

Scheme Advisory Board

HYBRID MEETING – 24 MARCH 2025

ITEM 9 – PAPER E

SCHEME ANNUAL REPORT 2023-2024 – INITIAL FINDINGS

Introduction

1. The Secretariat have completed the data analysis of available LGPS scheme annual report and fund account data. The Scheme Annual Report will be published shortly, once the accompanying text has been drafted and cleared with the Chair. The Scheme Annual Report will also include some further analysis of investment returns by PIRC and data on trends in life expectancy from Club Vita (this has been commissioned but not yet received).

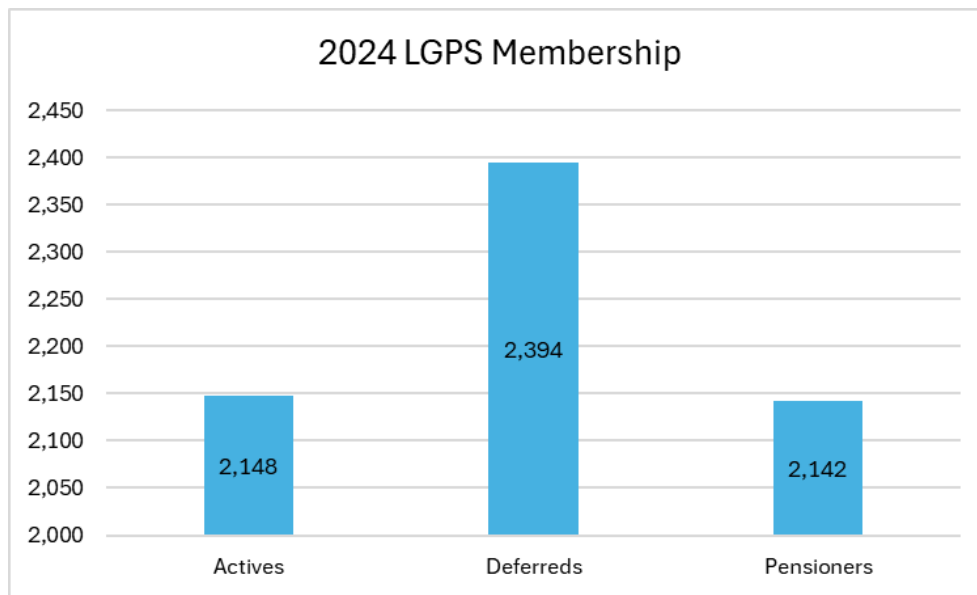
Scheme Data

2. As at February 2025, the Scheme Advisory Board Secretariat noted that 23 of the 87 audit opinions in respect of 2023-24 pension fund accounts of associated administering authorities remained outstanding. Where audited accounts were not available, full draft accounts were available in all but three instances. Council Statement of Accounts were used for two of these, Teesside and Tower Hamlets, but were unavailable for Croydon.

Total Membership

3. As at 31 March 2024, the total membership of the Scheme was 6.68million, compared with 6.49million in 31 March 2023. The greatest increase in absolute and relative terms was to pensioner membership, which increased by 2.03 per cent relative to total membership and 6.3 per cent relative to pensioner membership over the year to March 2024.
4. Active membership of the LGPS has continued to grow, with the biggest absolute and relative increase since 2020. Deferred membership of the LGPS has decreased -0.06 per cent relative to overall membership and -0.2 per cent relative to deferred membership.
5. LGPS membership as a whole has continued to grow with an increase of 2.84 per cent over the year, the largest increase since 2020.

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Cashflow before investment income

6. When looking at the gap between contribution income and benefit payments (i.e. excluding investment income), cashflow levels between funds ranged from -£324m to +£120m with the average being -£26.1m. 67 out of 86 (78%) funds reported a negative cashflow on that basis. This compares with a range of cashflow positions between funds of -£382m to +£24m and an average of -£33.8m in 2023 with 64 funds in a negative cashflow position.
7. There are therefore an increasing number of funds looking to balance the need for asset growth to pay future benefits and using assets for income generation to pay benefits now. However, it is difficult to draw too many conclusions about the specific changes from year to year as these are strongly affected by the profiling of employer contributions across the valuation period.

Scheme Account Summary

8. This summary is provided to give a broad picture of the LGPS in England and Wales. It has been aggregated from fund accounts (both audited and unaudited) as available but is not in itself subject to any form of audit nor is it set out in line with standard accounting practice. Aggregation into the headings shown will by necessity mean some individual fund figures are placed into the nearest equivalent financial heading or asset class. Where no accounts were available at the time of aggregation, information for those funds is blank. For source data please see the 2024 fund annual reports.

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	23-24	22-23
	(£m)	(£m)
Dealings with Members, Employers and Others Directly Involved in the Fund		
Contributions and other income	14,713.32	12,073.40
Benefits and other payments	(4,894.26)	(12,995.80)
Net Additions (Withdrawals) from dealing with members before management expenses	(176.17)	(922.40)
Fund running costs		
Investment & Fund management costs and expenses (see breakdown below)	(2,090.58)	(1,973.60)
Net Additions (Withdrawals) including management expenses	(2,115.04)	(2,896.00)
Investment returns		
Investment Income	5,936.65	4,968.50
Taxes on income	(19.27)	(35.00)
Profits and losses on disposal of investments and change in value of investments	28,624.46	(11,407.50)
Net return on investment	34,524.73	(6,474.00)
Net increase / (decrease) in the net assets available for benefits during the year	32,254.66	-9,367.00
Opening Net Assets of the scheme	357,704.27	363,414.20
Closing Net Assets of the scheme	389,963.06	354,047.20

Breakdown of Investment & Fund management costs and expenses

	23-24	22-23
	(£m)	(£m)
Administration and Governance		
Administration	(195.7)	(176.5)
Oversight and Governance	(91.89)	(92.9)

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Other	(3.26)	(5.7)
Total Administration and Governance	(290.84)	(275.1)

Investment management costs

Management fees	(1,362.46)	(1,310.30)
Performance fees	(167.14)	(181.6)
Transaction costs	(201.1)	(180.8)
Custody costs	(7.28)	(9.5)
Other costs	(38.1)	(44.4)
Total investment management costs	(1,776.07)	(1,726.50)

Scheme Net Assets Summary

9. The table below uses the asset categorisation required to be reported in annual reports in line with the CIPFA Code but with a further breakdown of the amounts included within the “pooled investment vehicles” category. This breakdown is taken from the Net Assets Statement when not included in the annual report itself. The Board believes that this greater level of disclosure helps to better illustrate the underlying asset classes and strategies used by funds. This approach is different from previous years, where they were reported simply under “pooled investment vehicles”.

	23-24	22-23
	(£m)	(£m)
Equities	192,602.31	182,320.00
Bonds	61,790.12	44,107.00
Property	28,998.53	28,393.50
Infrastructure	23,715.61	22,739.20
Private equity	23,717.54	22,012.20
Multi-asset credit	5,959.17	13,203.80
Private debt	10,906.30	11,075.90
Diversified growth funds (DGF)	6,738.70	8,506.00
Liability Driven Investments (LDI)	2,246.25	3,419.30
Hedge funds	1,414.49	1,844.60
Derivatives	116.80	438.00
Cash	8,350.80	7,297.20
Other (inc net current assets)	13,745.18	8,690.50
Total net assets	389,963.06	354,047.20

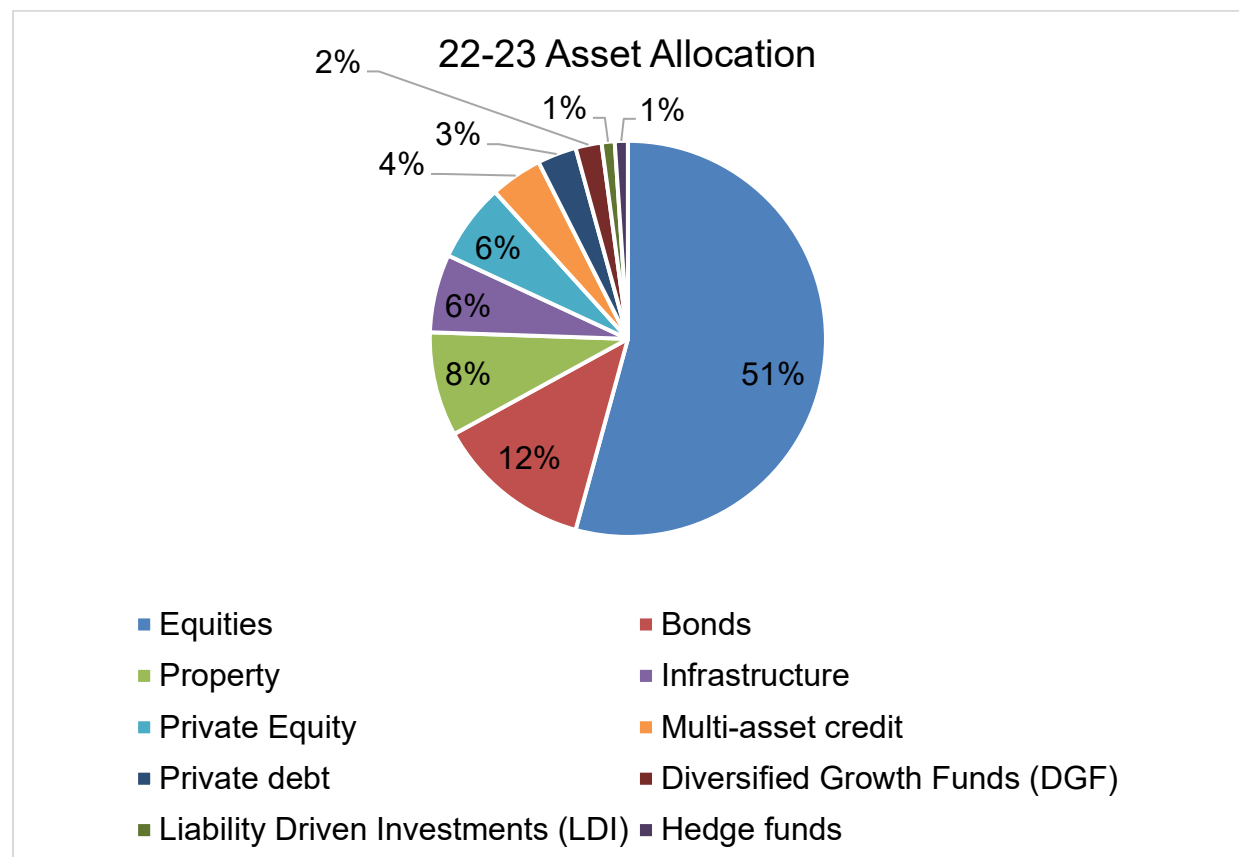
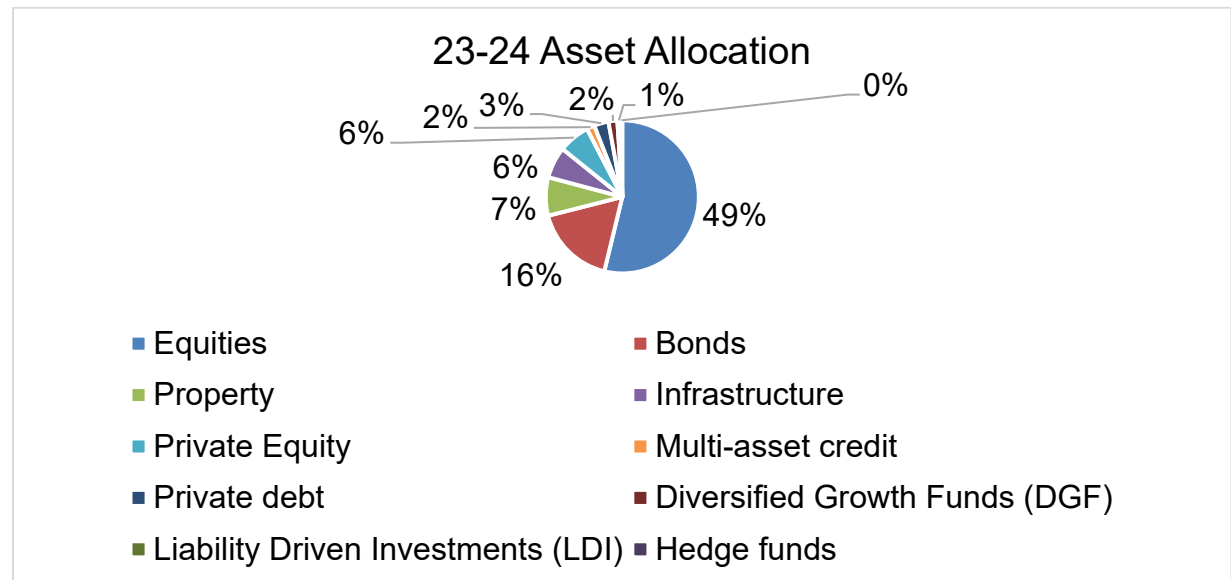
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Local Government Association, 18 Smith Square, London SW1P 3HZ

E SABSecretariat@local.gov.uk W www.lgpsboard.org

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10. The asset allocation based on the more granular asset classifications for the year ended 2024, together with the asset allocation for the year ended 2023.



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Compliance with the Annual Report Guidance

11. Overall compliance of the 87 pension fund annual reports with the Annual Report Guidance was 84 per cent. This score was based on completion of the following sections:

Section	Fund Account	Governance and administration KPIs	Net Asset Statement	Asset Allocation	Fund Manager Analysis
Percentage of funds completed	99%	54%	95%	80%	93%

12. It should be noted that the data required to be reported in the Governance and KPIs section of the annual report was significantly different this year, following revision of the Annual Report guidance, and compliance with it was on a “best endeavours” basis in the first year.

13. The compliance scores above can be compared across fund sizes, by the partner-fund’s pool and type of authority.

Fund Size	Compliance
Small	78%
Medium	86%
Large	91%

Authority Type	Compliance
County Council/Unitaries	88%
London Boroughs	81%
Metropolitan Districts	84%
Wales	83%
Other	72%
