

# The LGPS Annual Report

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# Overview

## Background

- Long standing questions about data
- Publication of Hutton Report

The first national Scheme report now published using 2012/13 data

- Lots of answers, but lots of questions

## What's ahead?

- 2013/14 report to be published
- Greater comparability?

# Background

## Independent Public Service Pensions Commission report:

*“All public service pension schemes should regularly publish data which, as far as possible, is produced to common standards and methodologies and is then collated centrally. This information should be of a quality that allows simple comparisons to be made across Government, between schemes and between individual Local Government Pension Scheme (LGPS) Funds.”*

### **Recommendation 6**

# Background

Longstanding questions about Scheme data and the LGPS 'as a whole'.

Minister for Local Government, Brandon Lewis MP, kicked things off in the LGPS the week after the Call for Evidence on structural reform was launched in June 2013.

Newly established Shadow Scheme Advisory Board set up a working party to take this work forward in July 2013.

# The process

## Scheme report working group

- Consisted of a wide cross-section of LGPS stakeholders – practitioners, trade unions, elected members, ACA, NAPF, CIPFA, DCLG and auditors.
- Established to drive the content and structure of the report.

## Board secretariat

- Pensions analyst recruited by LGA in Autumn 2013 to compile and produce the report.

# The three steps to the national report

Step 1 – Gather all LGPS annual reports in one place for the first time.

Step 2 – Compile available aggregate data into a single report and make recommendations that would enable further aggregation in the future.

Step 3 – Make recommendations for inclusion of comparable data sets across funds and time.

# The compilation of the report

Dec 2013 to Jan 2014 – fund reports gathered from websites and via direct request.

Jan 2014 to Mar 2014 – compilation of aggregated data.

Summer 2014 – Additional data provided by State Street, GAD and Club Vita.

Autumn 2014 – Numerous spreadsheets turned into an annual report.

# The 2012/13 annual report

Published in November 2014

*“The Annual Report will provide a single information source on the state of the LGPS for its members, the media and other stakeholders. By 2020 or preferably earlier I would hope the LGPS would be winning UK, EU and global awards for its excellence.”*

**Joanne Segars OBE, Chair of the Shadow Scheme Advisory Board**

*“...for the very first time, anybody with an interest in the scheme will now have the relevant information necessary to make informed and evidence-based observations on the fund’s performance. This will help make comparisons with other schemes in the public sector and elsewhere.”*

**Kris Hopkins MP, Minister with responsibility for the LGPS**



# The structure

- Introduction
- Governance
- Membership
- Membership profile (GAD data)
- Life expectancy index

- Investments
- Investment performance (SSIA data)
- Funding information
- Income and expenditure
- Statement of accounts
- Net assets statement
- Reporting framework

# At a glance

All 2012/13 reports in one place

## Fund Annual Reports 2013



Scheme Manager	Full Report	Split Reports
Avon	Annual report 2013, PDF, 68 pages, 2.52Mb	Communications Policy Statement, PDF, 5 pages, 252Kb Funding Strategy Statement, PDF, 19 pages, 92Kb Governance Compliance Statement, PDF, 8 pages, 46Kb Statement of Investment Principles, PDF, 26 pages, 1.31Mb
Barking and Dagenham	Annual report 2013, PDF, 124 pages, 1.96Mb	
Barnet	Annual report 2013, PDF, 45 pages, 189Kb	Funding Strategy Statement, PDF, 15 pages, 62Kb Statement of Investment Principles, PDF, 10 pages, 147Kb
Bedfordshire	Annual report 2013, PDF, 102 pages, 1.96Mb	
Berkshire	Annual report 2013, PDF, 102 pages, 2.65Mb	

# At a glance

The average member is 47 years old and the average FTE pay £22k

9,340 listed employers

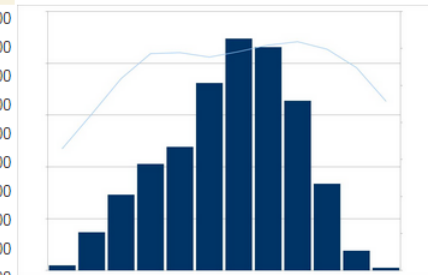
## Membership profile (sourced from GAD data)



The information and analysis on this page is based on that provided to the Government Actuary's Department (GAD) by local authorities (and includes Environment Agency funds) for the purpose of the 2013 National Model Fund valuation. This was supplied grouped and rounded by age and salary, therefore totals may differ from elsewhere in the annual report due to this. The shape of the charts should provide a reasonably accurate picture of the Scheme as a whole; however, memberships figures in the tables are shown to the nearest thousand to avoid over confidence in implied precision.

### Active membership profile

Age	Number of members 000s	Average salary (FTE £pa)
16-19	7	11,800
20-24	52	15,100
25-29	102	18,500
30-34	144	20,900
35-39	167	21,000
40-44	253	20,600
45-49	313	21,100
50-54	302	21,800
55-59	229	22,100
60-64	117	21,400
65-69	27	19,600
70-75	4	16,400

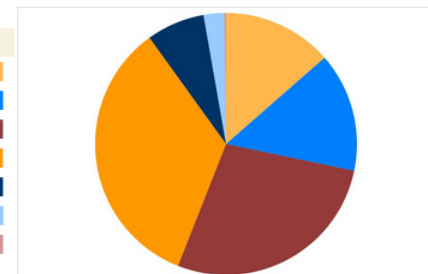


Click on the chart for a larger view in a new tab/window

The average age of active membership is about 47 years and average salary was around £22,000 pa.

### Salary by contribution band

Pay band	Cont rate	%
Up to £13,700	5.5%	13.6%
£13,701 to £16,100	5.8%	14.7%
£16,101 to £20,800	5.9%	27.7%
£20,801 to £34,700	6.5%	34.1%
£34,701 to £46,500	6.8%	7.2%
£46,501 to £87,100	7.2%	2.5%
Over £87,100	7.5%	0.2%



# At a glance

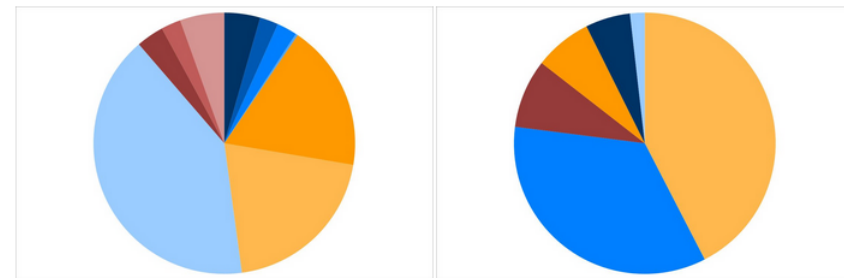
Directly held UK equities £33bn

Direct investments in equities 38.4%

Asset allocation charts based on aggregated Net Asset Statements as at 31 March 2013

Asset class	Asset type	£000s	%	£000s	%
Fixed interest	Fixed interest UK	7,984,023	4.4%	12,104,102	6.7%
	Fixed interest Overseas	4,120,079	2.3%		
Index-linked	Index-linked UK (where stated)	4,500,464	2.5%	4,993,439	2.8%
	Index-linked Overseas	492,975	0.3%		
Equities	Equities UK	32,726,966	18.2%	69,110,754	38.4%
	Equities Overseas	36,383,788	20.2%		
PIVs		73,570,975	40.8%	73,570,975	40.8%
Property	Property PIVs	6,139,140	3.4%	10,529,681	5.8%
	Property (Direct investment)	4,390,541	2.4%		
Other		9,869,809	5.5%	9,869,809	5.5%
<b>Total</b>				<b>180,178,760</b>	<b>100.0%</b>

Total asset allocation



Other asset allocation

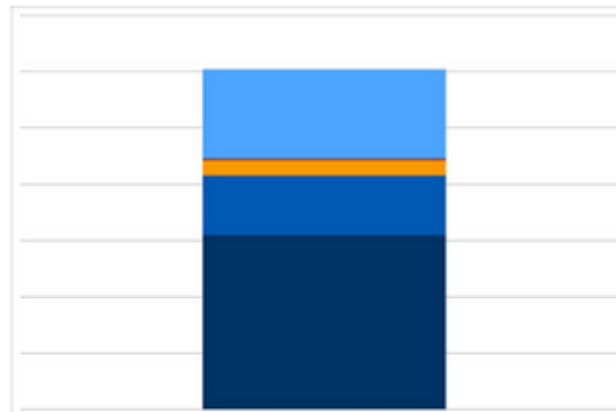
Asset class	Asset type	£000s	%
Other	Cash Deposits	4,187,568	42.4%
	Private equity	3,413,723	34.6%
	Other balances	840,651	8.5%
	Other (including aggregated private equity/infrastructure/other)	701,254	7.1%
	Infrastructure	547,260	5.5%
	Derivatives	179,353	1.8%
<b>Total</b>		<b>9,869,809</b>	<b>100.0%</b>

# At a glance

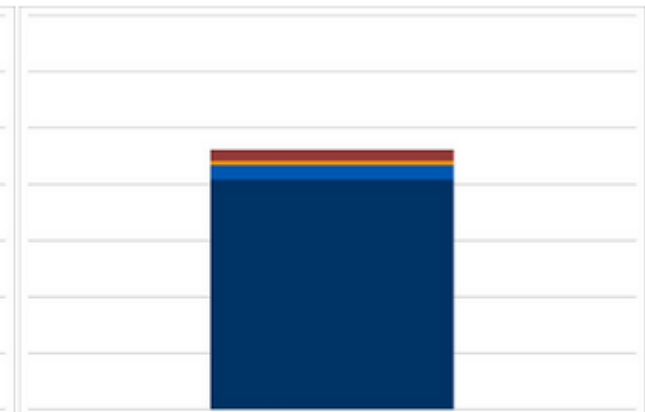
Scheme £3bn cashflow positive in 2012/13...

...but take out investment income and it's broadly neutral.

Income (£ billion)



Expenditure (£ billion)



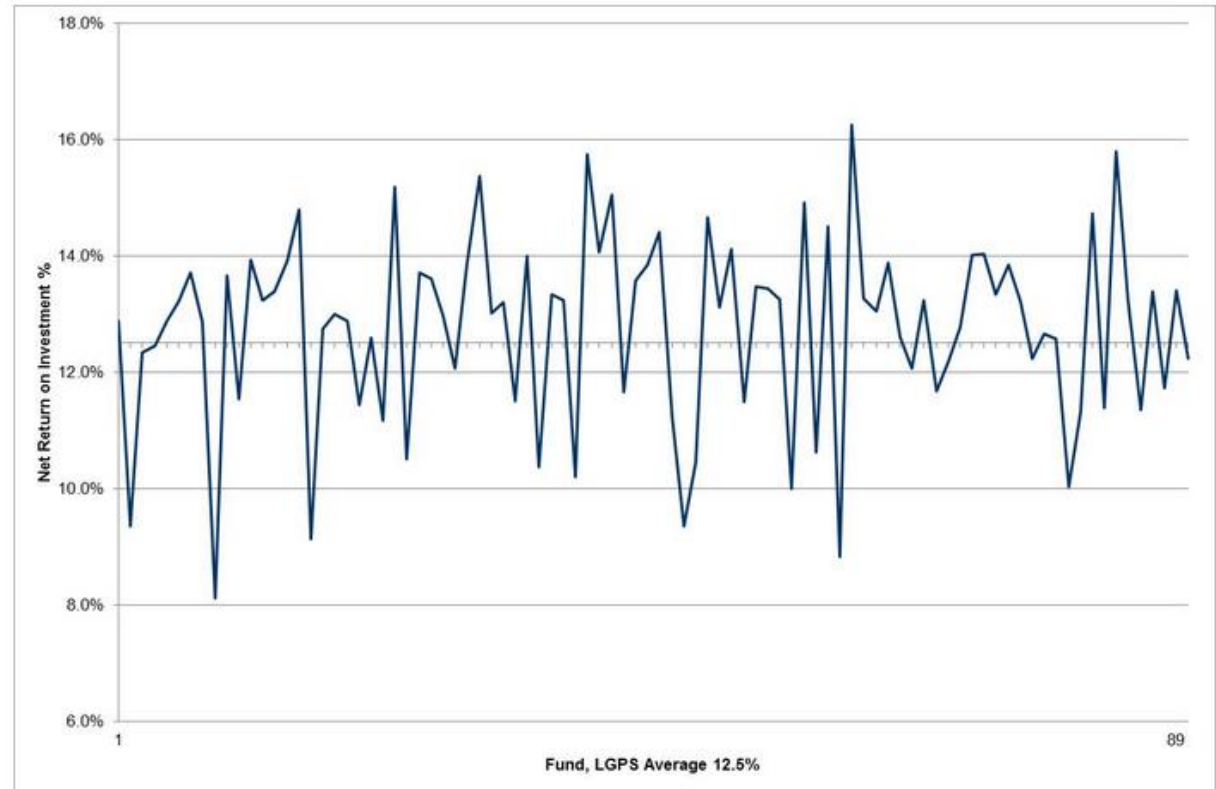
Investment income (net)	26.2%	3.16	Investment management expenses	4.6%	0.42
Other income	0.5%	0.06	Administration expenses	1.4%	0.13
Transfers in from other pension funds	4.5%	0.54	Payments to and on account of leavers	5.5%	0.51
Employee Contributions	17.6%	2.12	Benefits	88.5%	8.17
Employer Contributions	51.3%	6.19			
		<b>12.07</b>			<b>9.23</b>

# At a glance

Net return  
on  
investments  
12.5%

Most funds  
fell within a  
range of 9%  
and 15.5%

Net return on investment based on aggregated Fund accounts year to 31 March 2013



Net return on investment % is calculated by dividing the net return on investment by the average value of the fund over the year - this differs from calculated performance.

The average net return on investment, and total for the scheme on an aggregate basis, for the year ended 31 March 2013 was **12.5%**. The average investment expenses were 0.3% over the period, therefore the gross return on investment was 12.8%.

The above chart shows the distribution around 12.5%, with most funds falling in a range of between 9.0% and 15.5%.

# 2012/13 annual report – what couldn't we answer?

Pooled investments  
£78bn – but where?

Number of active employers?  
Types of employers?

Expenses and investment fees – greater clarity achievable?

2014 revised CIPFA annual report guidance will help.

# 2013/14 annual report

Quicker turnaround – March 2015 launch planned.

Increased narrative content – statements from parties involved in producing fund reports and the national report.

Further clarity on the state of the LGPS - first report to incorporate the changes made to CIPFA's 2014 annual report guidance .



# The missing step 3...

Comparative data still on the horizon – 2014/15 and onwards.

An LGPS 'league table' not the intention.

Will be a tool for cross-fund and through-time comparison.

Will consist of 4-5 primary measures, plus 14 or 15 advisory measures.

Pilots planned in order to test the measures.

# How better data may help

Greater fee and expense transparency.

Local and national governance improvements.

Better understanding of 'what works'.

An LGPS that's able to speak with one voice – one scheme stronger than 90 parts.

# Looking ahead...

## The next year:

- 2014/15 report incorporating comparative data sets
- Alternative ways of compiling report?

## Beyond that:

- Lasting data set
- Practical tool for comparison

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# Disclaimer

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