

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

19th March 2020

Report by: Head of Pensions

Subject:	Valuation of the Pension Fund
Purpose of the Report:	To introduce an oral presentation from the Fund Actuary providing a final update on the valuation of the Pension Fund
Recommendations:	<ol style="list-style-type: none">1. To note the contents of the verbal update2. To note the amendments to the Funding Strategy Statement made in consultation with the Fund Actuary
Enquiries to:	Name - Cory Blose – Employer Services and Systems Manager Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk

1. Background

- 1.1 Fund officers have been working with the Fund Actuary to complete the valuation of the Pension Fund. This work has been carried out throughout the 2019/2020 scheme year, culminating with the publishing of the valuation report and rates and adjustments certificate by 31 March 2020.
- 1.2 Various activities have been carried out and the purpose of this paper is to provide a final update on the valuation and to seek approval of the final Funding Strategy Statement.
- 1.3 At the time of writing this report, all activities were on track for completion by 31 March 2020, the deadline for completing the valuation.
- 1.4 The Fund Actuary will be providing a presentation to the Committee which will provide a final verbal update, including summaries of the actuary's official valuation report and the final draft Funding Strategy Statement.

2. Valuation Report

- 2.1 The valuation report records the high level outcomes of the valuation and is prepared by the Actuary. Publication of this document represents the completion of the valuation process.
- 2.2 The valuation report provides the following information:

- The approach taken to carry out the valuation;
- The assumptions used when calculating results
- The Funding level of the Whole Fund
- Summary of the movement in the Funding position between the last and current valuation
- The Whole Fund contribution rates, e.g. the payroll weighted average of the underlying individual employer results
- Risk Assessment
- Related issues to be considered alongside the report

2.3 The valuation report also contains the Rates and Adjustments certificate. This is the official document certifying the minimum contribution rates that each employer should pay in each of the next three years. It is a legislative requirement to publish this document by 31 March 2020.

2.4 At the time of publication the valuation report has not been finalised. A summary of the report will be provided as a verbal update, by the Fund Actuary.

3. Funding Strategy Statement – Final Draft

3.1 The draft Funding Strategy Statement was approved for consultation, by the Pension Fund Committee in October. The document was released for consultation, alongside employers' individual results, in December and was open until 17 January. No responses were received to the consultation.

3.2 The final draft of the Funding Strategy Statement is included as appendix 1. As discussed at the meeting in January there are some slight amendments from the version signed off by the Pension Fund Committee. These are standard items that were identified as subject to change at that time.

3.3 To summarise, the key changes are as follows:

- The Funding target for Community Admissions bodies without a guarantor has been changed to the low risk exit basis with a 50% probability of success requirement not the ongoing participation basis with an 80% probability requirement. This is to ensure increased transparency and avoid large shocks when the employer ceases participation in the Fund.
- The probability of success required for Academies contribution strategies was increased from 66% to 70% to match that used for local authorities.
- The probability of success required for Transferee admission bodies was reduced to 55% to recognise the short term nature and strong covenant of these employers, which have a guarantee from a local authority employer.
- The time horizon used for Further Education colleges has been reduced from 20 years to 15 years to recognise the increased risk to the Fund as a result of the removal of the Government guarantee for their pension liabilities.
- The base rate for the stabilised Academy contribution rates for 2020-21 has been increased by 1% not held at the same rate as 2019-20. This gives a base rate of 24%.

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

5. Finance and Resources Implications

5.1 None

6. Risk Management

- 6.1 The Actuary's Valuation report includes the Rates and Adjustments certificate which certifies the minimum contribution rates for each employer.
- 6.2 The risks that employers may not be able to pay increased contribution rates has been captured in the Fund's risk register as detailed below.
- 6.3 In order to mitigate this risks, officers have met with employers to discuss the affordability of contribution rates and have agreed alternative rates where appropriate.

Risk No	Risk mitigated	Residual risk
1	Employers unable to pay increased contribution rates	Amber

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

7. Communication Implications

Direct Communications	A communication will be issued to inform employers that the valuation report and final funding strategy statement have been published
Website	The valuation report and final funding strategy statement will be published on the Fund's website

8. Legal Implications

8.1 Not applicable

9 Consultation with Key Advisers

9.1 Consultation with the Fund Actuary was undertaken for this report.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Appendix 1 – Funding Strategy Statement – Final draft

Checklist of Key Approvals	
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 Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 27 th February 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 14 th February 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 4 th March 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 25 th February 2020