Worcestershire County Council

Agenda

Pensions Committee

Monday, 14 December 2015, 2.00 pm
County Hall, Worcester

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ਪੰਜਾਬੀ। ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਮਜ਼ਮੂਨ ਸਮਝ ਨਹੀਂ ਸਕਦੇ ਅਤੇ ਕਿਸੇ ਅਜਿਹੇ ਵਿਅਕਤੀ ਤੱਕ ਪਹੁੰਚ ਨਹੀਂ ਹੈ, ਜੋ ਇਸਦਾ ਤੁਹਾਡੇ ਲਈ ਅਨੁਵਾਦ ਕਰ ਸਕੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਮਦਦ ਲਈ 01905 765765 'ਤੇ ਫ਼ੋਨ ਕਰੋ। *(Punjabi)*

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DISCLOSING INTERESTS

There are now 2 types of interests:
<u>'Disclosable pecuniary interests'</u> and <u>'other disclosable interests'</u>

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your <u>spouse/partner</u> as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days <u>and</u>
- **Declare** it where you have a DPI in a matter at a particular meeting
  - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
  You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR**
  relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
  - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Simon Mallinson Head of Legal and Democratic Services July 2012 WCC/SPM summary/f

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Pensions Committee
Monday, 14 December 2015, 2.00 pm, County Hall, Worcester

Membership: Mr R W Banks (Chairman), Mr R C Lunn (Vice Chairman), Mr D W Prodger MBE, Mr R J Sutton and Mr P A Tuthill

Coopted Members

Mr V Allison	Employer Representative
Mr A Becker	Employee Representative
Mr R J Phillips	Herefordshire Council

Agenda

Item No	Subject	Page No
1	**Named Substitutes (Agenda item 1)**	
2	**Apologies/Declarations of Interest (Agenda item 2)**	
3	**Public Participation (Agenda item 3)** Members of the public wishing to take part should notify the Head of Resources in writing or by e-mail indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case 11 December 2015). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail address below.	
4	**Confirmation of Minutes (Agenda item 4)** To confirm the Minutes of the meeting held on 30 September 2015 (previously circulated – pink pages)	
5	**Pension Investment Update (Agenda item 5)**	1 - 12
6	**Fee Savings Report (Agenda item 6)**	13 - 14
7	**LGPS Asset Pooling (Agenda item 7)**	15 - 30

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To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 766621, slewis@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Friday, 4 December 2015

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AGENDA ITEM 5

PENSIONS COMMITTEE
14 DECEMBER 2015

PENSION INVESTMENT UPDATE

Recommendation

1. **The Chief Financial Officer recommends that:**

   a) **the Independent Financial Adviser's fund performance summary and market background be noted; and**

   b) **the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel be noted.**

Background

2. The Committee will receive regular updates on fund performance. The fund's Independent Financial Adviser has provided a fund performance summary and a brief market background update (Appendix 1). The market background update is provided to add context to the relative performance and returns achieved by the fund's investment managers.

3. The Committee will also receive regular updates regarding 'on watch' managers and will receive recommendations in relation to manager termination in the event of a loss of confidence in managers by the Advisory Panel (Appendix 1).

Nomura

4. Nomura underperformed the index benchmark in the quarter ended 30 September by -0.1% but in the twelve months to September 2015 had outperformed the benchmark by +1.1%, which was 0.7% ahead of the target outperformance of +1.5%. However over the past three years Nomura have underperformed their performance target by 0.8% per annum.

5. Nomura's management changes in the developed Asia ex-Japan section of the portfolio continue to appear to have been successful, as this section of the mandate has outperformed benchmark over past year by 3.4%, however they are remain passively invested in Australia, in terms of stock selection, and have struggled to retain expertise in this market.

6. It is recommended that a further period of sustained outperformance is required from both the Japan section of the portfolio as well as the developed Asia ex-Japan section before Nomura are taken off watch.

Capital International

7. Capital International underperformed the index benchmark in the quarter ended 30 September by -0.6%. Their twelve month performance to September 2015 was 4.2% ahead of benchmark and therefore 2.7% ahead of their performance target (+1.5%), which is a pleasing improvement. However over the three years to the end of September Capital were 0.5% behind their performance target per annum. Concerns still exist over their multi manager system and Jin Lee, a new portfolio manager, has been promoted from the research portfolio during the quarter. The portfolio is now managed in four 'pots'; three portfolio managers and the research portfolio.

8. It is recommended that Capital International remain on watch at least until their extended discounted fee period ends on 31 December 2015.

JP Morgan Emerging Markets

9. JP Morgan (Emerging Markets) portfolio performed strongly over the quarter providing a +1.7% outperformance against their benchmark. Performance for the year ended September 2015 was 1.9% ahead of benchmark and therefore 0.1% behind their target outperformance of +2.0% per annum. Over the past three years JP Morgan have underperformed their performance target by 1.3% per annum.

10. It is recommended that JP Morgan remain 'on watch' until consistent outperformance is regained.

JP Morgan Bonds

11. The Pension Investment Advisory Panel met on 26 November 2015 and has recommended that the JP Morgan Bond portfolio be placed under review and they have therefore been added to the list of managers 'on watch'.

12. JP Morgan Bond portfolio underperformed their benchmark by 0.3% in the quarter ended September. Performance for the year ended September 2015 was 0.2% ahead of benchmark and therefore 0.8% behind their target outperformance of +1.0% per annum. Over the past three years they have underperformed their performance target by 0.5% per annum. Concerns exist that JP Morgan have not utilised their risk budget effectively in order to achieve their performance target.

13. It is recommended that JP Morgan (Bonds) remain on watch at least until their performance is tracking towards target and the Committee are satisfied that JP Morgan are managing their portfolio risk budget effectively.

Contact Points

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Supporting Information

- Independent Financial Adviser summary report (Appendix 1)
- Bar Chart of investment managers' performance (Appendix 2)

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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Independent Investment Adviser's report Appendix 1

Fund Performance Summary and Market Background

The value of the Fund in the quarter fell to £1,758m, a decrease of £140,000 compared to the end June value of £1,898m. The Fund produced a return of -6.0% over the quarter, which gave an underperformance against the benchmark of -0.2%. This was attributable to asset allocation, with a neutral return from stock selection. Over a 12 month period the Fund recorded a positive relative return against the benchmark of 0.1% (-0.6% v. -0.7%).

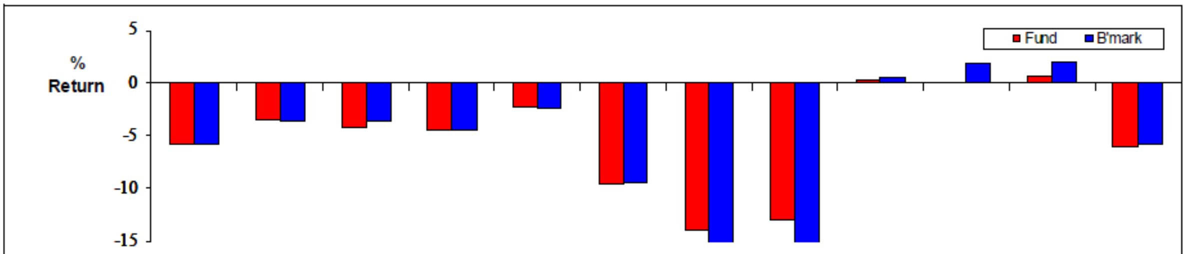
We saw a reversal of fortunes for the active elements of the Fund in Q3 2015, with the Emerging Markets managers showing good outperformance over this quarter, albeit against some sharp falls in absolute value. Schroders (Emerging Markets) had the best performance, ahead of their benchmark by 2.8%, with JP Morgan (Emerging Markets) outperforming by 1.7%. Given the nature of the falls seen in the wider Emerging Markets universe, the investment style of the two managers will have provided some downside protection, but it is possible that some of this outperformance will be "given back" as the hardest hit stocks recover at some stage. The Developed Markets managers did not fare so well, with Capital International (North America) underperforming by -0.6%, with Nomura (Pacific) performing just about in line against their benchmark, against some sharp falls in index levels in the region. JP Morgan (Bonds) didn't help the active performance profile again, with an underperformance of -0.26% in Q3.

The alternative passive strategies managed by UBS have continued to produce a return ahead of their respective benchmarks since inception. This again includes an encouraging Q3 2015, which continued to see the strategies being tested by falling markets, as in the second quarter.

One could say that world markets got into the holiday season mood in the third quarter and went for a ride on a rather large roller coaster! Certainly volatility spiked to levels rarely seen, but to keep things in perspective the peak to trough moves were within what can be considered to be "normal" ranges. A scary ride at the time, but to quote James Bond; "Shaken, not stirred".

Reflecting the intra quarter volatility, looking at the quarter start to quarter end moves in indices to a degree masks what went on in the middle. Nevertheless there have been some big moves, certainly in the Far East and some emerging markets. For example; Singapore -16%, Hong Kong -13%, Australia -11% and Japan -8%. Within emerging markets all constituent country indices fell, but the South American region suffered the most seeing Brazil -31%, Peru -25% and Chile -10%. Some Asian and European countries experienced significant falls as well, such as Pakistan -22%, China -20%, Malaysia -15%, Thailand -14%, Turkey -16%, South Africa -15% and Russia -10%. In other developed markets, the key indices looked like this: Japan -8%, UK -5.7%, Europe ex UK -4.5% and North America -3.5% .

Bond markets in Q3 also saw a lot of volatility, with the predominant theme being a flight to quality, or investors seeking safer havens from the storm. Developed market bonds therefore fared well, as did high quality corporate bonds.



	UBS UK Ind	UBS NA Ind	Cap Int Am Act	UBS Eur Ind	UBS Global	Nomura Asia	JPM Emerging	Schroder Emerging	JPMF Bonds	GIB Infrastr.	Hermes Infrastr.	Total Assets
% Final Assets												
Actual	**32.1**	**1.8**	**9.1**	**6.6**	**12.7**	**14.9**	**5.6**	**6.2**	**7.2**	**1.4**	**2.4**	**100.0**
Benchmark	32.5	5.0	6.0	9.5	10.0	12.0	6.0	6.0	10.0	1.4	1.7	100.0
% Return												
Portfolio	**-5.8**	**-3.5**	**-4.2**	**-4.4**	**-2.3**	**-9.6**	**-14.0**	**-13.0**	**0.2**	**0.0**	**0.6**	**-6.0**
Benchmark	-5.7	-3.5	-3.5	-4.5	-2.5	-9.4	-15.6	-15.6	0.5	1.8	2.0	-5.8
Relative	**-0.1**	**0.0**	**-0.7**	**0.0**	**0.2**	**-0.2**	**1.9**	**3.1**	**-0.3**	**-1.8**	**-1.4**	**-0.2**

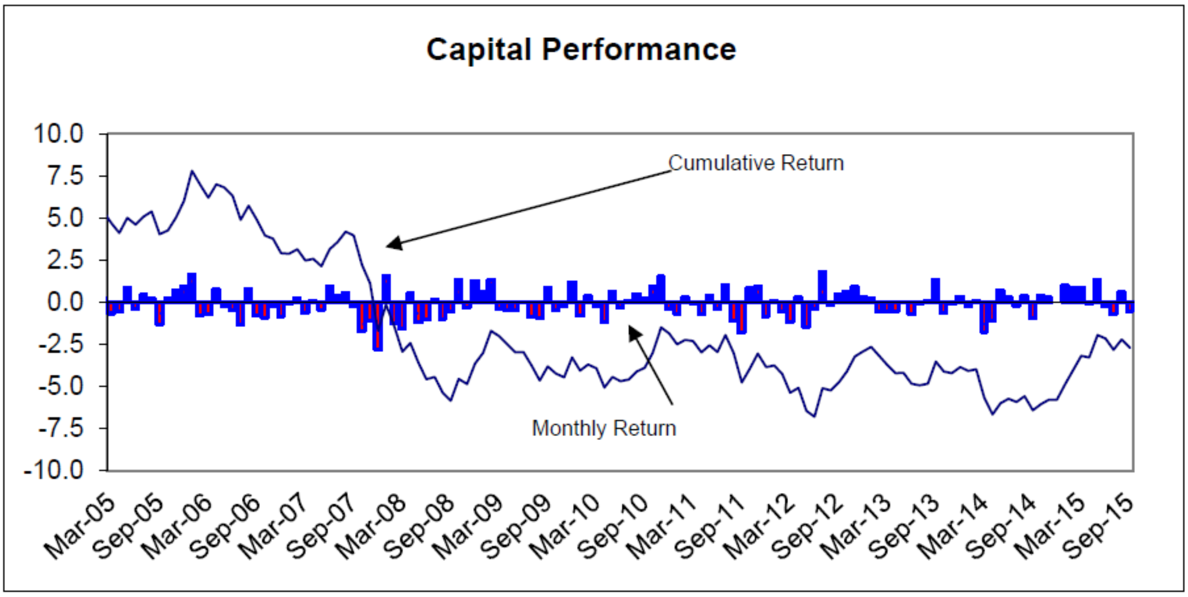
Performance update for managers 'On Watch' July 2015 to September 2015

Capital International- Active North America

Performance objective is to outperform the benchmark by 1.5% annually over rolling 3 years

I am in danger of letting my cynicism get the better of me, but I suppose the recent strong upswing in relative performance was too good to last. In Q3 Capital underperformed their benchmark by -0.6% (-4.1% v. -3.5%). The good performance in H1 has ensured that their 12 month performance remains healthy, at 4.2% ahead of their benchmark (8.8% v. 4.6%). On an annualised basis, over three years Capital are -0.5% behind their performance benchmark, and over ten years, -2.2%. Still some way to go to justify their fees.

Both the US and Canada components posted negative returns against their benchmarks over the quarter, with poor stock selection being cited as the main reason.

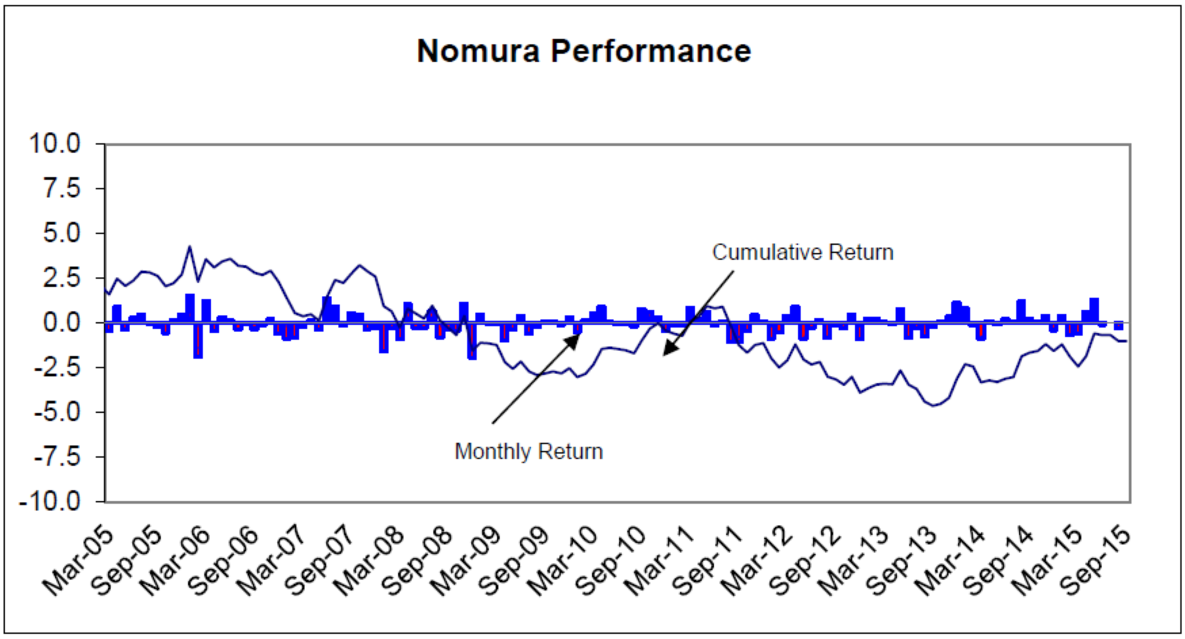


Nomura- Developed Far East

Performance objective is to outperform the benchmark by 1.5% annually over rolling 3 years.

In a difficult quarter for the Pacific region, Nomura just about managed to hold the line, with a marginal underperformance of -0.08% against their benchmark over the quarter (-9.48% v -9.4%). Their outperformance over 12 months is now at 1.1% (-0.4% v -1.5%).
Their three year performance remains unsatisfactory against their performance target, at -0.8% annualised against benchmark, and -1.65% over 10 years.

In regional terms the ex Japan elements contributed to performance this quarter, but that was offset by a poor performance from the Japanese portfolio.

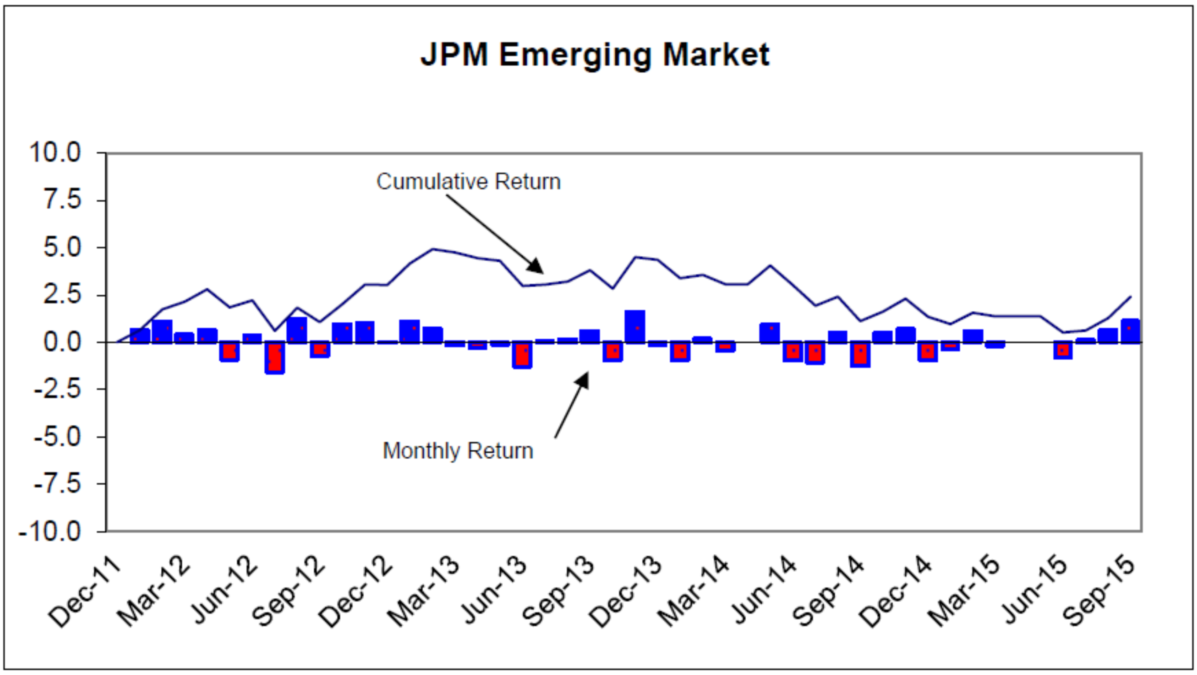


JP Morgan – Emerging Markets

Performance objective is to outperform the benchmark by 2.0% annually over rolling 3 years.

In a truly awful quarter for the absolute return from emerging markets, JP Morgan at least limited the losses slightly with an outperformance against their benchmark of 1.73% (-13.84% v. -15.57%). That has helped them to show a marked improvement on their one year performance against their benchmark, this is now 1.9% (-10.8% v. -12.7%), which including their performance target leaves them -0.1% behind.

Over three years they are behind their performance target by -1.33% annualised, since inception the picture is slightly less bleak at -1.22% against performance target.

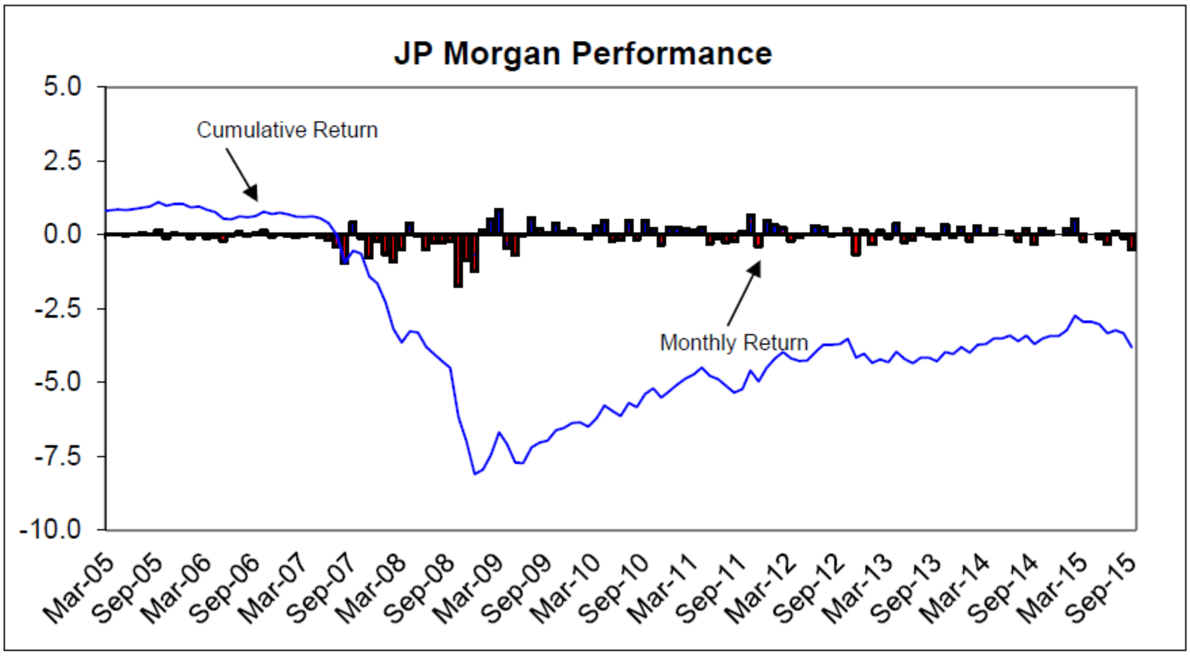


JP Morgan – Bonds

Performance objective is to outperform the benchmark by 1.0% annually over rolling 3 years.

Another disappointing quarter, with an underperformance of -0.26% (0.23% v 0.49%). They are ahead of their benchmark over the last 12 months by just 0.15% (2.08% v 1.02%), which is well behind their performance target.

Relative to their performance target, they are behind by -0.55% over three years, and -1.28% over ten years. There is a lot of ground to be made up, if that is possible within the parameters of how they manage this mandate.



Property and Infrastructure Investments - commitment and drawdown updates

Although it is too early to be focusing on performance numbers with these long term investments at this stage, consideration has been given to possible methods of benchmarking beyond an absolute return basis. Conversations with WM and the asset managers concerned have taken place with the aim of providing a method of meaningful comparison when this becomes appropriate.

Hermes

Commitment: £49m
Drawn: £42m
Distributed: £4.4m – of which £4.1m related to a recallable distribution from a transaction regarding British Ports

Green Investment Bank

Commitment: £40m
Drawn: £25.1m
Distributed: £2.1m

Venn

Commitment: £27.5m
Drawn: £26.6m
Distributed: £0m

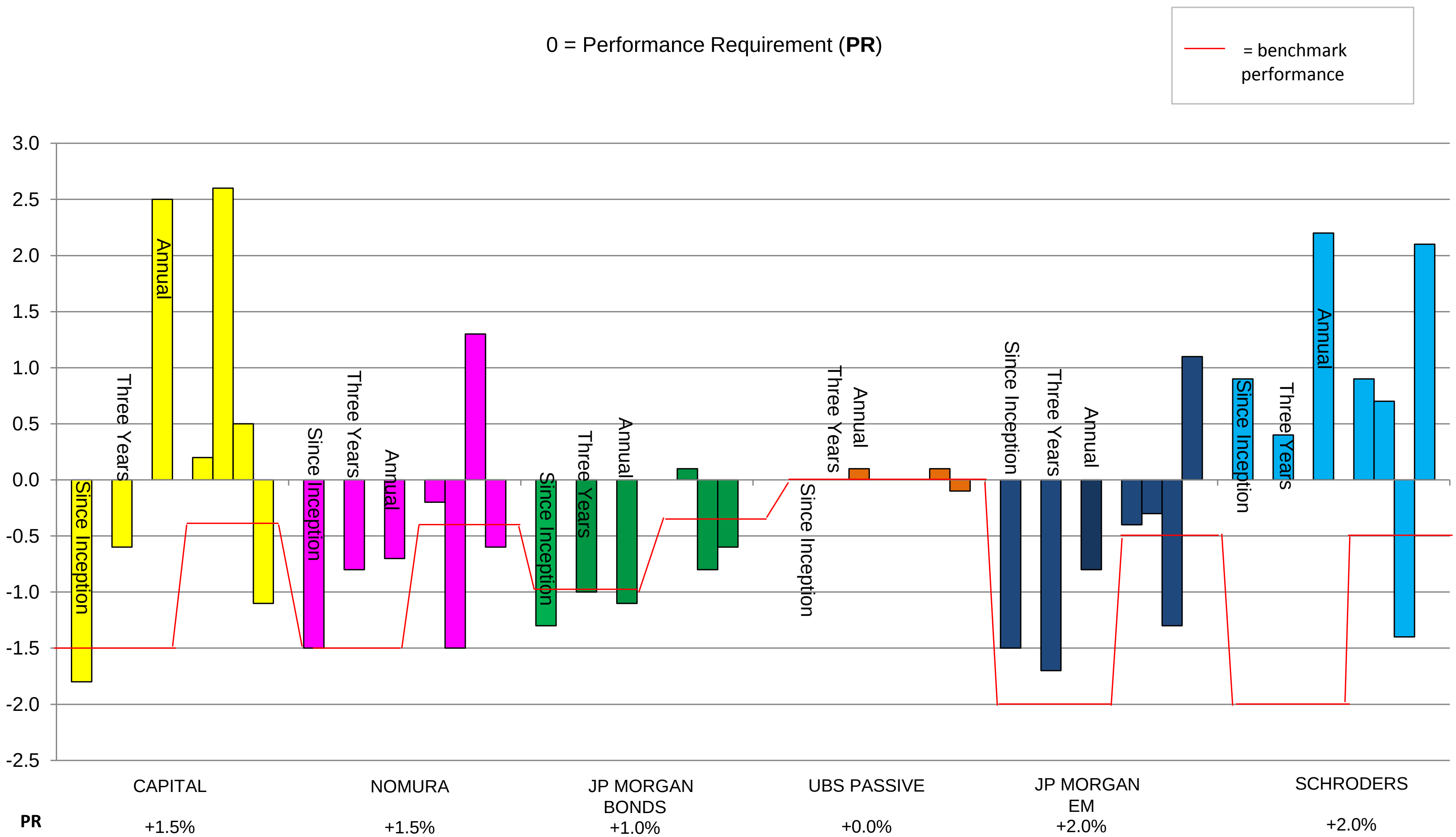
Invesco

Commitment: £56m
Drawn: £0m – first drawdown expected in Q4 2015
Distributed: £0m

Walton Street

The Walton Street fund was considered as a potential investment opportunity during the selection process that was undertaken at the end of 2014. At that time Renshaw Bay was considered to be the preferable choice, but since that time bFinance have continued to monitor developments during the Walton Street fund raising process. That is now reaching final close and has been reviewed in detail again as a potential route to investing the remaining £27.5m out of the original £200m allocation to Property and Infrastructure.

Worcestershire County Council Pension Fund - Chart showing for each manager: performance since inception, three years, annual performance October 2014 to September 2015 and latest year in quarter ends December 2014 to September 2015, relative to performance requirement



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AGENDA ITEM 6

PENSIONS COMMITTEE
14 DECEMBER 2015

FEE SAVINGS REPORT

Recommendation

1. **The Chief Financial Officer recommends that the update regarding the Fund fee savings achieved since December 2013 be noted.**

Purpose of Report

2. To update the Committee on the fee savings achieved in regards to active equity manager fee discounts, joint passive equity manager procurement and global custodian fee schedule renegotiation.

Background

3. In January 2014, following a further recommendation by the Pension Investment Advisory Panel, Fund officers negotiated a fee discount with Capital International, to be in place until initially June 2015, which was then extended to December 2015. A similar discount was negotiated with JP Morgan EM in October 2014, which ended on 30 September 2015.

4. The Fund's global custodian's (BNY Mellon) fee was benchmarked against the market by a third party benchmark provider, Thomas Murray, in 2015. This was to ensure value for money is achieved in relation to the provision of their services. Based on the benchmark analysis, Fund Officers negotiated a revised fee schedule with BNY Mellon to be reviewed in 2018.

5. The Committee will be aware that a joint passive procurement has been undertaken with six other LGPS Funds, managed by bfinance, for a passive equity manager. The aim was to gain benefits of scale in terms of fee savings by pooling the Funds' assets. The successful bidder was Legal and General (LGIM). It is expected that a transition to LGIM will take place in December 2015.

Fee Savings

6. The fee saving achieved from fee discounts negotiated with Capital International, Nomura and JP Morgan amount to **c. £1.5m** over the period December 2013 to November 2015.

7. The annual recurring fee saving achieved from the renegotiated global custodian fee schedule will be **c. £210k per annum**.

8. The annual recurring fee saving achieved for the Fund from the joint procurement of LGIM will be **c. £290k per annum**.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

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AGENDA ITEM 7

PENSIONS COMMITTEE
14 December 2015

LGPS ASSET POOLING

Recommendation

1. **The Chief Financial Officer recommends that: the LGPS Asset Pooling update be noted.**

Background

2. Members will recall that the Chief Financial Officer was granted delegated authority, at the Committee meeting on 30 September 2015 to complete the joint procurement of a passive equity manager and if required terminate the Fund's incumbent passive equity manager (UBS). (Minute no. 15 refers)

Manager appointment

3. The LGPS Group, consisting of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire, working in conjunction with bfinance completed the tender in November 2015 and the preferred bidder was identified as Legal and General Asset Management (LGIM). Following consultation with the Chairman of the Committee, the Chief Financial Officer decided to progress the appointment of LGIM and notify UBS of their mandate termination following the transition of assets, which is due to take place on 15 December 2015.

Management fee savings

4. The tender generated significant price tension between bidders and following final negotiations bfinance were able to secure a fee schedule with LGIM that reduced Group management fees by more than 50%. The annual fee saving for the Fund will be c.290k.

Press releases

5. Bfinance issued a Group press release, following consultation with Group members, on 30 November 2015. The Fund also issued a press release in relation to the tender on 2 December 2015. The press releases and media reports are included as Appendices 1 and 2 to this update report.

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Supporting Information

- Appendix 1 - Press releases
- Appendix 2 - Media reports

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

The Agenda papers and Minutes of the Pension Committee held on 30 September 2015.

BFinance Group Press Release

BFINANCE LEADS ON £6.5BN INVESTMENT FROM MAJOR POOLED LGPS COLLABORATION

SECURES SUBSTANTIAL FEE REDUCTION FOR INVESTORS

Showcases the benefits of LGPS Funds working together to achieve more cost effective investments

London, 30 November 2015 – bfinance, the independently owned investment consultancy, announces that following a rigorous and transparent selection process, its client, the Shires, a group of seven UK LGPS Funds, has chosen to invest approximately £6.5bn in pooled funds managed by Legal & General Investment Management (LGIM).

Included in the initiative are the local government pensions scheme (LGPS) funds of the following counties: Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire (together 'the Group'). This landmark appointment is an early example of how pooling of assets can be used to the benefit of the LGPS.

Overall fee savings will exceed 50%, illustrating the value of such initiatives for local government pension funds.

The investment constitutes a mixed mandate spanning passive equity, passive fixed income and smart beta strategies in the UK and internationally. The individual Funds will continue to track the indices that they were using prior to the appointment and have not had to compromise their investment strategies.

Demonstrating a significant commitment to collaboration, the Group has moved from initial discussions to an investment decision in just five months, following initial work carried out by Staffordshire, Cheshire and Shropshire. In conjunction with representatives of the Group, bfinance conducted a detailed search of suitable pooled funds and implemented a rapid selection process, which was completed in less than two months.

Candidate funds were analysed and scored according to evaluation criteria agreed with the Group, including manager expertise in passive management, transition management of assets and fees. The quality of fund offerings across the industry was very high and competition in the process generated significant price tension. Ultimately LGIM's capability stood out and made its offering the most attractive for the Group's pension schemes.

The Group's investment comes at a time of significant political support for LGPS asset pooling and the Group has taken advantage of this environment to achieve significant savings.

The swift selection and significant fee reduction showcases bfinance's strength in investment consultancy for public pension funds – the consultancy has worked with over half of the 89 UK LGPSs, while its expertise also extends internationally. bfinance utilised this experience to help the Group achieve the results announced today.

Speaking on behalf of the Group, a Group spokesman said:

‘This is a great result for all the pension schemes in the Group. Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved if LGPS Funds are willing to work together and collaborate as equals.

bfinance’s thorough selection process gave us an excellent range of pooled funds to consider and we are very pleased with the quality of LGIM’s offering combined with its expertise in passive management . We look forward to working with the team to implement the investments.

Announcing the appointments Pal Sarai, Managing Director and Head of Client Consulting, said:

‘We welcome the Group’s landmark investment in LGIM’s pooled funds and the excellent outcome of an extensive and rigorous selection process.

Our tailored search methodology in a competitive landscape of pooled funds enabled us to identify an excellent match for the Group’s requirements and in particular secure considerable savings on fees and a highly efficient approach to transition – key priorities for the Group’s schemes.

Given this success we expect significant interest from other local government pension schemes in similar arrangements to achieve more cost effective investment strategies.’

ENDS

Worcestershire County Council Press Release

December 2, 2015

Worcestershire County Council Pension Fund achieves significant savings by joining forces with six other local government pension schemes to invest £6.5 billion.

The group, known as The Shires, is made up of Local Government Pension Scheme Funds in Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire. The group has pooled funds in order to invest approximately £6.5bn in shares that track indices such as the FTSE, with Legal and General Asset Management. This landmark partnership is an example of how the pooling of assets can be used to bring maximum benefit to members.

It is predicted that overall fee savings will exceed 50%, illustrating the value of working together across local government pension funds.

The Worcestershire fund has 55,000 members and has a current market value of £1.9bn.

Councillor Adrian Hardman, the Chair of the Pension Investment Advisory Panel, said: "This is a great result for the thousands of members of our pension fund and for all of the pension schemes in the Group. Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved if LGPS Funds are willing to work together and collaborate as equals."

In one of the first partnerships of its kind in the UK, The Shires Group has moved quickly, progressing from initial discussions to an investment decision in just five months. A detailed search of suitable pooled funds was coordinated by bfinance, an independently owned investment consultancy firm, followed by a rapid selection process, which was completed in less than two months.

The individual Funds will not have to compromise on their investment strategies and will continue to track the indices that they were using prior to the appointment.

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bfinance Media Coverage

Announcement of LGPS pooled investment

Index:

- *Financial Times* (print)
- *Financial Times* (online)
- *Investment and Pensions Europe*
- *Institutional Asset Manager*
- *Professional Pensions*
- *Funds Europe*

FINANCIAL TIMES

Seven more local UK pensions pool assets

CHRIS NEWLANDS

Seven of the UK's local government pensions funds have pooled their assets following pressure from George Osborne, the UK chancellor, for the 89 schemes to enact significant cost savings.

Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire have jointly invested £6.5bn with Legal & General Investment Management. The move will cut more than 50 per cent off their investment costs.

The arrangement comes a week after London Councils, which represents the city's 32 boroughs, received regulatory approval to begin pooling the £25bn of assets belonging to local authority pension schemes.

A spokesperson for the seven funds said: "This is a great result. Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved."

Local authority schemes have come under intense pressure to collaborate after Mr Osborne invited proposals on cost cutting and investment pooling last year.

Pal Sarai, managing director at Bfinance, the consultancy that helped the seven schemes select LGIM, said: "We welcome the landmark investment in L&G's pooled funds.

"We expect significant interest from other local government pension schemes."

FINANCIAL TIMES

http://www.ft.com/cms/s/0/9ae1444e-951f-11e5-

8389-7c9ccf83dceb.html#axzz3syaben9p

Seven UK local government pension funds pool assets

Chris Newlands

Seven of the UK's local government pensions funds have pooled their assets following pressure from George Osborne, the UK chancellor, for the 89 schemes to enact significant cost savings.
Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire have jointly invested £6.5bn with Legal & General Investment Management. The move will cut more than 50 per cent off their investment costs.

The arrangement comes a week after London Councils, which represents the city's 32 boroughs, received regulatory approval to begin pooling the £25bn of assets belonging to local authority pension schemes.
A spokesperson for the seven funds said: "This is a great result for all the pension schemes. Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved."
Local authority schemes have come under intense pressure to collaborate after Mr Osborne invited proposals on cost cutting and investment pooling last year.
Pal Sarai, managing director at Bfinance, the consultancy that helped the seven schemes select LGIM, said: "We welcome the landmark investment in L&G's pooled funds.
"We expect significant interest from other local government pension schemes in similar arrangements."
Last week, as part of the UK's Autumn Statement, Mr Osborne published criteria and guidance for pooling the local government pensions funds into six "British wealth funds" worth at least £25bn each.
Joanne Segars, chief executive of the Pensions and Lifetime Savings Association, said: "We support the development of pooled investment vehicles that generate economies of scale and enable smaller funds to access new and novel investments."

Bfinance said competition among the asset managers pitching for the £5.5bn mandate "generated significant price tension". The assets will be invested in passive equity, passive fixed income and smart-beta strategies, which are a hybrid of active and passive investing.

http://www.ipe.com/news/mandates/lgps-consortium-awards-65bn-mandate-to-legal-and-general-im/10010962.article

LGPS consortium awards £6.5bn mandate to Legal & General IM

30 NOVEMBER 2015 BY JONATHAN WILLIAMS

A consortium of local authority funds has awarded Legal & General Investment Management (LGIM) £6.5bn (€9.2bn) worth of passive mandates, a doubling of mandates previously run for the funds by one of the UK's largest managers.

The seven local government pension schemes (LGPS) – Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire – were, in September, reported to be jointly tendering for passive equity managers to reduce costs.

As a result of the exercise, the Shires managed to reduce management fees by more than 50%, asking LGIM to run a series of passive equity, passive fixed income and smart beta strategies.

UBS Asset Management, State Street Global Advisors (SSGA) and BlackRock have lost mandates as a result of LGIM's appointment.

SSGA, for example, was responsible for a global index-tracking strategy worth 31% of the Warwickshire Pension Fund's £1.6bn in assets.

The fund also employed BlackRock for a passive multi-asset mandate.

UBS, meanwhile, ran a passive equity strategy for the Worcestershire County Pension Fund.

As a result of the mandate, LGIM has doubled the volume of assets run on behalf of the seven local authority funds.

All members of the consortium, with the exception of the £2bn Worcestershire Pension Fund, were already invested in funds run by LGIM.

Existing mandates were worth more than £3.9bn, largely stemming from £1.2bn in mandates from the £4.1bn Cheshire Pension Fund and a further £1bn from the Leicestershire County Pension Fund.

Bfinance, which conducted the tender on behalf of the consortium, said the exercise was completed in five months, after initial exploratory work by Staffordshire, Cheshire and Shropshire.

A spokesman for the consortium, which has £19.6bn in assets, praised the work done by **bfinance** and said he was pleased with the quality of LGIM's funds and its experience in managing passive strategies.

He added: "Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved if LGPS funds are willing to work together and collaborate as equals."

Pai Sarai, managing director and head of client consulting at bfinance, said the award to LGIM's pooled funds was an excellent outcome after an "extensive and rigorous" tender process.

"Given this success," he added, "we expect significant interest from other local government pension schemes in similar arrangements to achieve more cost-effective investment strategies."

It is the second sizeable mandate award by local authority funds in recent weeks, following from the £6bn in sub-funds launched by the collective investment vehicle set up by London's local authorities.

institutional**asset**manager

http://www.institutionalassetmanager.co.uk/2015/11/30/234254/shires-group-lgps-invest-gbp65bn-lgim-pooled-funds

The Shires group of LGPS to invest GBP6,5bn in LGIM pooled funds

Mon, 30/11/2015 - 09:10

The Shires, a group of seven UK local government pension scheme (LGPS) funds advised by investment consultancy bfinance, is investing approximately GBP6.5 billion in pooled funds managed by Legal & General Investment Management (LGIM).

Included in the initiative are the LGPS funds of the following counties: Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire.

Overall fee savings will exceed 50 per cent, illustrating the value of such initiatives for local government pension funds.

The investment constitutes a mixed mandate spanning passive equity, passive fixed income and smart beta strategies in the UK and internationally. The individual funds will continue to track the indices that they were using prior to the appointment and have not had to compromise their investment strategies.

Demonstrating a significant commitment to collaboration, the Shire moved from initial discussions to an investment decision in just five months, following initial work carried out by Staffordshire, Cheshire and Shropshire. In conjunction with representatives of the group, bfinance conducted a detailed search of suitable pooled funds and implemented a rapid selection process, which was completed in less than two months.

Candidate funds were analysed and scored according to evaluation criteria agreed with the Group, including manager expertise in passive management, transition management of assets and fees. The quality of fund offerings across the industry was very high and competition in the process generated significant price tension. Ultimately LGIM’s capability stood out and made its offering the most attractive for the Group’s pension schemes.

The Group’s investment comes at a time of significant political support for LGPS asset pooling and the Group has taken advantage of this environment to achieve significant savings.

The swift selection and significant fee reduction showcases bfinance's strength in investment consultancy for public pension funds – the consultancy has worked with over half of the 89 UK LGPSs, while its expertise also extends internationally. **bfinance** utilised this experience to help the Group achieve the results announced today.

Pal Sarai (pictured), Managing Director and Head of Client Consulting at bfinance, says: 'We welcome the Group's landmark investment in LGIM's pooled funds and the excellent outcome of an extensive and rigorous selection process. Our tailored search methodology in a competitive landscape of pooled funds enabled us to identify an excellent match for the Group's requirements and in particular secure considerable savings on fees and a highly efficient approach to transition – key priorities for the Group's schemes. Given this success we expect significant interest from other local government pension schemes in similar arrangements to achieve more cost effective investment strategies.'

PROFESSIONAL PENSIONS

http://www.professionalpensions.com/professional-pensions/news/2437018/seven-lgps-funds-appoint-lgim-to-manage-gbp65bn-pooled-investments

Seven LGPS funds appoint LGIM to manage £6.5bn pooled investments

Michael Klimes
30 Nov 2015

Legal and General Investment Management (LGIM) has been chosen to manage £6.5bn of passive pooled investments for seven local government pension schemes (LGPS) known as the "Shires".
Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire are the counties which make up the group.

In the Summer Budget the government revealed plans to work with LGPS funds to pool investments to reduce costs.

LGIM head of distribution Sarah Aitken said: "LGIM's pooled passive mandates can offer our clients a route to significant benefits of scale without compromising their individual investment and funding goals."

The consultancy bfinance which advised the schemes said overall fee savings would exceed 50%.

A group spokesman added: "This is a great result for all the pension schemes in the group. Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved if LGPS funds are willing to work together and collaborate as equals."
LGIM manages £35.8bn for 53 LGPS funds as of 30 September 2015

http://www.funds-europe.com/home/news/17091-pension-scheme-collaboration-leads-to-lower-passive-fees

Pension scheme collaboration leads to lower passive fees

30 November 2015

Seven local authority pension funds in the UK have collaborated to invest £6.5 billion (€9.2 billion) in pooled passive funds managed by Legal & General Investment Management (LGIM) and negotiated fee reductions by more than half.

The investment consultant that led the appointment, bfinance, says the appointment is a "landmark" move that shows how pooling of assets can be used to the benefit of the Local Government Pension Scheme (LGPS).

The seven pension funds that are all members of the LGPS are Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Warwickshire and Worcestershire.

Overall fee savings will exceed 50%, says bfinance.

The investment constitutes a mixed mandate spanning passive equity, passive fixed income and smart beta strategies in the UK and internationally. The funds will continue to track the indices that they were using prior to the appointment and have not had to compromise their investment strategies, the consultant says.

The investment came about five months after the schemes agreed to collaborate.

LGIM's appointment follows an evaluation that assessed manager expertise in passive investment, along with the quality of transition management and level of fees. Bfinance says fund offerings across the industry were very high and that selection generated significant price tension.

An LGPS spokesman says: "Joining forces with other pension funds has enabled us to unlock significant savings and gives clear and tangible evidence of what can be achieved if LGPS funds are willing to work together and collaborate as equals..

Pal Sarai, head of client consulting, at bfinance, says significant interest from other local government pension schemes is expected.

worcestershire county council

AGENDA ITEM 8

PENSIONS COMMITTEE
14 DECEMBER 2015

VALUATION UPDATE

Recommendation

1. The Chief Financial Officer recommends that the Mercer's valuation update be noted.

Background

2. The Committee will be aware that the Fund's actuary is required under legislation to undertake a triennial actuarial valuation of the Fund. The next valuation is due to take place on 31 March 2016 with new employer contribution rates implemented from 1 April 2017.

Purpose of Report

3. The purpose of Mercer's presentation report is to update the committee and Fund employers in regard to actuarial and market developments since the last valuation on 31 March 2013 and also provide a timeline for the forthcoming valuation process.

4. Mercers presented this update to Fund employers at the Pension Administration Advisory Forum held on 24 November 2015 in order provide early guidance on the potential impact on employer budgets from 1 April 2017.

5. A training session for Committee members regarding the actuarial valuation has been organised for 20 January 2016.

Contact Points

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Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report
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Email: spearce@worcestershire.gov.uk

Supporting Information

- Appendix - Actuary's valuation update

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

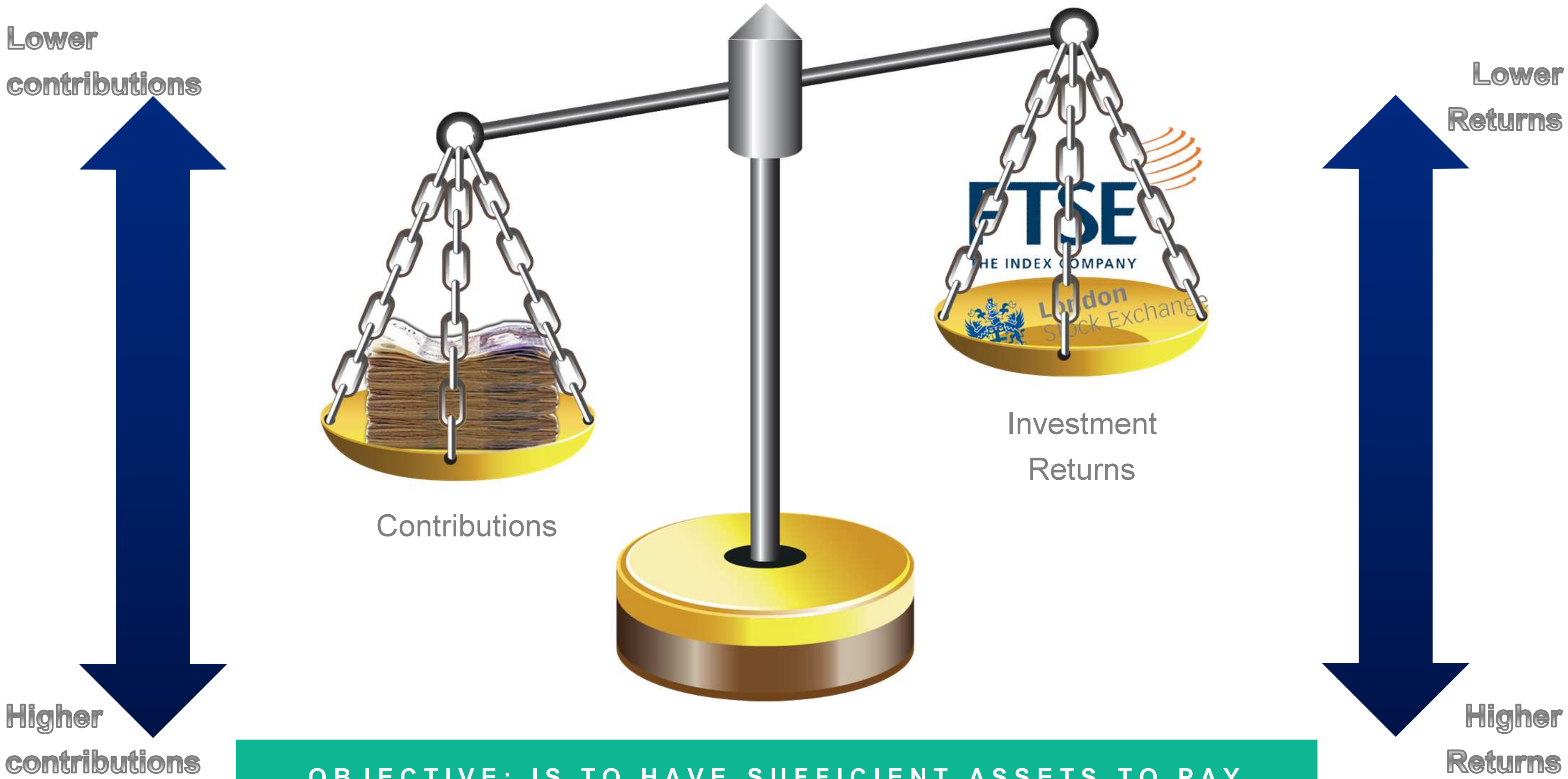
WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

ACTUARY'S UPDATE

December 2015

MAKE TOMORROW, TODAY MERCER

PURPOSE OF AN ACTUARIAL VALUATION
FINANCING THE BENEFITS



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OBJECTIVE: IS TO HAVE SUFFICIENT ASSETS TO PAY BENEFITS AS AND WHEN THEY FALL DUE.

KEY ISSUES AFFECTING FUNDING AND RISK MANAGEMENT

Page 35

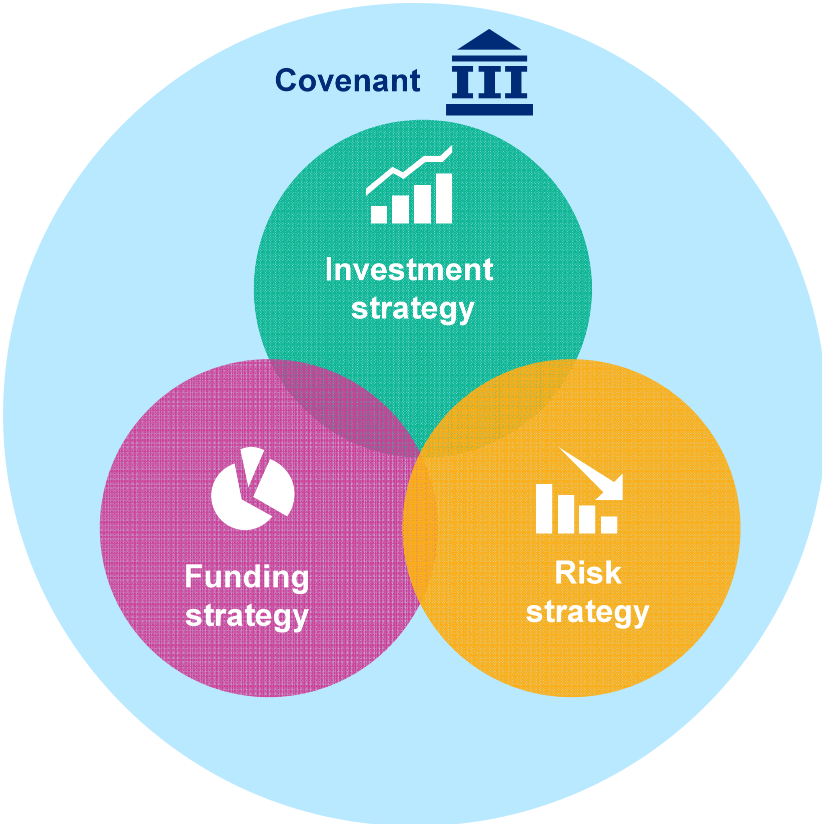
CASHFLOWS AND INVESTMENT STRATEGY

FALL IN MARKET YIELDS VS EXPECTED RETURNS FROM STRATEGY

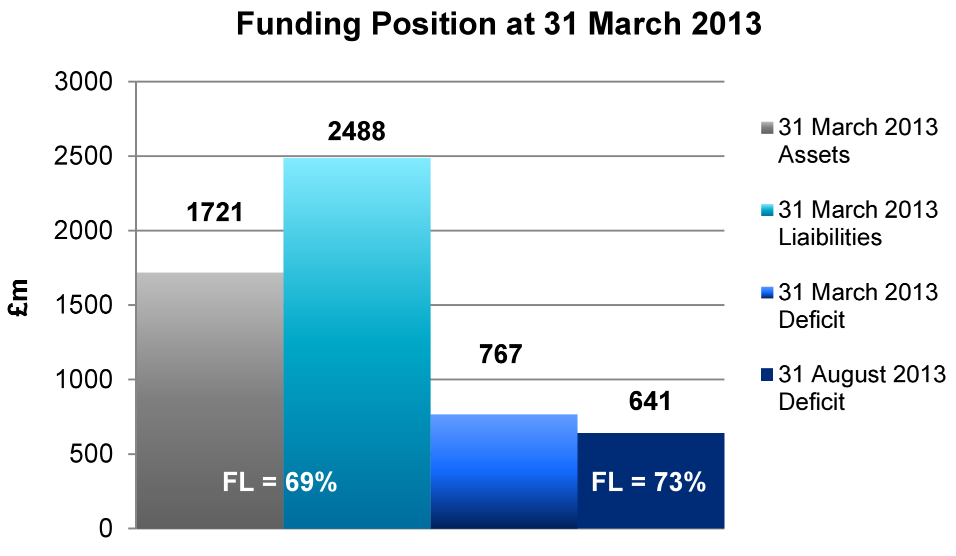
AFFORDABILITY VS SOLVENCY

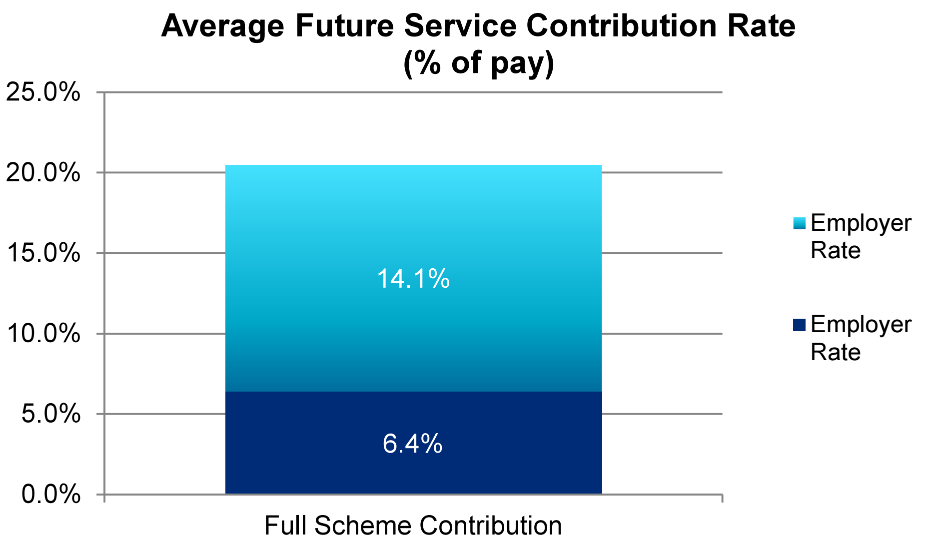
TRANSPARENCY AND FLEXIBILITY

COMMUNICATION WITH STAKEHOLDERS AND BENCHMARKING



2013 VALUATION RESULTS- RECAP WHOLE FUND





Current average future service contributions (14.1% of pay) = c£46m pa	
Average Recovery period (Whole Years)	Certified Average Deficit Payment (increasing with assumed pay growth)
21	2015/16 - £34m 2016/17 - £37m 2017/18 - £39m
Total average contributions in 2015/16 = c£80m	

Note: Future service contributions are based on a payroll of £325m

2016 VALUATION
THE GOOD, THE NOT SO GOOD AND THE PRESENTLY UNKNOWN

- Fund's investment performance
- Payment of deficit contributions
- From a funding perspective, extension of short-term public sector pay restraint (now 1% p.a. to 31 March 2020)
- Actual CPI inflation since 2013

- Continued low interest rate environment, leading to low(er) return expectations (e.g. discount rate)
- Continued uncertainty regarding employer budgets / affordability
- Impact of NI contribution increase

- Impact of actual membership experience over 2013-2016 and post 2016 trends e.g.
  - Longevity
  - Actual Salary "increases"
  - Leavers
  - Future Fund profile
  - Impact of asset pooling
- Alignment of past/future service assumptions?

FUNDING STRATEGY CONSIDERATIONS

FINANCIAL AND DEMOGRAPHIC ASSUMPTIONS

RECOVERY PERIOD

PHASING OF INCREASES

STABILITY/AFFORDABILITY

COVENANT

2016 VALUATION TIMELINE

Provision of data extract for validation / processing

2015Q4	2015Q4/ 2016Q1	2016Q2	2016Q3	2016Q3/4	2016Q4 / 2017Q1
INITIAL ENGAGEMENT	DEVELOP FUNDING STRATEGY	INDICATIVE CALCULATIONS	RESULTS	DISCUSSIONS WITH EMPLOYERs	COMPLETE

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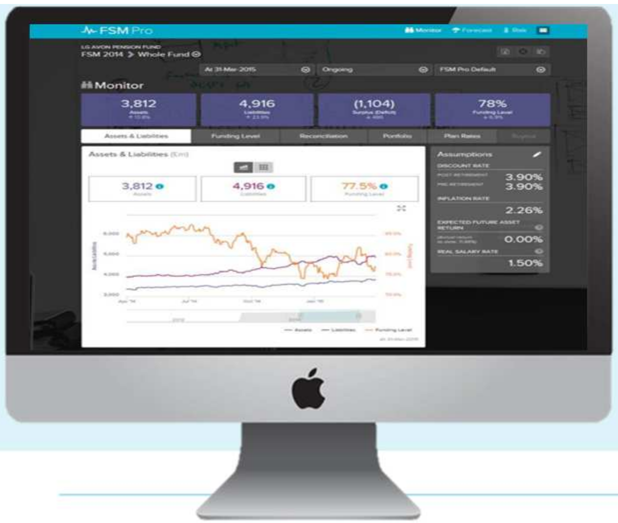

MONITORING AND UPDATES

MAKE
TOMORROW,
TODAY

MERCER

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worcestershire
countycouncil

AGENDA ITEM 9

PENSIONS COMMITTEE
14 DECEMBER 2015

PENSION ADMINISTRATION UPDATE

Recommendation

1. The Head of Human Resources and Organisational Development recommends that the general update from the Administering Authority be noted.

Ceasing of contracting Out from April 2016

2. From 6 Aril 2016 the Government will introduce a new state pension which will replace the current multi-tier arrangements for new pensioners.

3. Currently the basic state pension is supplemented either by additional state pension (ASP) paid for by national insurance (NI) contributions or by occupational contracted out pension schemes (OCOPS) like the LGPS.

4. In return for the employer providing an OCOPS in place of ASP, both employers and employees receive a rebate on their NI contributions. The current employer NI rebate of 3.4% and 1.4% for employees will cease.

5. The result of the introduction of the new state pension means there is no requirement for an alternative to ASP so contracting out status ceases and the NI rebate stops.

Tax changes from April 2016

6. Announcements in the Summer 2015 budget will potentially impact on the tax paid by LGPS members.

<u>Annual Allowance (AA)</u>

7. The AA is currently set at £40k a year and is the maximum amount of taxed-relieved pension savings an individual can make in one year before receiving a tax charge. From April 2016 an AA taper will come into force.

8. Tapered reduction in AA down to a minimum £10K for those earning over £150K for the tax year 2016/17 onwards.

9. Alignment of pension input period (PIP) to tax year for 2016/17 onwards. (Currently 1 April to 31 March).

10. Transitional rules for aligning PIP to protect pre budget pension savings from the impact of changes.

Lifetime Allowance (LTA)

11. LTA reduces from £1.25m to £1m from April 2016. There will be two new transitional protections introduced alongside the reduction for members with pension savings close to or exceeding £1m.

12. Full details will be delivered in the Finance Bill and will not be known until after April 2016.

Negative Pensions Increase

13. The September Consumer Prices Index (CPI) is used for the LGPS for calculating increases in pension benefits the following April. The September 2015 CPI was –0.1%. For those who have already retired/left service, there will be no increases to benefits from April 2016.

14. For members in service, post 2014 CARE benefits could be reduced if HM Treasury chose to use their powers under legislation. Treasury have referred the matter to the House of Lords for a decision.

15. The very low CPI figure will also have an effect on the 2016/17 AA calculations.

Current Government Consultations

Exit payments and potential clawback

16. The Government intends to introduce an "exit cap" on the total amount a public sector worker could receive on redundancy. This is to include costs related to early access to pension benefits including actuarial strain for the LGPS.

Pensions Tax

17. The Government also announced a consultation on future pension taxation. Please find attached Mercer papers on taxation and current issues.

Pensions Administration Forum

18. The Forum met at County Hall on 24 November 2015, with 46 attendees from 40 employers. The Agenda included:

Open Debate for Employers:

a) Theme: Affordability (inc. future viability, determination of rates, deficit and funding strategy to reduce).
b) Any other areas for discussion? (time permitting)

Administration Update:

c) Ceasing of Contracting Out from April 2016
d) Tax changes wef April 2016
e) End of Year Workshop – 2016
f) Investment Update
g) Committee Update

19. Mercers, our Actuary led the open debate and employers had the opportunity to ask questions regarding the forthcoming triennial valuation with Mercers and Sean Pearce the Chief Financial Officer.

20. Feedback at the meeting was positive and we are seeking more 'themes' for future debates. Copies of the slides have been sent to the employers and the 2016 dates will be issued before Christmas.

Admissions to the Fund

21. Following outsourcing of Worcestershire County Council services Place Partnership were admitted to the Fund on 1 September 2015 and Babcock on 1 October 2015. Work is currently underway on the admission for Liberata UK in respect of HR/Finance services.

Contact Points

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Supporting Information

- Appendix - Mercer papers on taxation and current issues

Background Papers

In the opinion of the proper officer (in this case the Head of Human Resources and Organisational Development) there are no background papers relating to the subject matter of this report.

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MERCER
MAKE TOMORROW, TODAY

TAXATION AND THE LOCAL GOVERNMENT PENSION SCHEME

SUMMER BUDGET 2015 CHANGES

In the 2015 Summer Budget on 8 July, the Government announced significant changes to pension savings which will take effect from 6 April 2016. In particular there will be changes made to the Annual Allowance and the Lifetime Allowance which mean that certain employees may pay more tax. This note provides some information on these changes and will allow you to consider whether these changes might affect you.

ANNUAL ALLOWANCE

What is it?

The Annual Allowance (AA) is the maximum amount of pension savings you can make in any one tax year that benefit from tax relief. The value of pension savings made over the year, including pension savings outside of the Local Government Pension Scheme, in excess of the AA will be taxed as income (and then again when you take your benefits).

For the current tax year, the AA is £40,000. However, from April 2016, those with annual incomes of over £150,000 will have their AA reduced gradually so that those with annual incomes in excess of £210,000 will have a reduced AA of £10,000.

INCOME	
Less than £150,000	£40,000
£150,000 to £210,000	Earnings related, between £40,000 and £10,000
Greater than £210,000	£10,000

TWO NEW PAY DEFINITIONS HAVE BEEN BROUGHT INTO THE PENSION TAX ENVIRONMENT:

Threshold income: This is broadly taxable income before any member contributions or salary sacrifice is deducted, and does not include the value of any pension benefits. The reduced AA will not apply for someone with income less than this threshold (which is set initially at £110,000).

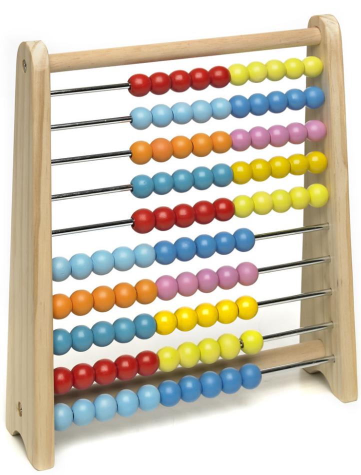
Adjusted income: This is broadly total taxable income over the tax year, plus the value of any pension benefits built up over the year. This will be used to calculate the reduced AA for anyone with taxable income in excess of £110,000.

SO HOW IS THE AA CALCULATED?

For AA purposes, your LGPS pension savings are calculated as the value of any new benefits built up plus the amount of any Additional Voluntary Contributions (AVCs) made in the tax year. You will then need to add any additional pension savings to other pension arrangements (such as a personal pension) you have made.

If you exceed the AA in a particular year, you may be able to use any unused AA from the previous three tax years to reduce your liability to this tax. This is known as ***'carry forward'***.

Note that the minimum AA will be £10,000 which is equal to the "Money Purchase Annual Allowance" and you will be subject to this Money Purchase Annual Allowance if you have accessed some of your pension benefits after 5 April 2015 under the Freedom and Choice flexibilities announced in the 2014 Budget.



Adjusted Income

Jo has a salary of £100,000 and also receives a bonus of £20,000 on 5 April 2017. Hence her total taxable income is £120,000 for the 2016/17 tax year.

She is a member of the LGPS, and the value of the increase in the benefit is £35,000 in the tax year. Hence her Adjusted Income is £155,000 and so she has an AA of £37,500.

Threshold Income

Mel has a salary of £100,000, and receives a bonus of £9,000. His total taxable income is £109,000 and so his income is below the income threshold. Hence he has an AA of £40,000 irrespective of the level of his pension savings over the tax year.

WHAT DOES THIS MEAN?

The majority of LGPS members will not have savings that will exceed the Annual Allowance although you should consider your own circumstances. Three simple examples are provided below.

	JOHN
Basic salary 2016/17	£50,000 p.a.
Threshold Income 2016/17	£60,000
2016/17 Annual Allowance	£40,000
Value of pension benefits built up	£19,500

As this is less than £110,000, John's Annual Allowance is £40,000

As this is less than John's Annual Allowance, there is no AA charge

	CERYS
Basic salary 2016/17	£115,000 p.a.
Threshold Income 2016/17	£135,000
Value of pension benefits built up	£44,000
Adjusted Income i.e. total taxable earnings plus pension contributions	£179,000
2016/17 Annual Allowance	£25,500
In excess of AA	£18,500
AA tax charge at member's marginal rate (assumed 40%)	£7,400

As this is greater than £150,000, Cerys' Annual Allowance is calculated as:

£40,000 – 0.5 x (£179,000 – £150,000)

This is 40% x £18,500

	SANJAY
Basic salary 2016/17	£150,000 p.a.
Threshold Income 2016/17	£175,000
Value of pension benefits built up	£57,000
Adjusted Income i.e. total taxable earnings plus pension contributions	£232,000
2016/17 Annual Allowance	£10,000
In excess of AA	£47,000
AA tax charge at member's marginal rate (assumed 45%)	£21,150

As this is greater than £210,000, Sanjay's Annual Allowance is the minimum £10,000:

This is 45% x £47,000

Note that these examples makes no allowance for any ***'carry forward'*** that could be used (see previous page).

How would I pay any Annual Allowance charges?

If you exceed the AA in any tax year, your Scheme is obliged to notify you of this so you can take appropriate action. It is your responsibility to declare any Annual Allowance tax charges to HMRC via personal Tax Returns. You would then have to pay any tax bill that is notified to you. However, you do have the option of using ***"Scheme Pays"*** – this is where, the Scheme would pay the tax charge on your behalf and, instead, you would receive a lower pension when you come to retire – further details can be provided on request.

What is it?

The Lifetime Allowance (LTA) is the maximum overall value of pension benefits you can receive over your working life before a tax penalty applies. The LTA is currently £1.25 million but it will decrease to £1.0 million from 6 April 2016. From April 2018 this £1 million will be increased each year in line with inflation, measured by the Consumer Price Index (CPI).

How is it calculated?

Each time you start receiving new pension benefits, you use up part of your LTA. To assess the value of the benefits that have been put into payment, pension brought into payment is valued as £20 for every £1 per annum – this is regardless of which pension scheme you take your pension from or how old you are when you take your benefits – and any additional lump sum that you receive is simply valued on a £1 for £1 basis.

What does this mean?

Two simple examples, for members retiring on 1 May 2016 are set out below.

	SARAH
LGPS pension	£20,000 p.a.
LGPS Lump Sum	£45,000
AVC savings	£200,000
Value of LGPS pension/lumpsum i.e. 20 x £20,000 p.a. + £45,000	£445,000
Total value of pension benefits i.e. £200,000 + £445,000	£645,000

As this is lower than the LTA of £1 million, no LTA charge is payable. If Sarah has other pension benefits elsewhere, she has £355,000 of the LTA remaining.

	MARK
LGPS pension	£30,000 p.a.
LGPS Lump Sum	£67,000
AVC savings	£500,000
Value of LGPS pension/lumpsum i.e. 20 x £30,000 p.a. + £67,000	£667,000
Total value of pension benefits i.e. £500,000 + £667,000	£1,167,000
Value of benefits above the LTA	£167,000
LTA charge	£91,850

As this is greater than the LTA of £1.0 million, an LTA charge is payable

This is 55% of the value of benefits above the LTA (if paid as a lump sum)

What if I already have pension savings worth more than £1m?

HMRC confirmed that there will be two forms of protection when the Lifetime Allowance reduces to £1m from 6 April 2016, these are summarised below.

Fixed Protection 2016 (FP16): The member retains a Lifetime Allowance of £1.25m, but cannot build up any further pension benefits in the future.

Individual Protection 2016 (IP16): The member has a Lifetime Allowance, between £1m and £1.25m, based on the value of their pension savings at 5 April 2016.

If you already have Protection in place as a result of the LTA having been reduced previously, those Protections remain in place.

If you believe that the value of your benefits already exceeds, or is expected to exceed the LTA you may be able to take action to maximise outcomes. If you are unsure about the best course of action, we recommend that you obtain specialist financial advice (see below).

IS THERE ANYTHING ELSE I NEED TO KNOW RIGHT NOW?

Pension input Periods (PIPS) – What are they?

This is the period over which the amount of pension savings are measured for the purposes of comparing them against the Annual Allowance as described above.

From 6 April 2016, PIPs for all pension schemes will be aligned to the tax year (i.e. starting in the 2016/17 tax year). The PIP for the LGPS is currently the 1 April – 31 March. This means that the LGPS has 2 PIPs in 2015/16:

- 1 April to 8 July 2015
- 9 July to 5 April 2016

and LGPS members are able to save more than £40,000 of pension benefits in 2015/16 as a result.

ARE YOU AFFECTED? WHAT NEXT?

The specific circumstances of each case can be quite different and can be very complex depending on various factors. Whilst this note has been designed to give a flavour of the potential impacts, it is imperative that you seek specialist financial advice before making any major decisions.

If you think that you are affected by the changes, or you want to simply understand more about what the changes are and what they mean for individuals, please contact your LGPS fund administrator.

Specialist support and advice is available, from general awareness presentations to groups of individuals, to specific one-one advice. If this is something you would like to hear more about please contact your LGPS fund administrator.

CONTACT

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