

CAMBRIDGESHIRE PENSION FUND



Pension Board

Date: 22 July 2016

Report by: Head of Pensions

Subject:	Valuation of the Pension Fund
Purpose of the Report	To provide the Local Pension Board with a brief outline of the Pension Fund valuation plan.
Recommendations	The Board are asked to note the valuation plan.
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1. Background

- 1.1 The Local Pension Board previously asked to be kept up to date with progress on the triennial valuation of the Pension Fund. This report provides a brief overview of the timeline of key valuation activities and progress made to date.

2. Valuation Timeline

- 2.1 The following is a summary of the timeline for key valuation activities, broken down by the nature of the activity.

2.2 Employer Engagement

- 2.2.1 Employer engagement began in December with an article in our Winter Bulletin about the valuation and the importance of clean data. The article also provided advance notice that we would be asking all employers to carry out a data cleansing activity during January and February.
- 2.2.2 In January we contacted employers to provide them with information about the data cleanse activity and instructions for how this should be carried out using Employer Self Service. Each employer was then issued with a data cut of their membership, in February and asked to review the data and make any required amendments via Employer Self Service. The response rate was 63% which effectively doubled activity on Employer Self Service for the year from 1,153 log in requests, from April to December, to 2,170 by the end of February.

- 2.2.3 We also carried out more direct engagement with employers, dedicating our spring employer's forum to the valuation which included a presentation and surgery sessions with the Scheme Actuary Hymans Robertson. A dedicated valuation briefing for Chief Financial Officers of each of the District Council's the County Council and the Police and Fire Services, to whom we offer stabilised contribution rates, was also held to discuss arrangements for those particular employers.
- 2.2.4 Further engagement activities will be carried out throughout the process, including a further employer's forum and another valuation briefing session for the Chief Financial Officers, both of which will be focussed on the outcomes of the valuation. There will also be pension bulletins, providing information about the valuation and discussions with employers about risk management, and individual employer results, once they are available.

2.3 Funding Strategy Statement

- 2.3.1 The Funding Strategy Statement is a summary of the Fund's approach to funding its liabilities and sets out the Funds position on how liabilities are valued, the pace at which these liabilities are funded and how employers pay for their own liabilities. It also describes how employer contributions are calculated for different employers with a particular focus on how the Fund will balance the conflicting aims of affordability, stability and prudence when setting these rates.
- 2.3.2 The Funding Strategy Statement is reviewed at each triennial valuation and employers are consulted before this is finalised. The Draft Funding Strategy Statement will be put before the Pension Fund Committee in October before being released to employers for consultation. The consultation will close at the end of November and it is expected that the final funding goals will be finalised in December and the final Funding Strategy Statement will be released in February.

2.4 Data Provision

- 2.4.1 Year end data returns were collected from employers during April. The vast majority of employers returned these on time and the remainder have since been received with only one return has not been received from an employer who ceased during the year. The Fund has been working through these submissions to cleanse data as necessary. This work is almost complete.
- 2.4.2 Data regarding the cash flow for each employer was submitted to the Scheme Actuary on 8 July and membership data will be submitted during the week beginning 18 July 2016.
- 2.4.3 The Fund has also been collecting information from employers regarding risk management and this data will be provided to the Scheme Actuary in the week beginning 15 August. This information will be used by the Fund and Scheme Actuary to agree draft funding goals for each employer.

2.5 Valuation Results

- 2.5.1 The results of the valuation will be available in different stages. The draft results for the “Whole Fund” are expected to be available during the week beginning 29 August. The Whole Fund Results will be sent to the Scheme Advisory Board by the 30th August for comparison against other Pension Funds.
- 2.5.2 Draft employer results are to be issued in the week beginning 12 October following which discussions will start with employers to finalise their contribution rates. It is expected that these discussions will come to a conclusion and the results finalised during the week beginning 12 December. Any employers who do not wish to discuss their contribution rate will have their contribution rate set according to the draft results.
- 2.5.3 The final valuation report will be published in March 2017 and the new contribution rates will apply from 1 April 2017.

2.6 Key Decisions

- 2.6.1 A number of key decisions will be required from the Pension Fund Committee at the October, December and March committee meetings. This includes agreeing the draft Funding Strategy Statement which includes how different types of employers will be treated, key assumptions to be used by the Scheme Actuary in valuing the Fund, the funding goals and the final valuation report.

3 Relevant Pension Fund Objectives –

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. <i>Objective 6</i>
Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer. <i>Objective 7</i>
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. <i>Objective 9</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>
Promote the Scheme as a valuable benefit. <i>Objective 12</i>
Deliver consistent plain English communications to Stakeholders. <i>Objective 13</i>

Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. *Objective 17*

Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. *Objective 18*

4. Finance & Resources Implications

4.1 Not applicable

5. Risk Implications

5.1 There are no risk implications. This report is to note only.

6. Communication Implications

6.1 There are no communication implications. This report is to note only.

7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 We worked with our Scheme Actuary Hymans Robertson to produce the valuation timetable.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to	No

the budget and/or policy framework?	
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/7/2016