

# CAMBRIDGESHIRE PENSION FUND



## Pension Committee

**Date:** 13 December 2018

**Report by:** Head of Pensions

<b>Subject:</b>	<b>UPDATE ON THE VALUATION OF THE FUND</b>
<b>Purpose of the Report</b>	To provide an update on key activities related to the valuation of the Pension Fund
<b>Recommendations</b>	<b>The Committee note the content of this report.</b>
<b>Enquiries to:</b>	Name - Cory Blose – LGSS Employer Services and Systems Manager Tel – 07990560829 E-mail – <a href="mailto:cblose@northamptonshire.gov.uk">cblose@northamptonshire.gov.uk</a>

### 1. Background

- 1.1 At the last meeting of the Pension Fund Committee, the scheme Actuary provided a presentation to the Committee which gave an outline of the key activities for the valuation of the Pension Fund.
- 1.2 This report is to provide an update on progress of some of these key activities. As some these activities are in progress at the time of writing this report a verbal update will be provided during the Committee Meeting, where appropriate.

### 2. Engagement/Training

- 2.1 A training day was held for officers and members of the Pension Committee and Local Pension Board on 12 September at Wyboston Lakes. At the training sessions the Actuary covered the purpose of the valuation, basic principles and methodology, key processes and a rough timeline of events during the valuation process.

### 3. Communication and engagement with employers

- 3.1 An initial communication was sent to employers at the end of October regarding the importance of reviewing the data we hold for their members ahead of the valuation and informing them that we will be asking them to carry out a data reconciliation exercise in December and January. A workshop was also held at the recent employer forum to provide information about this process, discuss the impacts of poor data and to highlight the key issues for employers to focus on, particularly, ensuring that we have been informed about all starters and leavers correctly.

Further communications about the valuation will commence in the new year and a further employer forum will be held in March focussing entirely on the valuation.

## **4. Pre-valuation activities**

### **4.1 Data Reconciliation**

At the beginning of December, a data extract was sent to all employers in the Fund, following the initial communication in October. Employers have been asked to check the data for accuracy and to make any required changes using Employer Self Service. Employers have also been asked to provide positive confirmation that they have checked the data and either made corrections or that the data is correct. The deadline for completing this activity is 31 January 2019.

### **4.2 Employer Database and Employer Risk Register**

The employer services team are currently working with the actuary to update the employer database and employer risk register. This is expected to be complete by the end of December. This will help us to decide which employers we wish to focus on with the employer covenant monitoring process.

### **4.3 Analysis of key assumptions**

An outline proposal for the analysis of two key assumptions: the 'discount rate', and an assumption of long term future salary increases as been agreed with the actuary and a paper is being prepared. Officers will review this analysis and make a recommendation to Committee, along with alternative options, for a decision at the March meeting.

### **4.4 Planning and Preparation**

The following activities are currently at the planning stage and the Actuary is preparing proposals for officers. An update regarding these will be available at the March Committee meeting:

- Compass modelling for large Scheduled bodies
- The application of HEAT during the 2019 valuation
- Proposed options for accounting for Ill-health pooling within the valuation
- Employer covenant monitoring

## **5. Disaggregation of employer pools**

- 5.1 Historically, the decision was taken to form pools for two types of active employer within the Fund; a Small admitted bodies Pool and a Designating bodies pool. The employers within each pool share similar characteristics, particularly a small number of members and limited financial resources. The purpose of these pools has been to protect these employers from large shocks such as ill health retirement and the death of an active member. Both events would create significant strain on the funding position of each individual employer. These pooling arrangements spread such shocks across all employers within each pool.

- 5.2 Since the pool was established, alternative arrangements have been put in place for managing the risk associated with ill health retirements. As a result, the appropriateness of continuing this pooling arrangement is questionable, particularly due to the cross-subsidisation inherent in such arrangements.
- 5.3 We are now investigating whether or not it would be sustainable to disaggregate the pools and what an appropriate time frame for this would be. The Actuary has been asked to carry out the required modelling to determine the effect on each individual employer in the pools to aid decision making. Data has been provided to the Actuary to begin this analysis.

## **6. Funding Strategy Statement Consultation**

- 6.1 At the last meeting of the Pension Committee, revisions to the Funding Strategy Statement were approved for consultation with employers. The consultation was still open at the time of writing this report, closing on 10 December, so a verbal update will be provided at the Committee meeting.

## **7. 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. (Objective no 1)
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. (Objective 2)
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. (Objective no 3)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. (Objective no 9)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (Objective no 15)

## **8. Finance and Resources Implications**

- 8.1 None

## **9. Risk Management**

- 9.1 The Fund carries out an actuarial valuation of all Fund members every three years. The Pension Committee and Local Pension Board are expected to be involved in this process and make informed decisions where necessary.
- 9.2 The risks associated with failing to be involved in the process and make required decisions have been captured in the Fund's risk register as detailed below.

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 2)	Those charged with the governance of the Fund are unable to fulfil their responsibilities effectively.	Green
Governance (risk 18)	Failure to provide adequate information to the Committee and Board.	Green
Administration and Communication (risk 33)	Failure to act upon expert advice or risk of poor advice.	Green
Administration and Communication (risk 40)	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	Green

- 9.3 A full version of the Fund risk register can be found at the following link – <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## **10. Communication Implications**

<b>Direct Communications</b>	Not applicable
<b>Website</b>	Not applicable

## **11. Legal Implications**

- 11.1 Not applicable

## **12. Consultation with Key Advisers**

- 12.1 Consultation with the Funds advisers was undertaken for this report.

## **13. Alternative Options Considered**

- 13.1 Not applicable

## **14. Background Papers**

- 14.1 Not applicable

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	N/A
Will further decisions be required? If so, please outline the timetable here	N/A
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 29 November 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 November 2018

Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 29 November 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 26 November 2018

