

LGPS and SAB Update

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CIPFA November 2014

LGPS and SAB Update

A canter through.....

- Statutory SAB
- Annual Report
- Deficit management
- Cost management
- Freedom and choice plus..
- Anything else keeping me awake at night

The statutory SAB

- Established under PSP Act 2013
- Advise Sec of State and Scheme Managers
- Transition from existing shadow board
- Process for formal appointment of chair and members by Secretary of State
- 2-12 members (having regard to equal numbers of employers and members)
- Plus up to three others (down from 8)
- Committees and working groups to be reviewed

SSAB work so far.....

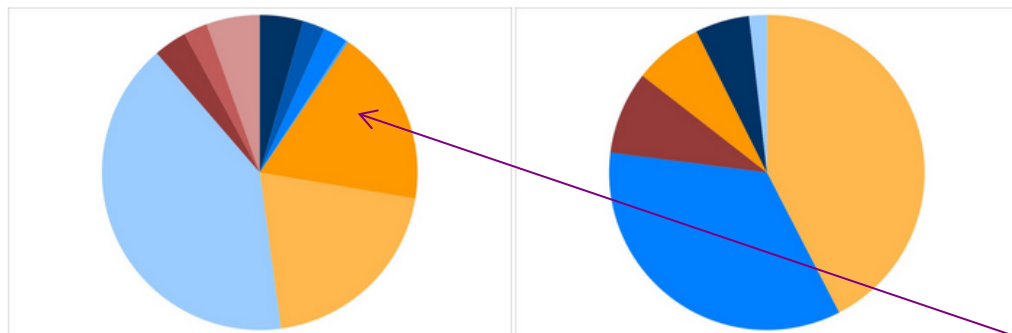
- Analysis of and response to call for evidence
- Annual report
- Valuation report
- Confirmed employee contributions
- Counsels opinion on fiduciary duty
- Governance guidance
- ABS guidance
- Ill Health reform
- www.lgpsboard.org



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%
Total				180,178,760	100.0%

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%
	Total		9,869,809

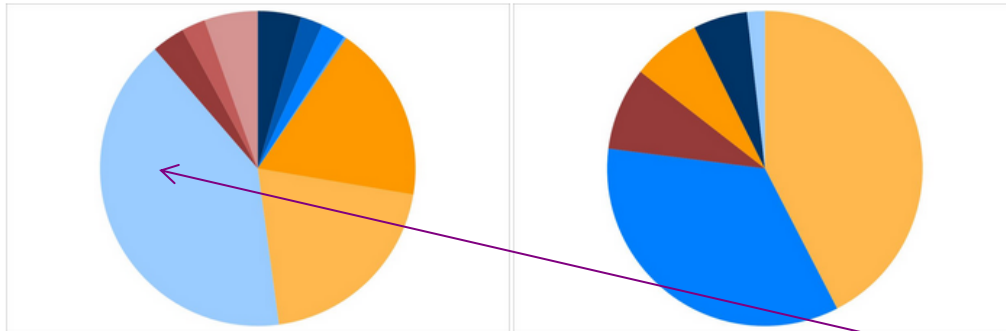
Scheme Annual Report – what we know

Direct UK Equities
£33b

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Scheme
Annual
Report –
what we
wished we
knew

Pooled
Investment
Vehicles £74b??

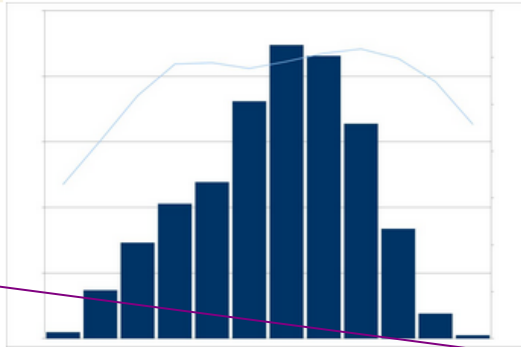
Membership profile (sourced from GAD data)



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

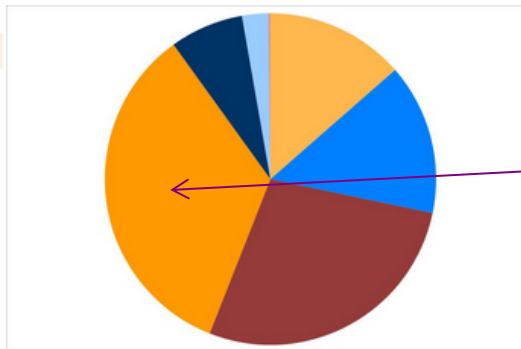
Scheme Annual Report – what we know

Average age 47

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







Salary by contribution band

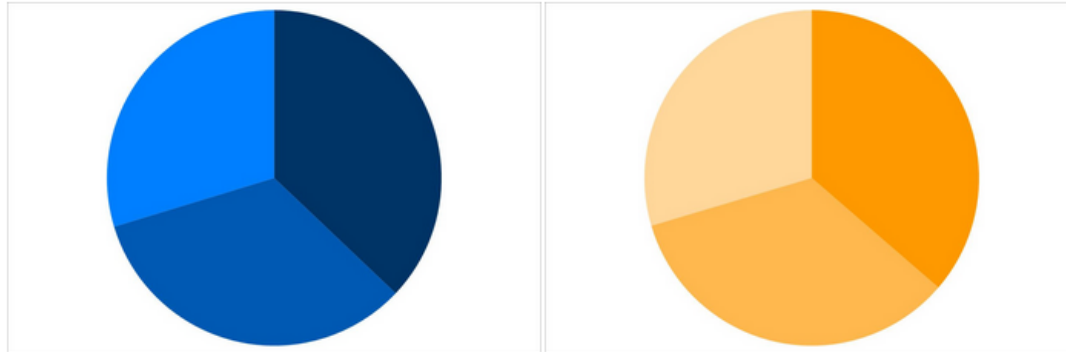
Pay band	Cont rate	%
Up to £13,700	5.5%	13.6%
£13,701 to £16,100	5.8%	14.7%
£16,101 to £20,800	5.9%	27.7%
£20,801 to £34,700	6.5%	34.1%
£34,701 to £46,500	6.8%	7.2%
£46,501 to £87,100	7.2%	2.5%
Over £87,100	7.5%	0.2%



Average pay £22k

Change in membership over year ended 31 March 2013

	Actives	Deferreds	Pensioners	Total
2012	37.1% 	33.2% 	29.7% 	100%
2013	36.3% 	34.1% 	29.6% 	100%



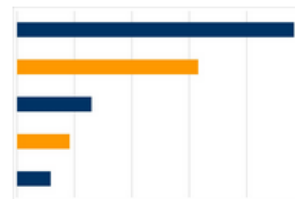
Employers

The total number of employers listed in the Fund annual report and accounts was 9,340. This total includes active and ceased employers as well as scheduled and admitted bodies, including outsourcing companies, academies etc.

These figures may differ from employers listed in actuarial valuation reports, as inactive employers with no active or deferred pensioner members may or may not be included.

Average number of employers per fund by type of administering authority

Fund administering authority type	Count of funds	Average number of employers per fund
Metropolitan Districts	7	241
County Councils	38	158
Other	5	65
Wales	8	46
London Boroughs	33	29



The chart shows how the average number of employers differs between the types of administering authority. County council administered funds typically have more participating employers compared with London boroughs. The 'Other' category comprises the London Pension Fund Authority, Transport Authorities and the Environment Agency funds.

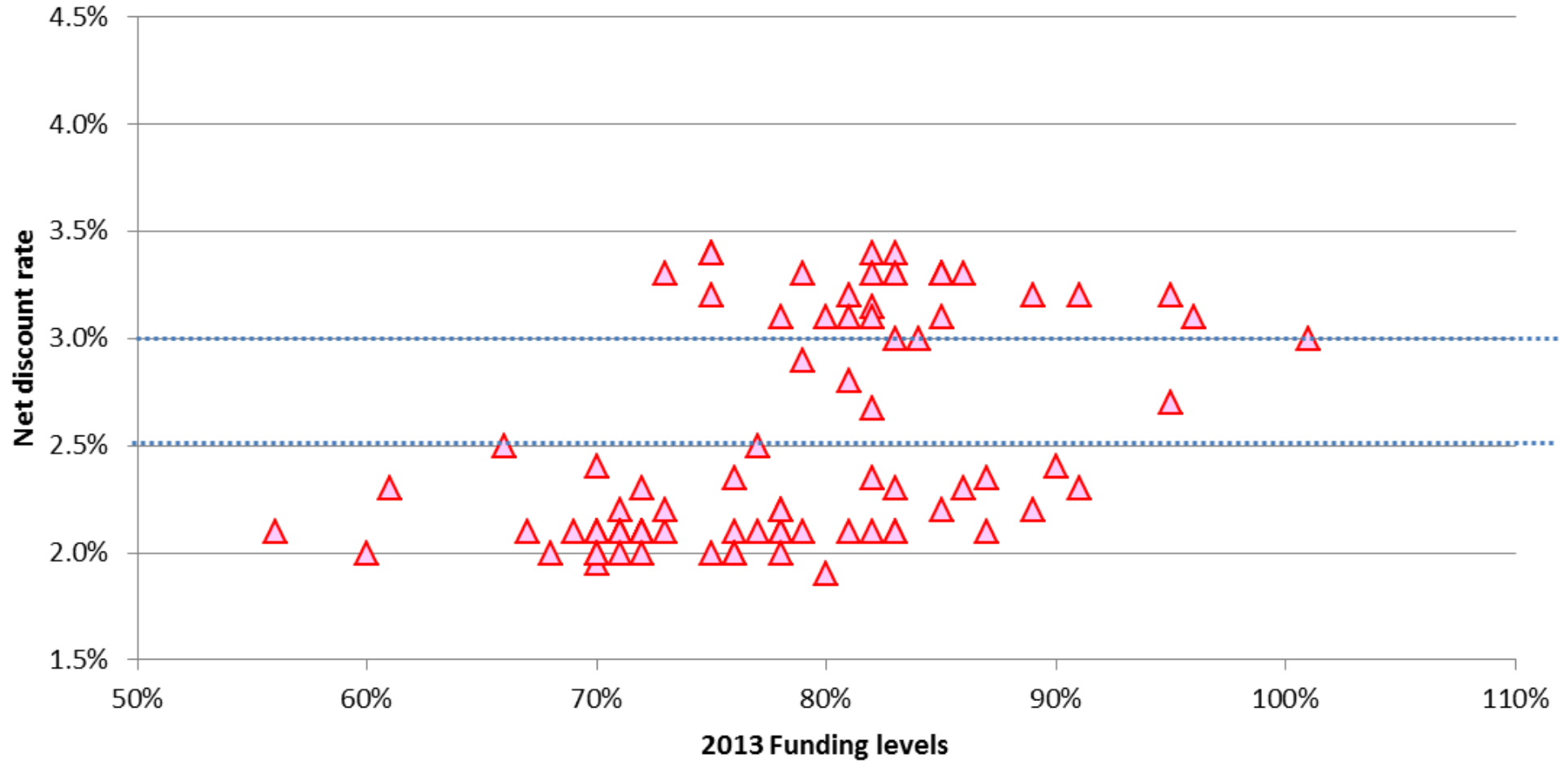
Scheme Annual Report – what we wished we knew

9,340 employers???
Active employers?
Types of employers?

Deficit management

- No magic bullet
- Standard measure of funding (£46b or £28b?)
- Contributions – stability v sustainability
- Best practice in employer management
- Increased flexibility for exits
- Identify and assist where needed
- More informed LDI approach

All LGPS Funds - 2013 Funding levels vs Net discount rates



Cost management

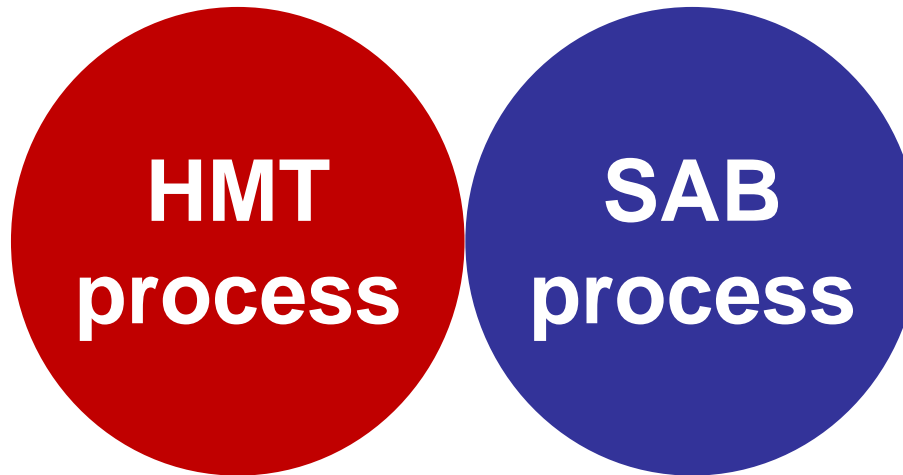
- Two processes
- One by SAB that looks at total cost (19.5%), includes 50/50 and uses scheme specific assumptions
- One by HMT that is employer cost only, has a different target and only triggers at 2%

So how do they work together?



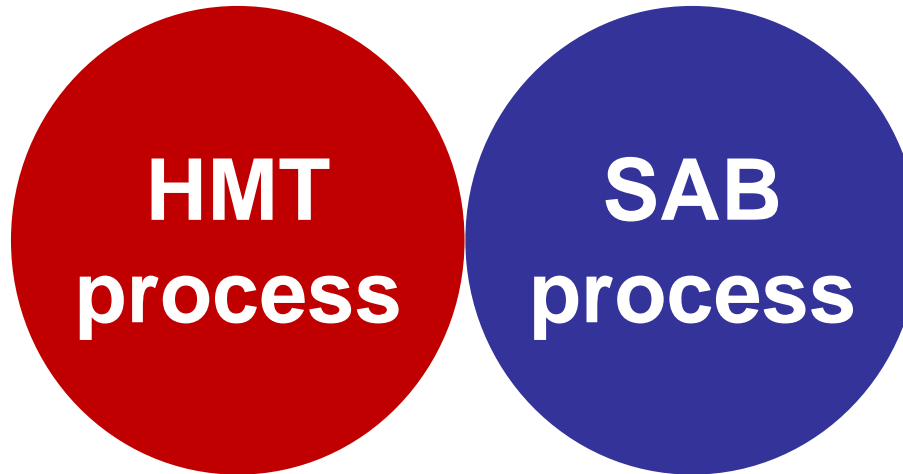
Cost Management

Scenario 1- SAB process triggered but HMT ok

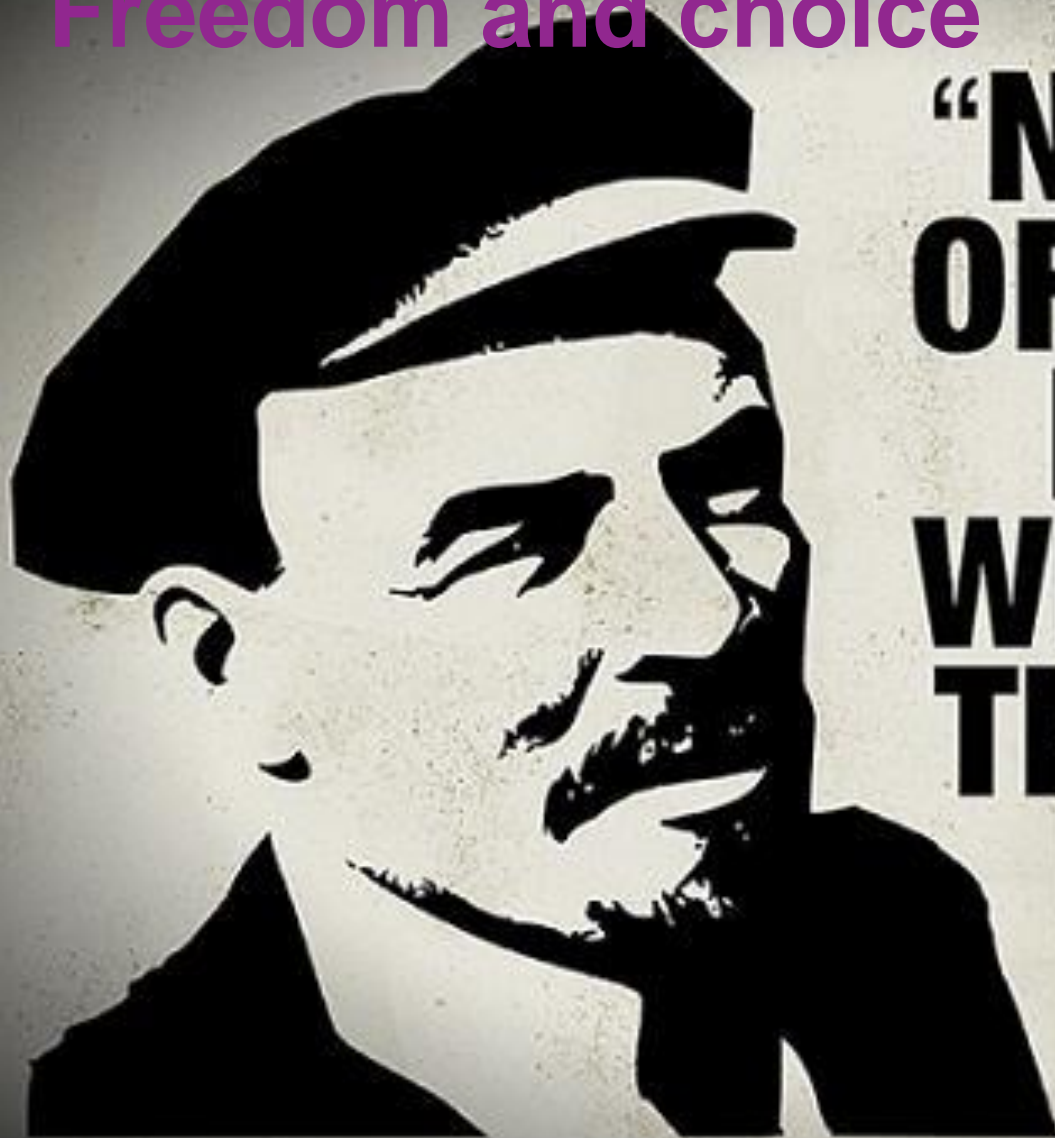


Cost Management

Scenario 2- SAB process ok but HMT triggered



Freedom and choice



**“NO AMOUNT
OF POLITICAL
FREEDOM
WILL SATISFY
THE HUNGRY
MASSES.”**

PENSIONS

quoteswave.com

- Vladimir Lenin



Freedom and choice



- Transfers to DC – compulsory advice and possibly more?
- AVCs – DC or not DC?
- What about more freedom for those oppressed by DB?

Other stuff

- New counsel's opinion
- Academies
- IORP II and separation
- Councillors
- Contracting out....



LGPS spinning plates display team
2014-16

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