

LGC Investment Seminar Scotland

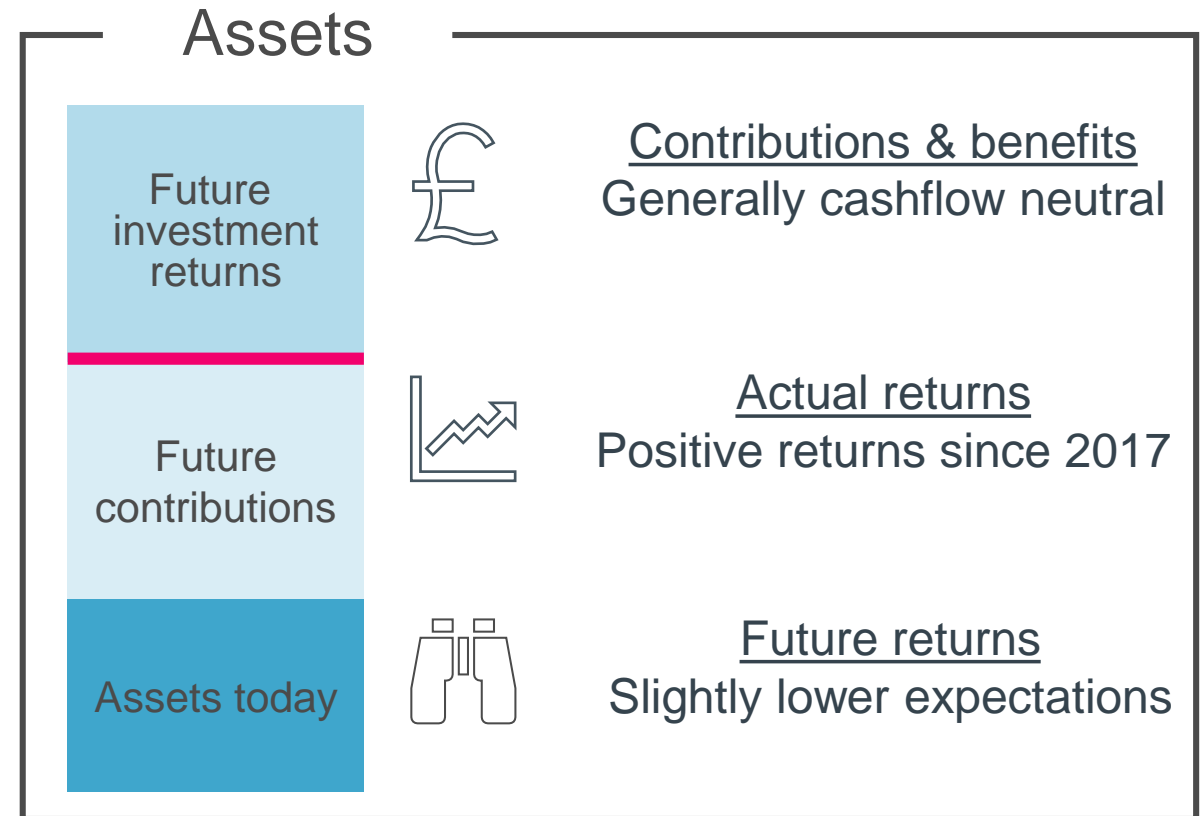
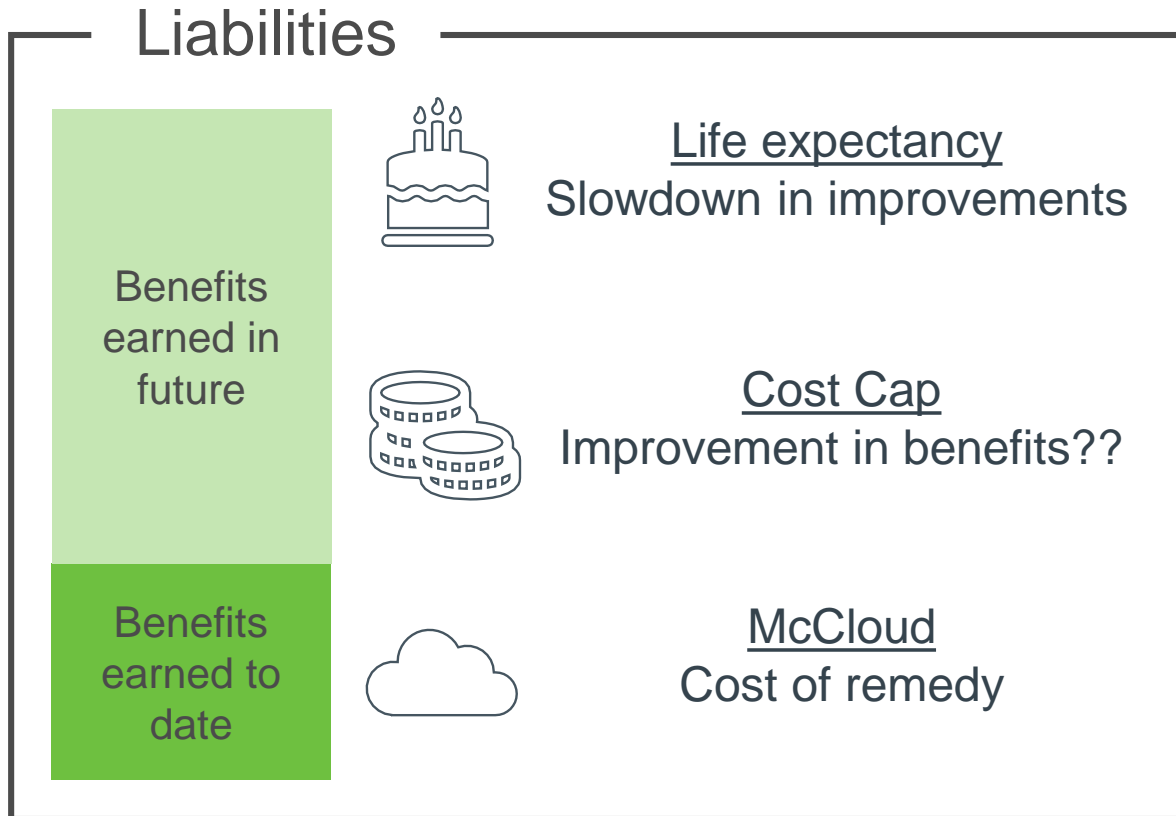
2020 valuation: what it means for
investment strategy

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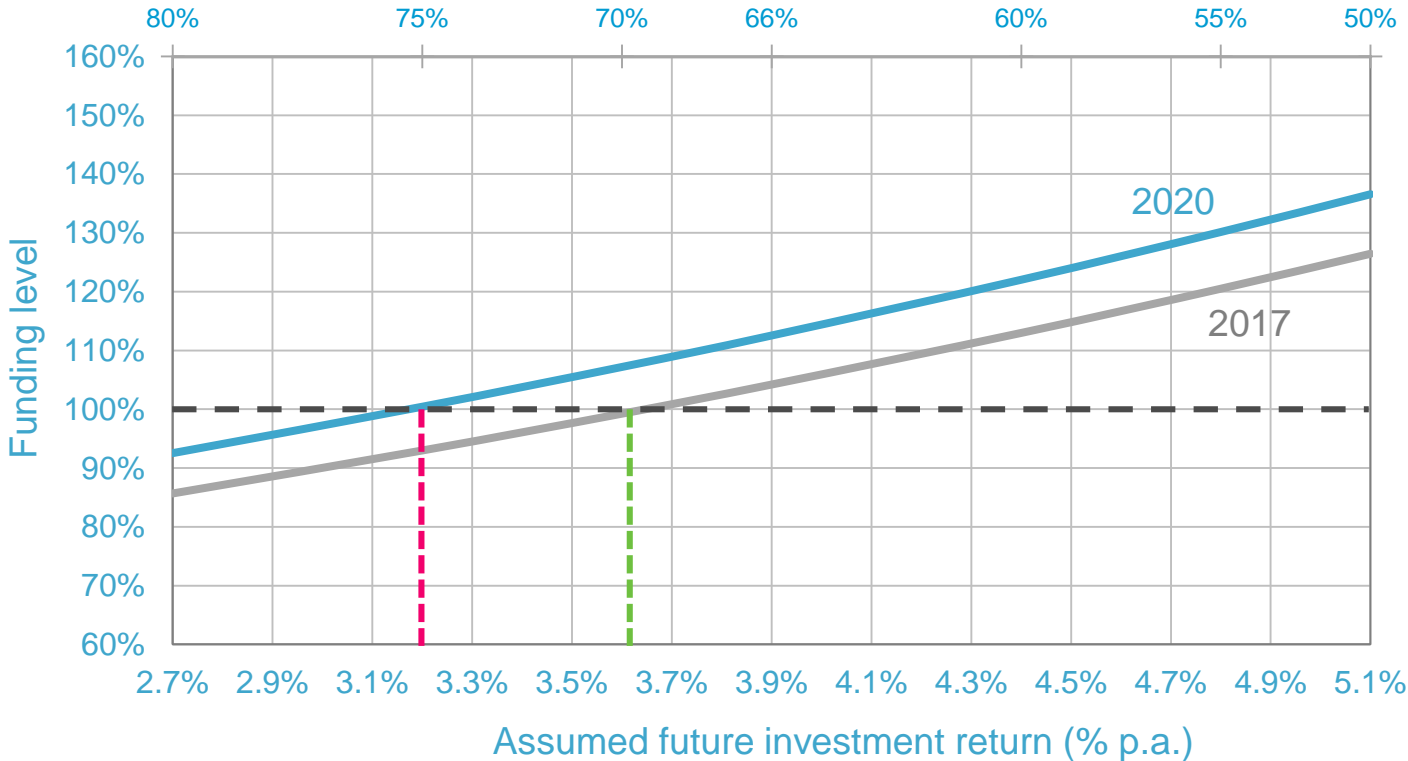
What's changed since 2017?



No significant changes from a funding point of view
But COVID-19 will have an impact on employer covenant which affects funding plans

2020 valuation: initial balance sheet results

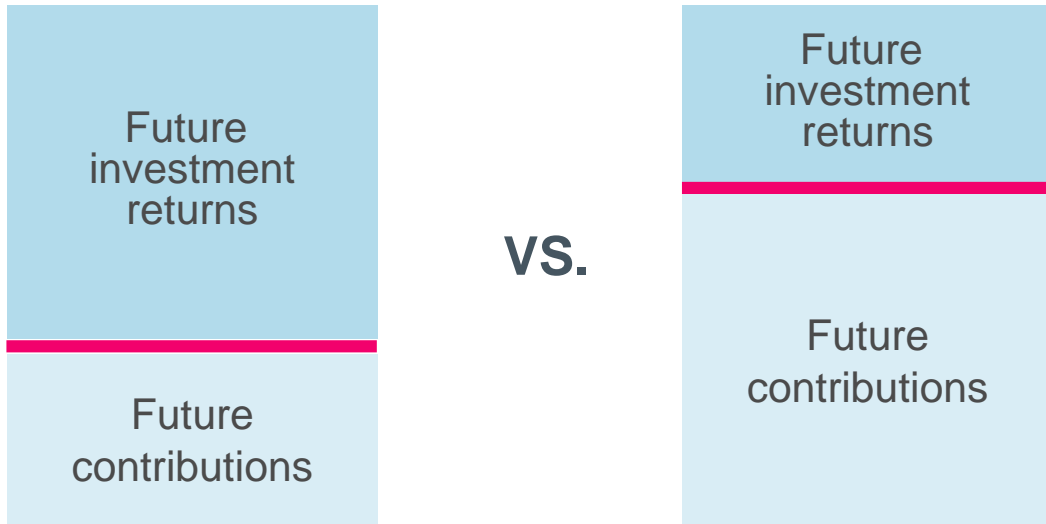
Likelihood of achieving the assumed future investment return over 20 years
(from the 2020 valuation date)



- Slight improvement in funding position since 2017
- Fund is 100% funded at 31 March 2020 if future investment returns are **c.3.2% p.a. (75% likelihood)**
- Equivalent required return at 31 March 2017 was **c.3.6% p.a.**
- Funding position is not directly linked to employer contribution rates
 - Majority of rate is in respect of future service
 - Lower expected future asset returns

No significant change in funding position since 2017 valuation

What does it mean for investment strategy?



- Pressure on employer affordability may require a fund to seek a higher level of returns to manage contribution rates
- Increased level of returns brings an increased level of risk
- Weaker employer balance sheets may require a reduction in funding volatility to protect strong funding positions
- Requirements may vary between employer groups

Deciding where the balance sits will be a key consideration in any strategy review at 2020

Thank you

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