

# Cambridgeshire Pension Fund

Pension Fund Board

Date: 27 January 2023

Report by: Head of Pensions

|                       |                                                                                                                                 |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Subject:              | Valuation Update                                                                                                                |
| Purpose of the Report | To provide the Local Pension Board with an update on the Pension Fund valuation.                                                |
| Recommendations       | The Board is asked to note the valuation update                                                                                 |
| Enquiries to:         | Mark Whitby – Head of Pensions<br>Email: <a href="mailto:mark.whitby@westnorthants.gov.uk">mark.whitby@westnorthants.gov.uk</a> |

## 1. Background

- 1.1 This report builds on previous updates to the Board and provides a summary of progress made so far on completing the valuation of the Pension Fund and setting of employer contribution rates.
- 1.2 The Funding Strategy Statement (FSS) sets out how contribution rates will be set for different employers in the Fund and a draft statement was issued to employers for consultation in November.
- 1.3 A new Cessations Policy was drafted setting out the Fund's proposed approach to calculating the funding position of employers when they stop participating in the Fund and was issued for consultation alongside the FSS and individual employer results.

## 2. Valuation progress

- 2.1 The project has been progressing well and officers are now in the advanced stages of setting and agreeing individual employer contribution rates. Individual draft results were issued throughout November as planned and discussions have been taking place with those employers who have requested them. A few employers who do not need to offer the LGPS to their employees are investigating exiting the Fund whilst funding levels are positive. Employers are being asked to agree their contribution rates by 31 January.
- 2.2 The FSS and new Cessations policy were both issued to employers for consultation alongside their proposed contribution rates. No responses were received regarding the FSS and only one response regarding the cessations policy. The response gave the view that the calculation methodology set out in the draft policy would be less transparent and the methodology previously used and would reduce the size of potential exit credits paid to

employers. It also acknowledged that the new methodology would give more stability in exit debts by providing a buffer against adverse market movements.

- 2.3 The Committee approved the new policy for immediate implementation, as originally drafted, at its December meeting. The Committee will be asked to approve the FSS at its March meeting following the end of the contribution rate consultation process. This allows scope for any unintended consequences to be discovered and the FSS updated accordingly.
- 2.4 The final Valuation report including the Rates and Adjustments certificate (certifying employer contribution rates) will also be presented to the Committee in March. The publishing of the valuation report and R&A certificate represents the end of the Valuation project and we are on track for completion by the deadline of 31 March.

4. Relevant Fund Objectives

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To 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.                              |
| 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.                                                                                        |
| 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. |
| Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.                                                                                                                                            |
| Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.                                                                                                         |
| Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.                                                                                                                              |

5. Finance & Resources Implications

- 5.1 As the process for calculating the funding position of exiting employers will be more complex, the actuarial fees for this work will increase. These fees are met by the exiting employer.

6. Risk Management

- 6.1 The risks associated with failing to monitor progress made against the Business Plan and Medium-Term Strategy have been captured in the Fund's risk register as detailed below.

| Risk                                                                                                               | Residual risk rating |
|--------------------------------------------------------------------------------------------------------------------|----------------------|
| Failure to respond to changes in economic conditions.                                                              | Amber                |
| Fund assets are not sufficient to meet obligations and liabilities.                                                | Green                |
| Failure to administer the scheme in line with regulations and guidance                                             | Green                |
| Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making. | Green                |

- 6.2 The Fund's full risk register can be found on the Fund's website at the following link:  
[Cambridgeshire Risk Register](#)

7. Communication Implications

|                       |      |
|-----------------------|------|
| Direct Communications | None |
|-----------------------|------|

8. Legal Implications

8.1 Not applicable.

9. Consultation with Key Advisers

9.1 Consultation with the Fund's actuarial adviser has been undertaken throughout the project.

9.2 Consultation with employers over the draft FSS and draft cessations policy was undertaken.

10. Alternative Options Considered

10.1 Not applicable.

11. Background Papers

11.1 Not applicable.

12. Appendices

12.1 None

|                                                   |           |
|---------------------------------------------------|-----------|
| Checklist of Key Approvals                        |           |
| Has this report been cleared by Head of Pensions? | 11/1/2023 |