

# CAMBRIDGESHIRE PENSION FUND



## Local Pension Board

**Date:** 31<sup>st</sup> January 2020

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Valuation of the Pension Fund</b>
<b>Purpose of the Report</b>	To provide the Local Pension Board with a brief update on the Pension Fund valuation.
<b>Recommendations</b>	<b>The Board is asked to note the valuation update.</b>
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### 1. Background

- 1.1 The Pension Fund is valued every three years. This valuation will be 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 This report is to provide an update on progress of some of the key activities of the valuation.

### 2. Employer Valuation results and engagement with employers

- 2.1 Draft valuation results for employers were provided by the Actuary and distributed to employers at the beginning of December. Officers are now in the process of discussing results and agreeing final contribution rates with employers. A deadline of 31 January has been set for agreeing final contribution rates with employers.
- 2.2 An Employer's Forum was held at Girton College on Wednesday 4<sup>th</sup> December. The Forum focussed primarily on the valuation with the Fund Actuary providing an overview of the valuation process, draft changes to the Funding Strategy Statement and how employer contributions had been calculated. Employers were also provided with the opportunity to book surgery sessions with the Actuaries and Employer Services and Systems Manager. i-Connect training sessions were also provided for employers as an alternative to the surgery sessions.
- 2.3 Feedback was very positive. Employers found the presentation from the Actuary very useful for aiding their understanding and those that booked surgery sessions found these to be particularly useful. Some frank and open conversations were held with some employers about long term participation in the Local Government Pension Scheme (LGPS).
- 2.4 The Actuaries also commented on the success of the forum particularly the level of attendance from employers and how well the event was organised, believing it to be among the very best forums they have attended.

### 3. Funding Strategy Statement

- 3.1 The draft Funding Strategy Statement has been issued to employers for consultation. This consultation will close on 17 January. The statement was issued to employers alongside their valuation results so that they could assess the impact of the document on their organisation.
- 3.2 Discussions were held with the Actuary following the initial calculation of employer results to agree certain parameters to be used for each employer when setting contribution rates. These included the funding target, the time horizon for reaching that target and the required probability of success for the resulting contribution strategy of meeting the target within that time frame.
- 3.3 There were some key changes following this discussion, notably older admission bodies with no guarantor being moved onto a “gilts glide path”. This means that their results were produced on the same basis that would be used when they exit the Fund and their contribution rates have been set to achieve full funding on that basis. This is a more prudent but also more transparent approach than in previous years. The aim is to facilitate realistic discussion, with the employers, about long term affordability of remaining in the Fund.
- 3.4 We have also implemented a more prudent approach for Further and Higher Education organisations by reducing the length of time permitted to reach their funding target from 20 years to 15 years. This reflects the increased risk these organisations pose to the Fund as a result of the Government no longer providing a guarantee for these employers.
- 3.5 We have implemented a less prudent approach for contractors, reducing the required probability of success from 70% to 55%. This is to reflect their usually short term participation in the Fund and avoid the need to pay exit credits to contractors when they cease participation. The liabilities of these employers are usually secured by a bond and are ultimately guaranteed by the authority that has contracted them.

### 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 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.
- 6.2 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

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

## 7. Communication Implications

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

## 8. Legal Implications

- 8.1 Not applicable

## 9. Consultation with Key Advisers

- 9.1 Consultation with the Fund Actuary has been undertaken throughout the valuation process.

## 10. Alternative Options Considered

- 10.1 Not applicable

## 11. Background Papers

- 11.1 Not applicable

<b>Checklist of Key Approvals</b>	
Has this report been cleared by Head of Pensions?	Mark Whitby – 16 <sup>th</sup> January 2020

