

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Thursday, 28 November 2019
Report Subject	2019 Actuarial Valuation
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

The main progress so far on the valuation project has been made in the following areas:

- The Actuary has completed the valuation calculations based on the actual data provided by the Fund. The emerging deficit has been assessed as £175m, representing a funding level of 91% and an average employer future service cost (or Primary contribution rate) of 17.3% of pay.
- All valuation result reports were provided to employers in October setting out their initial valuation results and also the potential impact that McCloud could have on their results. The results are subject to consideration of their covenant and that further meetings may take place once their covenant has been reviewed (where necessary). They must also notify the Fund if they intend to allow for McCloud within their contributions.
- A number of meetings have taken place to discuss the valuation results including the AJCM on 12th November. Feedback has been positive from employers.
- The draft Funding Strategy Statement (FSS) has been updated to reflect the discussions in some of the earlier meetings and the Committee on 4 September. The formal consultation with all interested parties commenced in October with all feedback requested by 15 November. The feedback will be collated and the final FSS will be agreed by the Committee at the February meeting taking account of this feedback.

RECOMMENDATIONS

1	It is recommended that all Committee members note this report on the outcomes and the progress being made with the actuarial valuation project.
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REPORT DETAILS

1.00 2019 Actuarial Valuation Update

1.01 The purpose of this report is to update PFC Members on the 2019 actuarial valuation project, including key milestones, communications with employers and other events.

This is the next report of the series of reports for the PFC meetings throughout 2019/20 until the conclusion of the valuation project.

The final actuarial outcome will be reported to Committee at the next meeting, however preliminary whole Fund results (based on the assumptions set out within the FSS) are set out below, alongside the final results emerging from the 2016 valuation for comparison purposes:

	2019	2016
Assets	£1,867m	£1,381m
Liabilities	£2,042m	£1,818m
Deficit	£175m	£437m
Funding Level	91%	76%
Average employer future service contribution rate	17.3%	15.3%

The Actuary has met with the Unitary Authority Chief Finance Officers, to communicate their results (including the UA associated employers). Dialogue will continue with them into December. The Actuary then met with the HE/FE employers to communicate their results. All remaining valuation result reports were provided to employers in October and the FSS consultation also commenced at this point.

The Annual Joint Consultative Meeting (AJCM) took place on 12 November and was a forum for further discussion and update on what the results mean in terms of affordability for each employer. The key funding strategy parameters were discussed as well as a reconciliation of the total Fund results above and the factors that have impacted on the outcomes as well as other factors which can affect individual employer results.

The attendance by employers was encouraging and feedback was positive.

Employers have been informed that the results are subject to consideration of their covenant and that meetings may take place once their covenant has been reviewed (where necessary). They must also notify the Fund if they intend to make a provision for estimated McCloud remedy costs within their contributions.

As part of the consultation on the FSS the Fund will continue dialogue with all employers over the coming months. Employers were asked to provide feedback on the FSS by 15 November although it was acknowledged that some employers may need more time given the detail set out within the FSS. Employers were also asked to feedback on their contribution requirements in the coming weeks following the AJCM.

The next steps are to gather feedback on the FSS following the consultation and finalise the FSS for agreement at the PFC meeting in February 2020. The final contributions for all employers will then be agreed and then implemented effect from 1 April 2020.

2.00 RESOURCE IMPLICATIONS

2.01 None directly as a result of this report. Significant resource requirements will continue to be required from the administration and investment teams to complete the process.

3.00 CONSULTATIONS REQUIRED / CARRIED OUT

3.01 The Fund is required to consult with employing bodies over the development of the FSS and overall framework of the actuarial valuation. Data is also required to be supplied to the GAD to complete their Section 13 actuarial valuation requirements for all LGPS valuations.

4.00 RISK MANAGEMENT

4.01 This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part):

- Governance risk: G2
- Funding and Investment risks: F1 - F6

4.02 The actuarial valuation is a key Governance tool and is meant to control the risks relating to the CPF's funding position and employer contributions requirements. The funding strategy (along with the investment strategy) which comes from the actuarial valuation is a key determinant of the overall financial risk levels in the CPF.

4.03 The recent market volatility has increased the relative risk levels in relation to the Fund's solvency position and the required contribution rates from 1 April 2020.

5.00 APPENDICES

5.01 Appendix 1 – AJCM Valuation slides

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee - 2019 Actuarial Valuation (12 June 2019), Current and Draft FSS and 2016 Actuarial Valuation report.</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(g) Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(h) Actuary - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary’s primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(i) GAD – Government Actuary’s Department - The Government Actuary's Department is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.</p>