

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 25 January 2017

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Valuation Report
Purpose of the Report	To provide the Pension Fund Board with an update on progress of the Cambridgeshire Pension Fund Valuation
Recommendations	That the Pension Fund Board note the contents of this report.
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1. Background

- 1.1 This report provides a short update on the progress of the 2016 valuation of the Cambridgeshire Pension Fund.
- 1.2 A valuation of the Pension Fund is carried out on a triennial basis providing a health check of the whole Pension Fund and providing employers with their individual funding positions.
- 1.3 The employer contributions rates, required for the inter-valuation period, are also certified as part of the valuation process.
- 1.4 Various activities are undertaken to engage with the relevant stakeholders to ensure that they are informed and understand the valuation process and how funding positions and contribution rates are calculated.

2. Progress to Date

The following sections summarise the progress made to date in completing the valuation process.

2.1 Stakeholder Engagement

- 2.1.1 Officers have undertaken a number of activities to engage with the Fund's stakeholders regarding the valuation process. These include dedicated Pension Bulletins, training sessions, employer forums and direct engagement over individual results.

- 2.1.2 A training session, focussed on the valuation was provided to members of both the Pension Fund Committee and Local Pension Board in February 2016. This was delivered by the scheme actuary and discussed the basics of what a valuation is, why it is important and provided an overview of the process for completing the valuation and calculating employer contribution rates.
- 2.1.3 Employer Forums were held in April and November 2016. The actuary was present at both Forums and provided presentations outlining the valuation process, key time frames and the methodology used for calculating an employer's funding position and their contribution rates. Particular focus was given on ensuring the employers understood that their contributions would be calculated using a risk-based approach, according to employer type.
- 2.1.4 Employers were provided with an opportunity of an open question and answer session with the actuary as well as the opportunity to book individual sessions with the actuary to discuss any specific issues or concerns. Employers that attended the Forum were provided with their results in advance so that they could discuss them with the actuary, if required.
- 2.1.5 Feedback from the Forums were very positive with employers finding them extremely useful and informative. The level of engagement at, and following, these sessions has been excellent.
- 2.1.6 Two bespoke sessions were held for our County/District Council and Police and Fire Authority employers to discuss the particular stabilisation approach that we would be using for setting their contribution rates.
- 2.1.7 A number of bulletins have also been issued to employers containing information about the valuation process, including one bulletin dedicated to progress and next steps in the valuation process.
- 2.1.8 The Funding Strategy Statement, which determine the approach taken for the valuation and setting employer contribution rates was approved by the Pension Fund Committee and then published for consultation in December 2016. Employers were informed about the consultation at the Employer Forum and an direct e-mail was sent to each employer when the consultation was launched. The draft document and details of the consultation were also published on our website.

2.2 Whole Fund Valuation Results

- 2.2.1 The initial valuation results, for the whole Fund, were completed on 30 September 2016. The results showed that the funding level had improved from 72% in 2013 to 78% in 2016. Additionally, the funding deficit has decreased from £728m to £626m.
- 2.2.2 The main reason for the change in funding level was better than anticipated investment returns, reduced allowance for future salary and benefit increases, and positive membership experience.

2.3 Issue of Individual Employer Results

- 2.3.1 The majority of individual employer results were issued in draft form during November and December with 162 individual results issued before 31 December 2016.
- 2.3.2 The Employer Services team have been engaging with employers following release of their results, dealing with any employer queries and working with employers to agree final contribution rates.

3. Next Steps

- 3.1 The Employer Services team will continue to engage with employers to agree and finalise appropriate contribution rates for the inter-valuation period.
- 3.2 Following closure of the Funding Strategy Statement consultation, responses will be reviewed and considered. Any proposed amendments will be discussed with the scheme actuary before the final strategy statement is published.
- 3.2 If any amendments are made to the strategy statement, individual employer results may also be amended to reflect those changes. Once the strategy statement has been finalised, the employer contributions can be certified by the actuary.
- 3.3 The employer contribution rates will be finalised and certified by the actuary and published on the Rates and Adjustments certificate prior to 31 March 2017. The contribution rate published on this certificate will constitute the official contributions required for the inter-valuation period.

4. Relevant Pension Fund Objectives

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>
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. <i>(Objective 15)</i>

5. Finance & Resources Implications

6.1 Not applicable.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

8. Communication Implications

8.1 Not applicable.

9. Legal Implications

9.1 Not applicable.

10. Consultation with Key Advisers

10.1 Not applicable.

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 Link to reports from the 24 March 2016 meeting of the Pension Committee:

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=86>

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 the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 11 January 2017
Has this report been cleared by Legal Services?	Not applicable