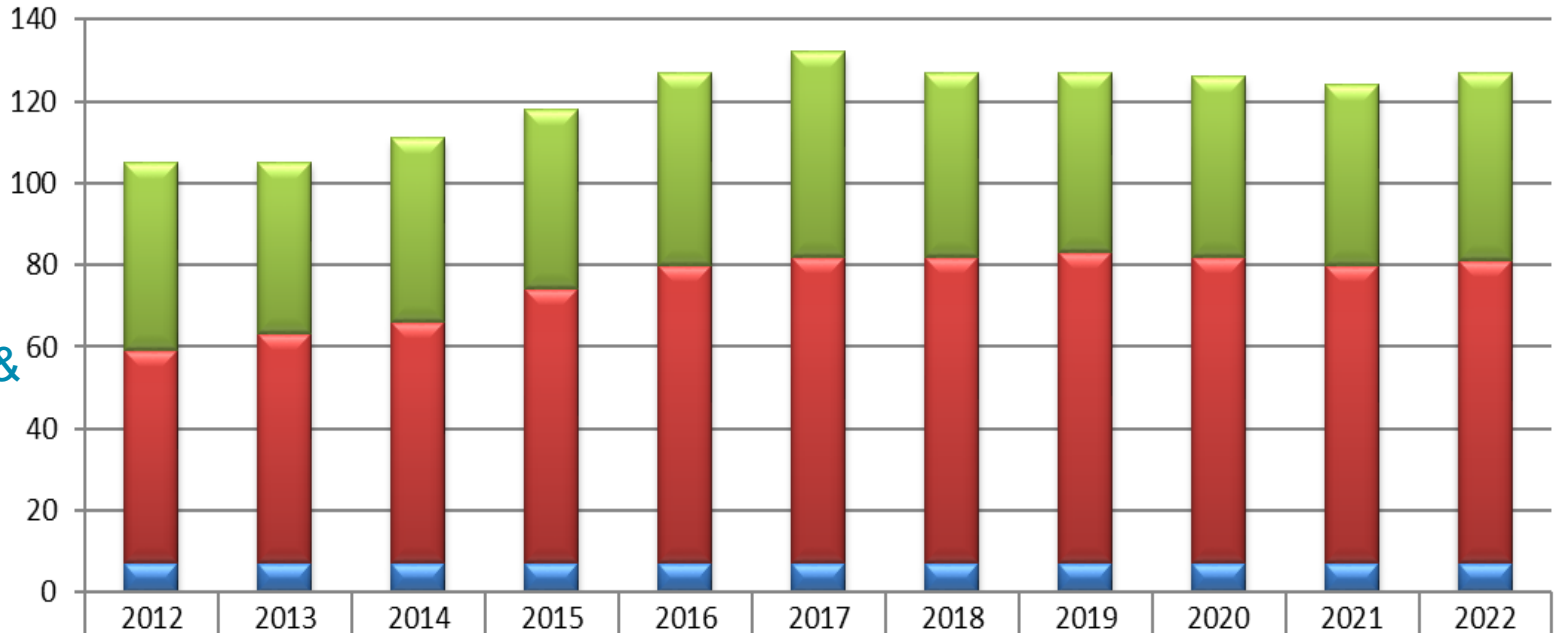
Why the LGPS Matters to Cumbria



**Cumbria LGPS
has 60,312 member
records – equivalent
to 14.7% of the adult
population of
Cumbria**

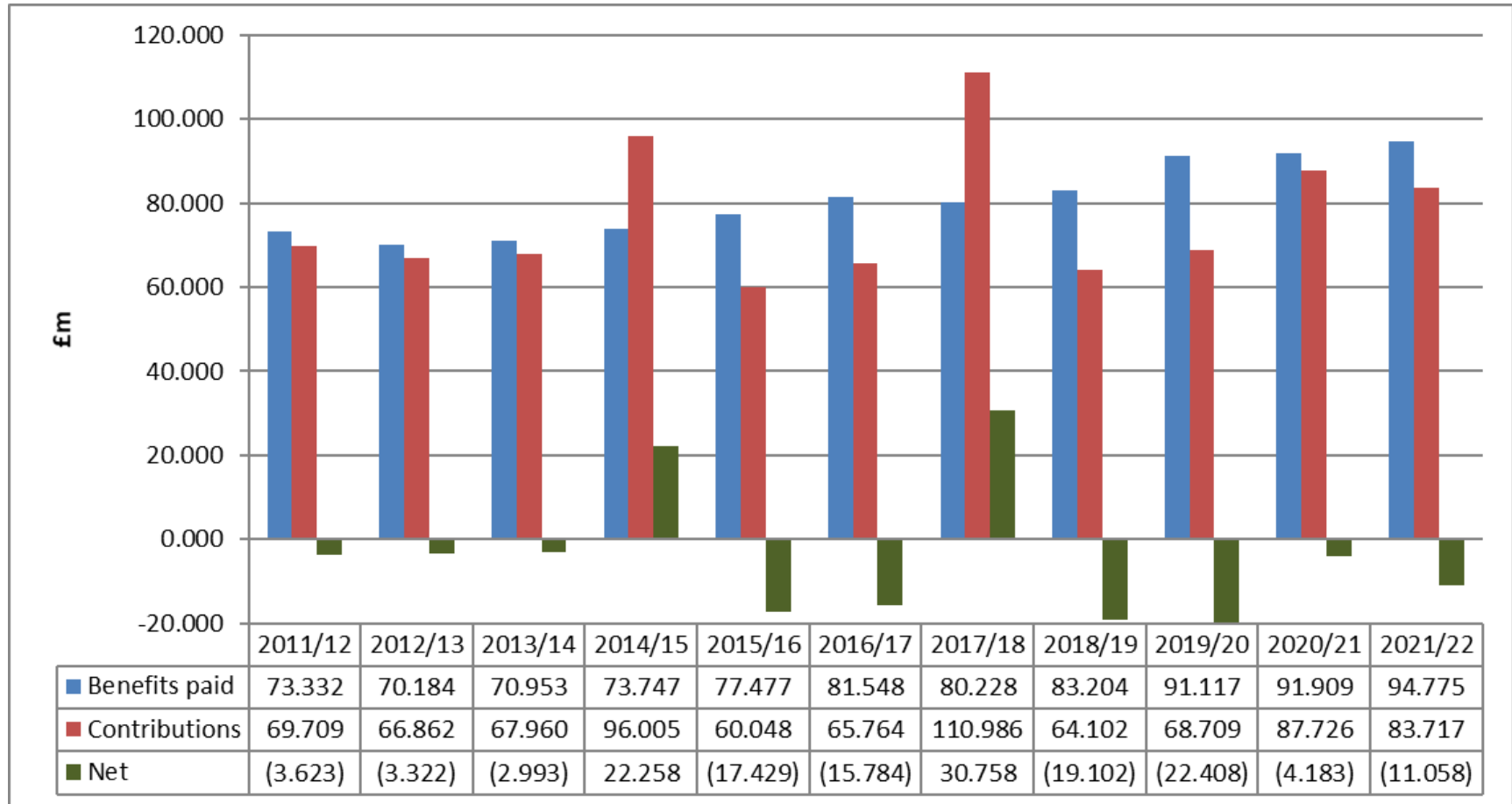
Employer Numbers

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



■ Admitted Bodies	46	42	45	44	47	50	45	44	44	44	46
■ Other Scheduled Bodies	52	56	59	67	73	75	75	76	75	73	74
■ CCC & District Councils	7	7	7	7	7	7	7	7	7	7	7

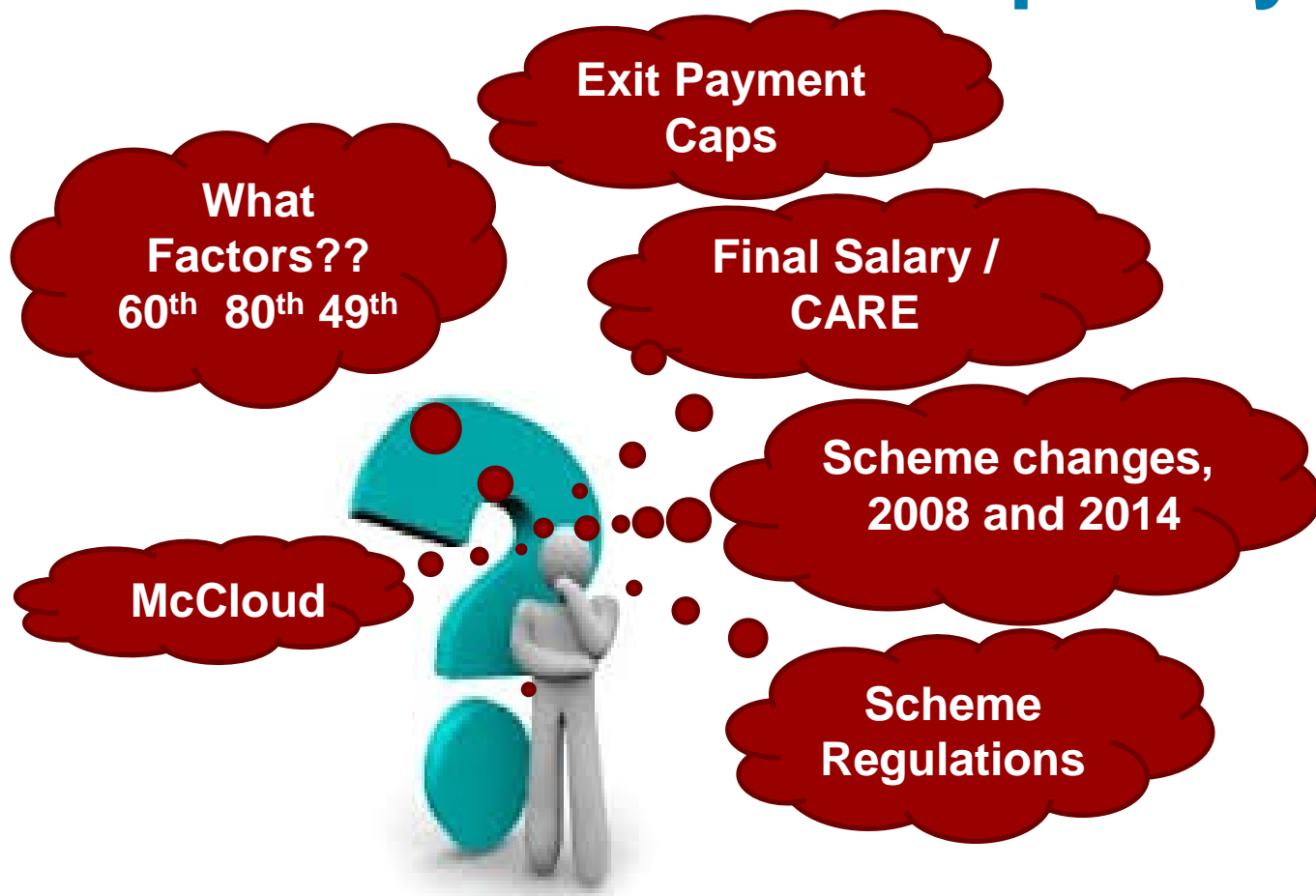
Benefits Paid & Contributions Received



Management of Administration

- Increasing number of employers, (105 to 127 over the last 10 years), many requiring disproportionate levels of support
- Increasing membership numbers (49,088 to 60,312 in the last 10 years, 23% 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. Currently awaiting revised Regulations.
- 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 expect the remedy to cost £1.8bn over the coming decades
- This will be administratively burdensome for many years to come.



Exit Payment Cap

- New legislation in 2020 to cap the amount employers can pay to exit employees at £95,000. But this was rescinded early in 2021.
- Exit payments include redundancy pay and pension strain costs (the cost to the employer from the Pension Fund for releasing an employee early).
- Government expected to legislate again in 2022 for limiting exit payments in local government (with implications for the LGPS).

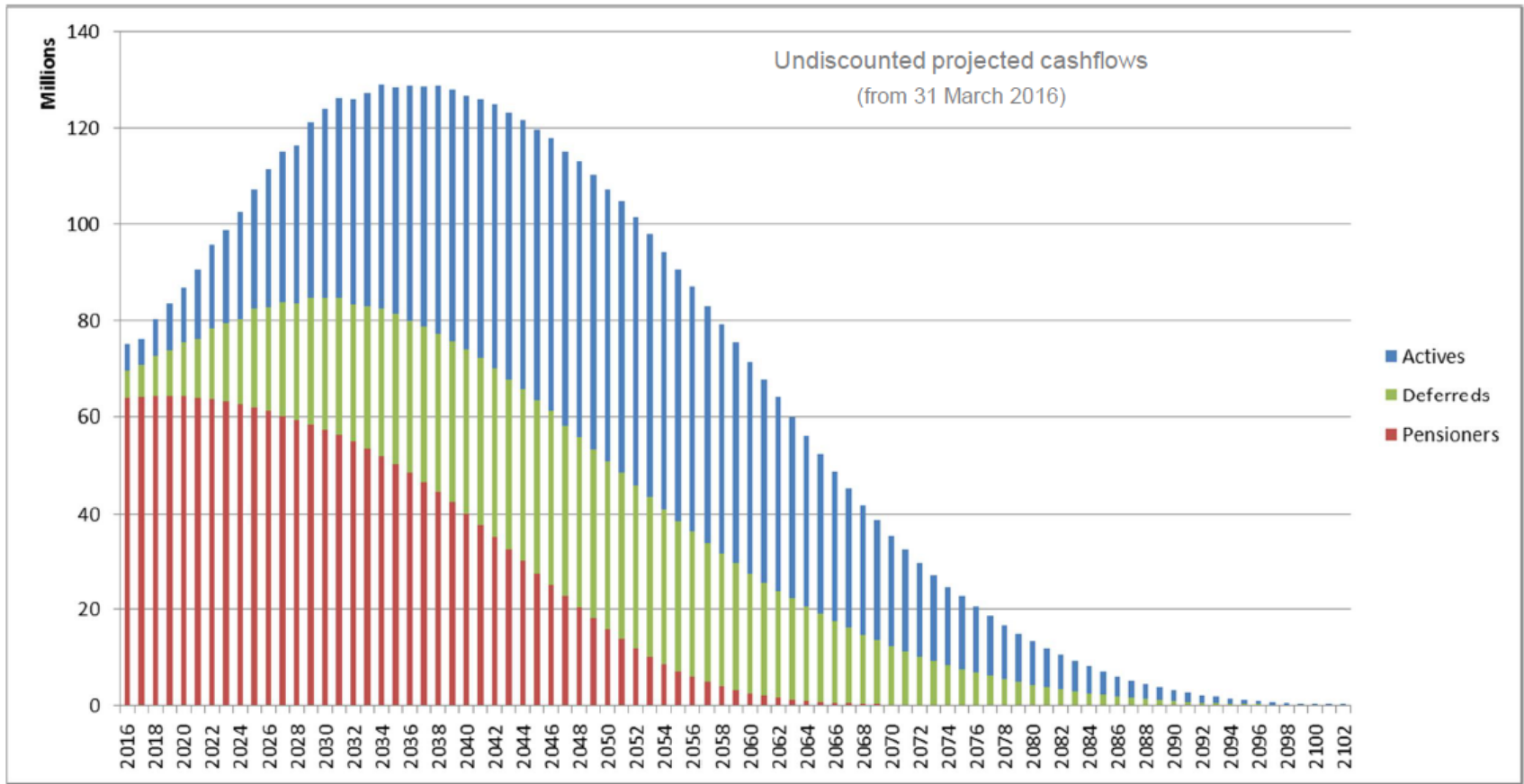


Fund Valuation

- Triennial (3-yearly) valuation
- Assesses the liabilities of the Fund at the date of the valuation (next valuation 31/03/2022)
- 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 1/4/2023 - 31/3/2026



Future Liability Profile



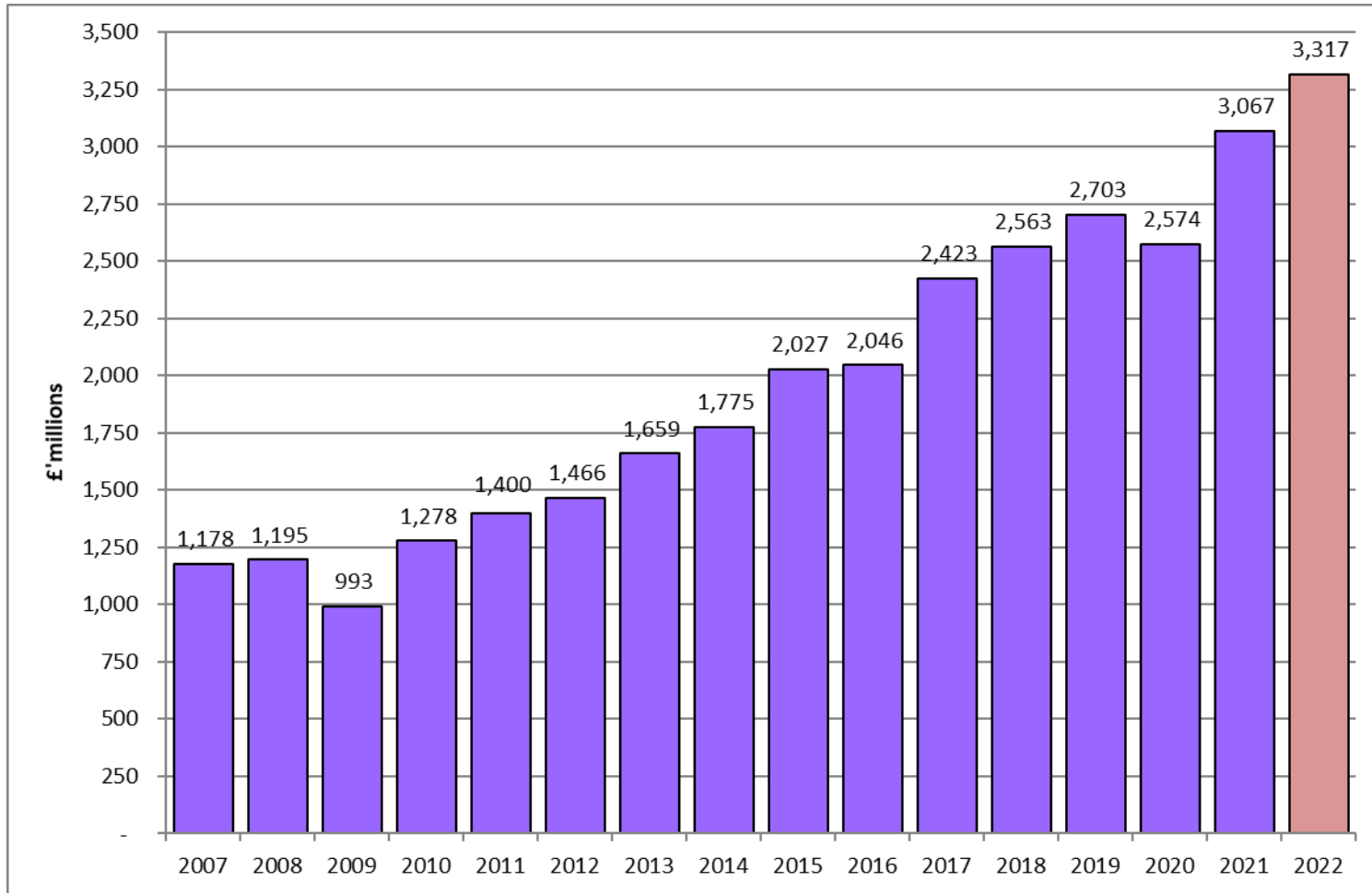
2022/23 Business Plan - Administration

- Completion of the 2022 actuarial valuation of the Fund.
- Appraise the impact of revised regulations arising from the resolution to the McCloud age discrimination case implement any required changes to the Scheme.
- 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.



Cumbria LGPS Investments

Value of the Fund's Assets



How do we invest our members' £3.317 billion?



Investment Strategy

- Asset allocation (not manager selection) accounts for c. 85% investment return.
- Specific to each Fund & focusses on managing risk / return.

It should consider the Fund's individual liability profile.

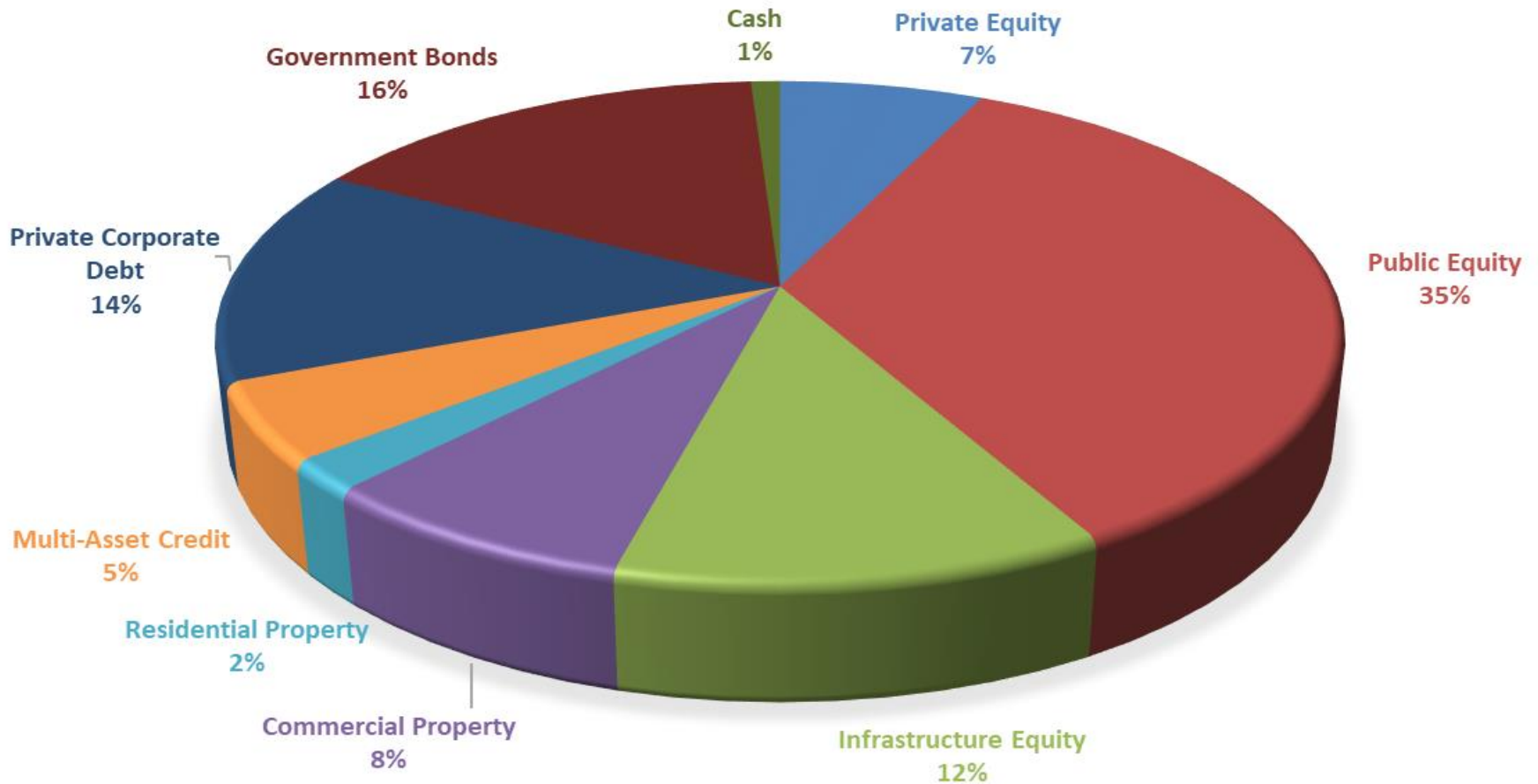
&

Focus on the expected long term risk adjusted returns (net of fees).

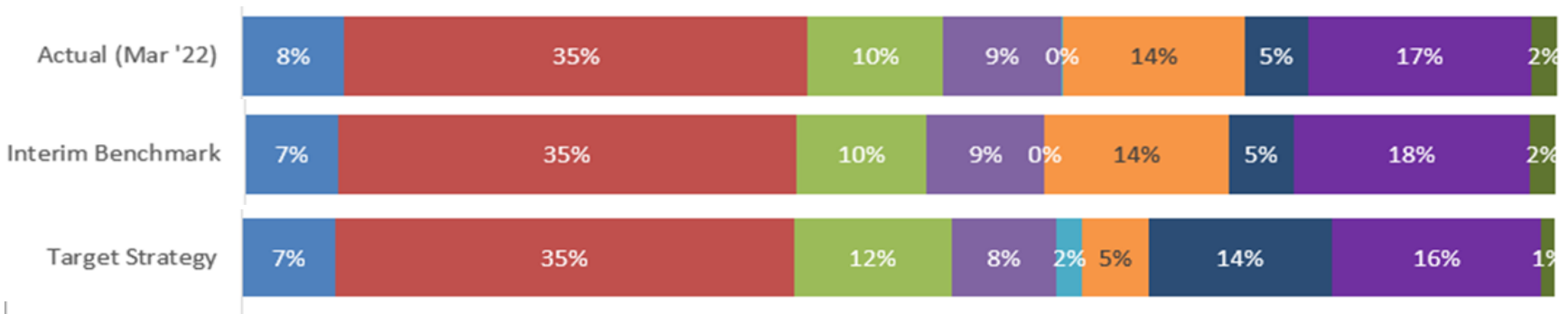
- Pensions Committee agreed the current Target Asset Allocation in March 2021.



Target Asset Allocation



Implementing the Asset Allocation



	Actual (Mar '22)	Interim Benchmark	Target Strategy
Private Equity	8%	7%	7%
Public Equity	35%	35%	35%
Infrastructure Equity	10%	10%	12%
Commercial Property	9%	9%	8%
Residential Property	0%	0%	2%
Multi-Asset Credit	14%	14%	5%
Private Debt	5%	5%	14%
Government Bonds	17%	18%	16%
Cash / short-dated credit	2%	2%	1%

2022/23 Business Plan - Investments

- Investigate suitable investment options to implement the Investment Strategy approved by Pensions Committee in December 2019 and revised in March 2021.
- Monitor progress in moving towards the final target Investment Strategy and keep its ongoing suitability under review.
- 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.

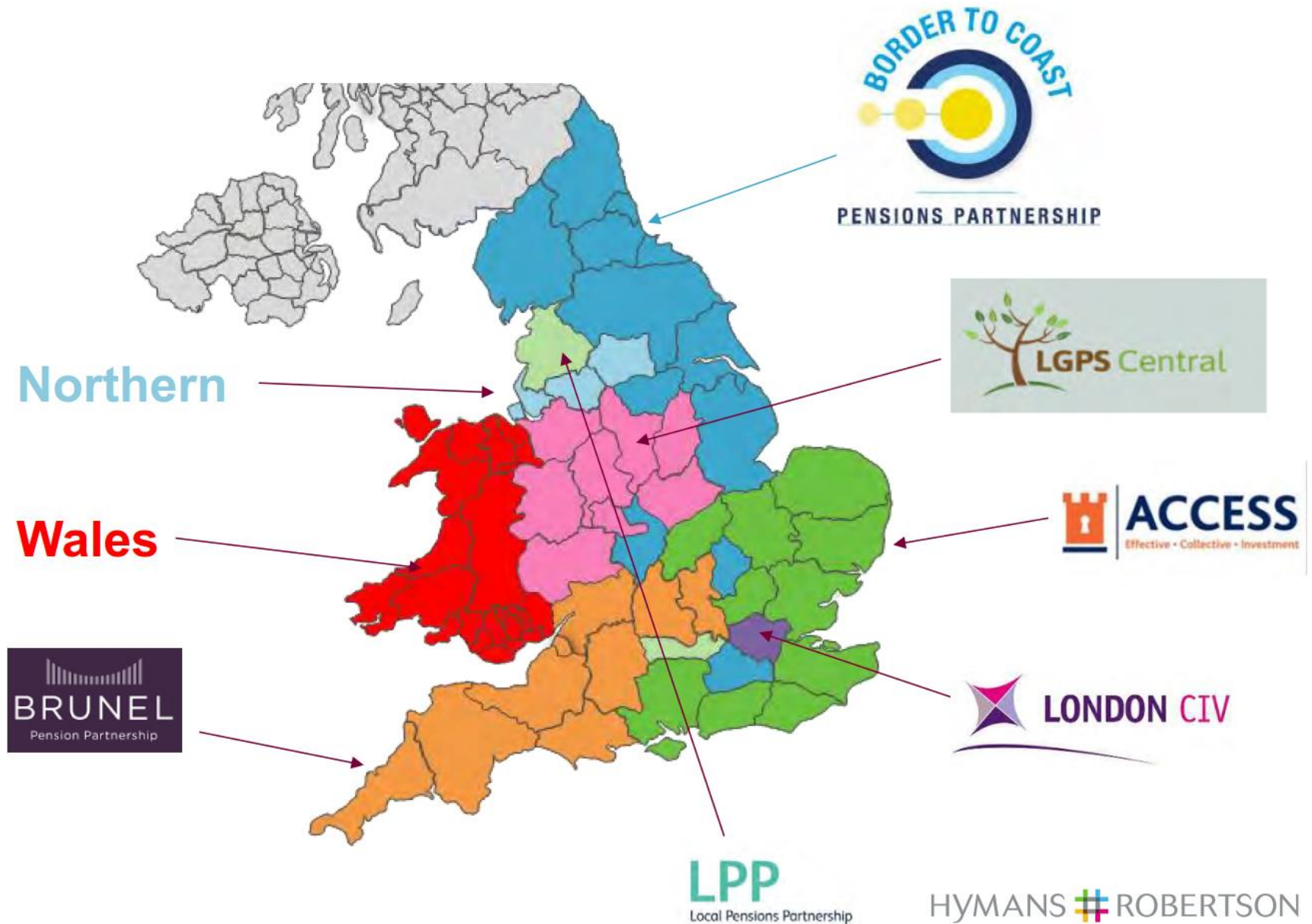


LGPS Asset Pooling

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).

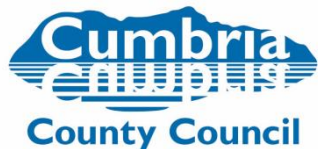
LGPS Asset Pools



Border to Coast Pensions Partnership Ltd

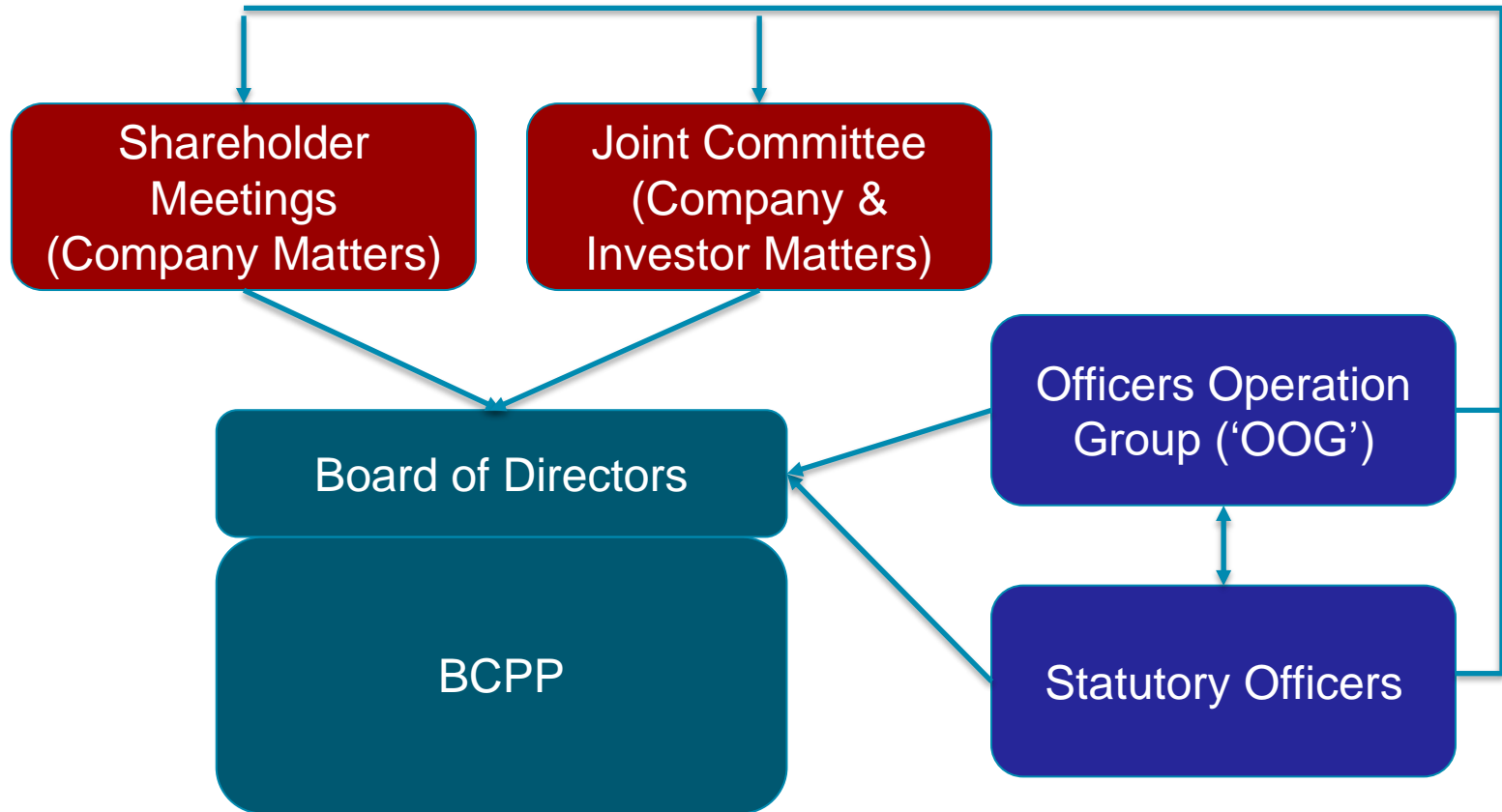


- Cumbria LGPS is one of 11 Funds in Border to Coast Pensions Partnership Ltd (“BCPP”)



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BCPP- Key Governance



Cumbria's investments with BCPP

Fund	Investment 31/03/22 £'m	% of CLGPS Fund	Notes
UK listed Equity	166	5.0%	This is an internally managed fund, i.e. the investments are managed by BCPP itself.
Overseas Developed equity	153	4.6%	This is an internally managed fund, i.e. the investments are managed by BCPP itself.
Global Equity Alpha	658	19.9%	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	67	2.0%	We have committed £250m.*
Infrastructure	71	2.1%	We have committed £250m.*
Private Credit	8	0.3%	We have committed £270m.*
Multi-Asset Credit	152	4.6%	This is an externally managed fund. The managers are selected by BCPP.
TOTAL	1,275	38.5%	

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

Investments & Asset Pooling

KEY TAKEAWAYS

- Investments:
 - Currently over £3bn
 - Invested in a diverse range of asset classes (Investment Strategy)
 - External investment managers
 - Long term, risk adjusted returns
 - Responsible Investment
- Pooling of investment assets:
 - Border to Coast Pensions Partnership Ltd (BCPP)
 - Aim is to deliver the returns needed to pay pensions (i.e. net of fees performance)



Current Issues

Current Issues

LGR

Investments:

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

Governance:

- Governance arrangements within the LGPS

Administration:

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



Local Government Reorganisation

- Proposal for retaining one Fund for Cumbria – “lift and drop” Cumbria Pension Fund into one of the new authorities
- Throughout LGR, the Fund will remain focussed on:
 - Collecting contributions
 - Paying pensions
 - Appropriate investment of Fund’s assets
 - Compliance with Pensions Regulations



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, Andrea
Reynolds, Janet Bozic,
Steven Lawson, LPPA

Cumbria County Council

Thanks for Listening

Any Questions?