

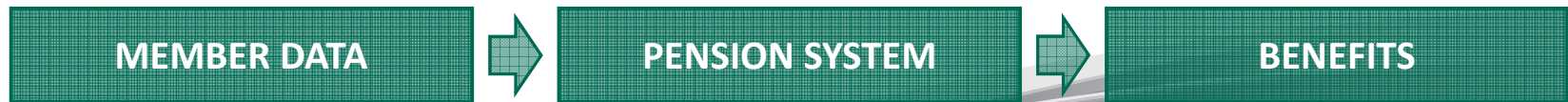
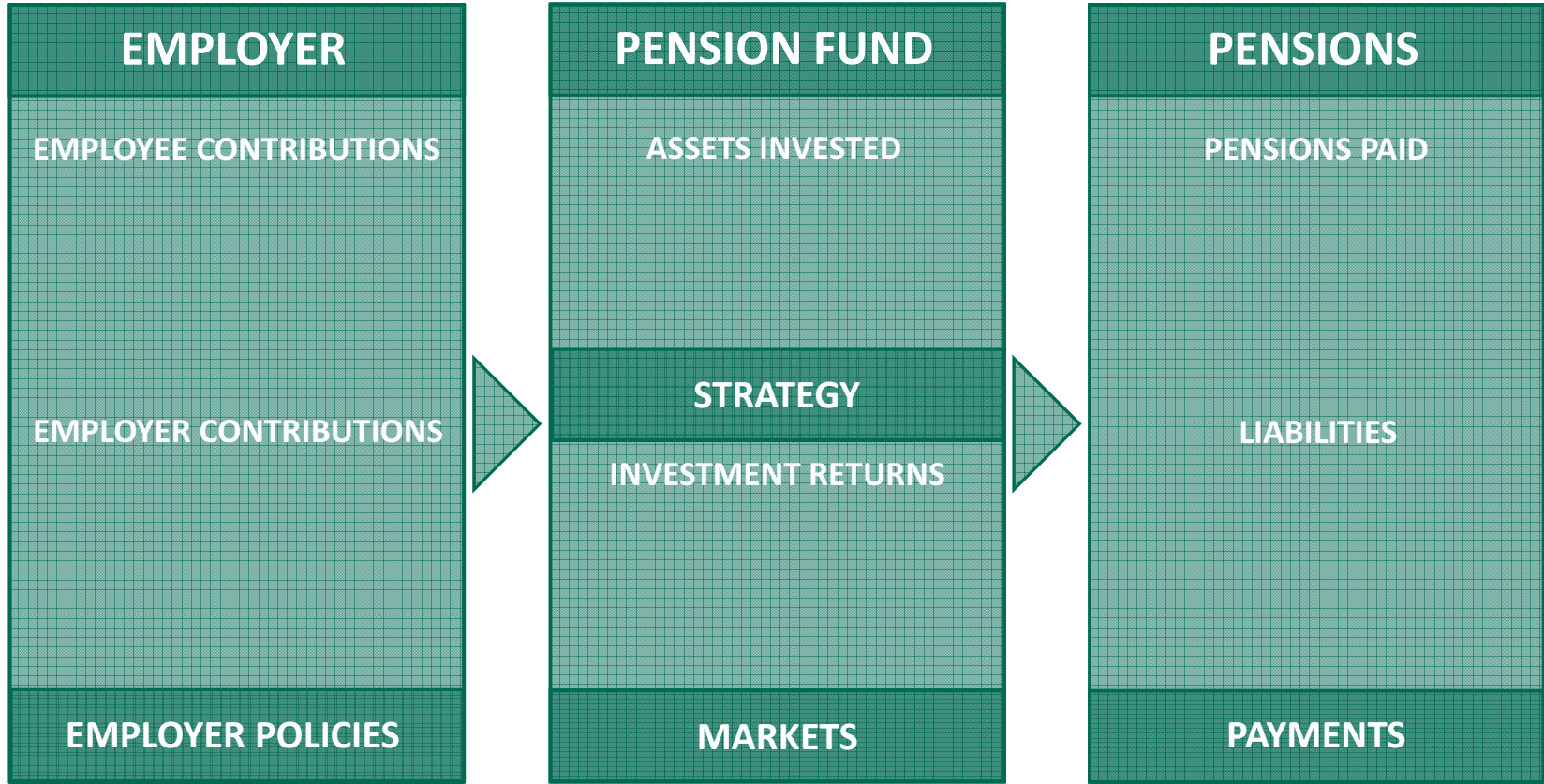
# Pensions – The Relationship between the County Council as an Employer and Clwyd Pension Fund

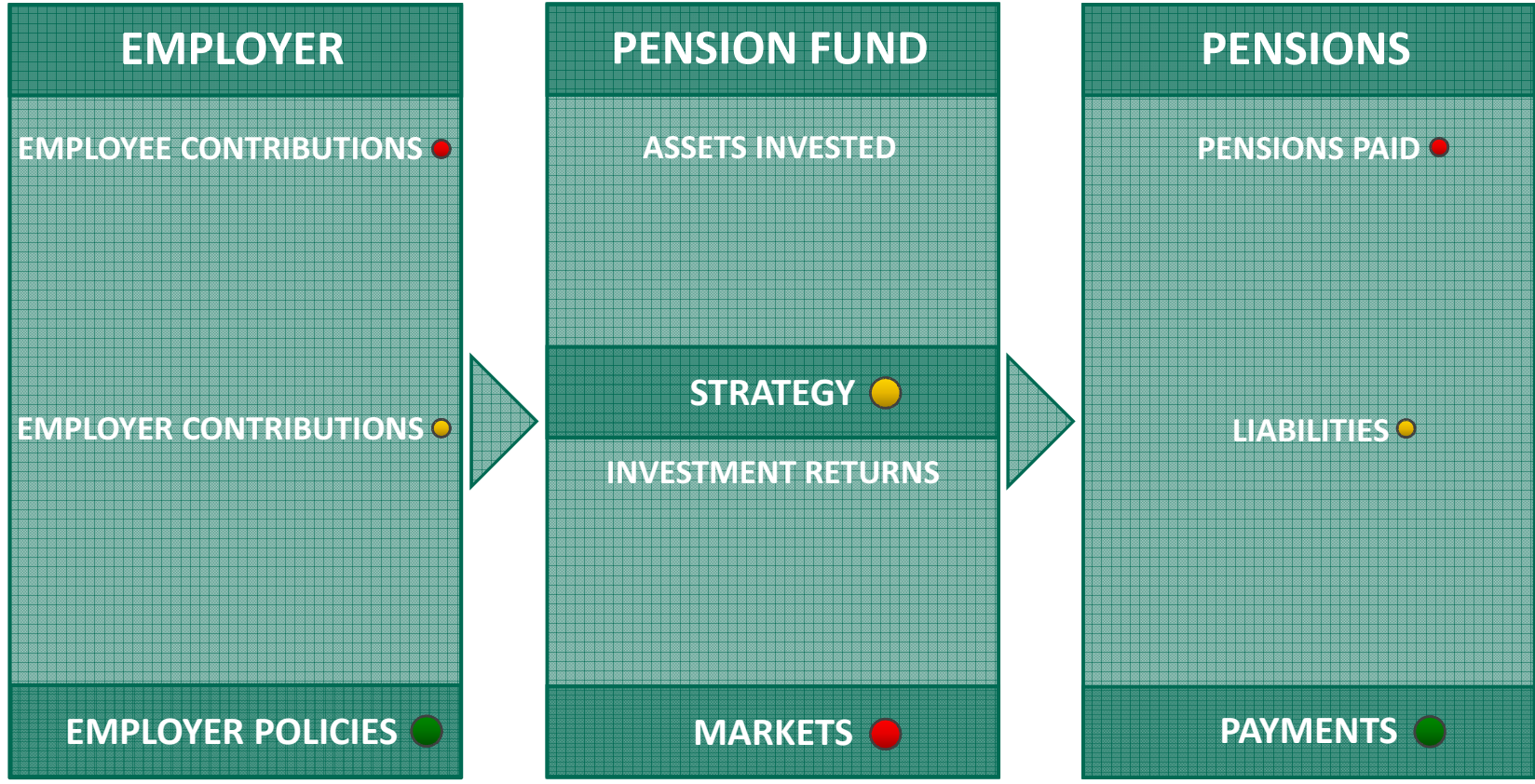
# Purpose and Content of the Report

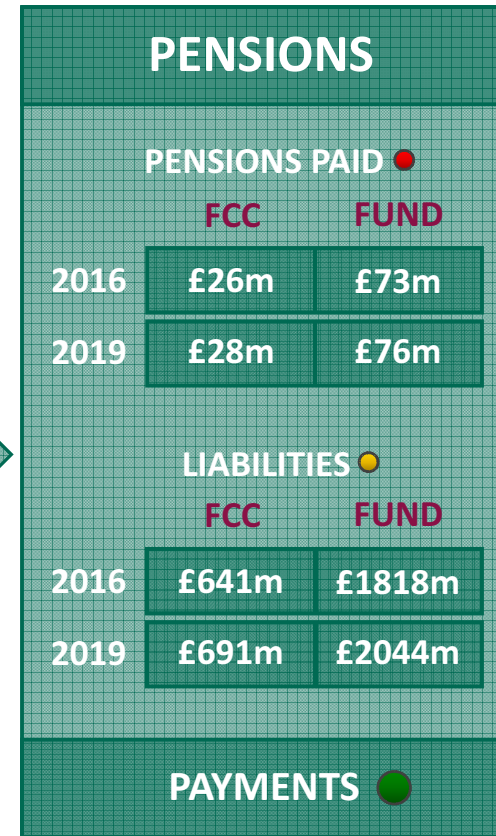
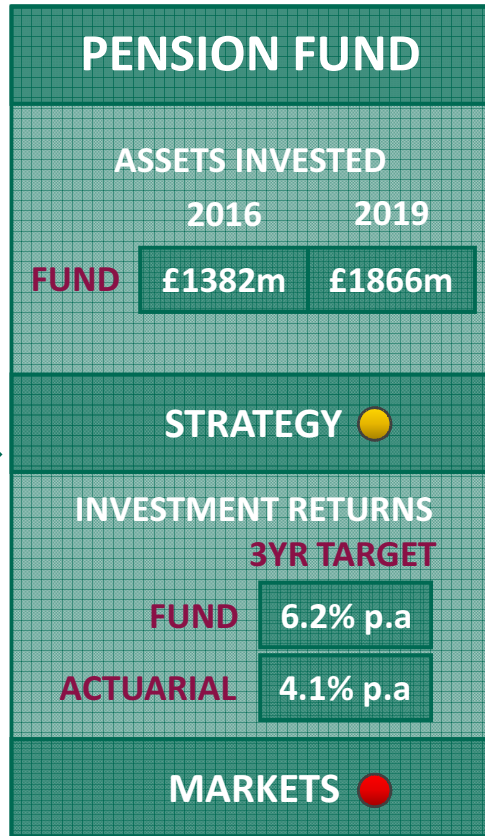
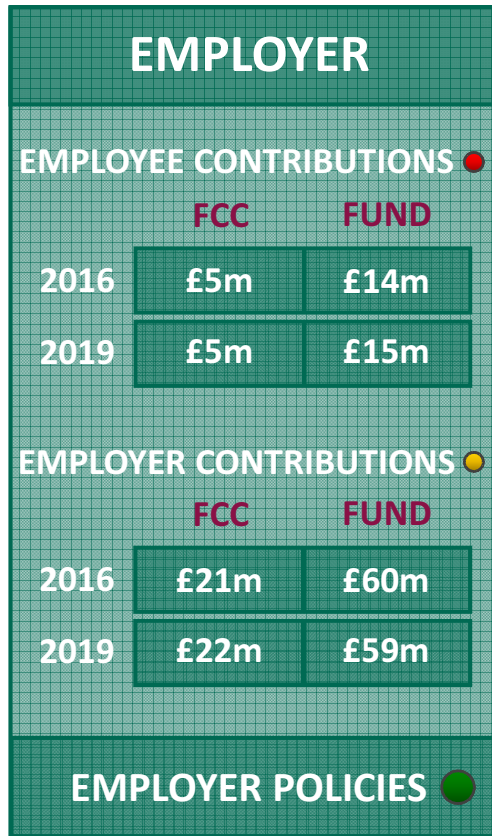
- Explanation of the relationship between the Council and Clwyd Pension Fund
- Overview of the Actuarial Review 2019
- Types of Employer Pension Contributions
- Impact on the Council's Budget 2020/21

# HOW THE PENSION FUND WORKS

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\*dates as at 31/3/2016 & 31/3/2019

FUNDING STRATEGY STATEMENT  
ADMIN STRATEGY STATEMENT

FUNDING STRATEGY STATEMENT  
INVESTMENT STRATEGY STATEMENT

ADMIN STRATEGY STATEMENT

### EMPLOYER

**EMPLOYEE CONTRIBUTIONS** ●

	FCC	FUND
2016	£5m	£14m
2019	£5m	£15m

**EMPLOYER CONTRIBUTIONS** ●

	FCC	FUND
2016	£21m	£60m
2019	£22m	£59m

**EMPLOYER POLICIES** ●

### PENSION FUND

**ASSETS INVESTED**

	2016	2019
FUND	£1382m	£1866m

**STRATEGY** ●

**INVESTMENT RETURNS**

**3YR TARGET**

FUND	6.2% p.a
ACTUARIAL	4.1% p.a

**MARKETS** ●

### PENSIONS

**PENSIONS PAID** ●

	FCC	FUND
2016	£26m	£73m
2019	£28m	£76m

**LIABILITIES** ●

	FCC	FUND
2016	£641m	£1818m
2019	£691m	£2044m

**PAYMENTS** ●

**MEMBER DATA** ●

**PENSION SYSTEM** ●

**BENEFITS** ●

**MEMBER SELF SERVICE**

\*dates as at 31/3/2016 & 31/3/2019



# Clwyd Pension Fund

## Overview of the 2019 Actuarial Valuation

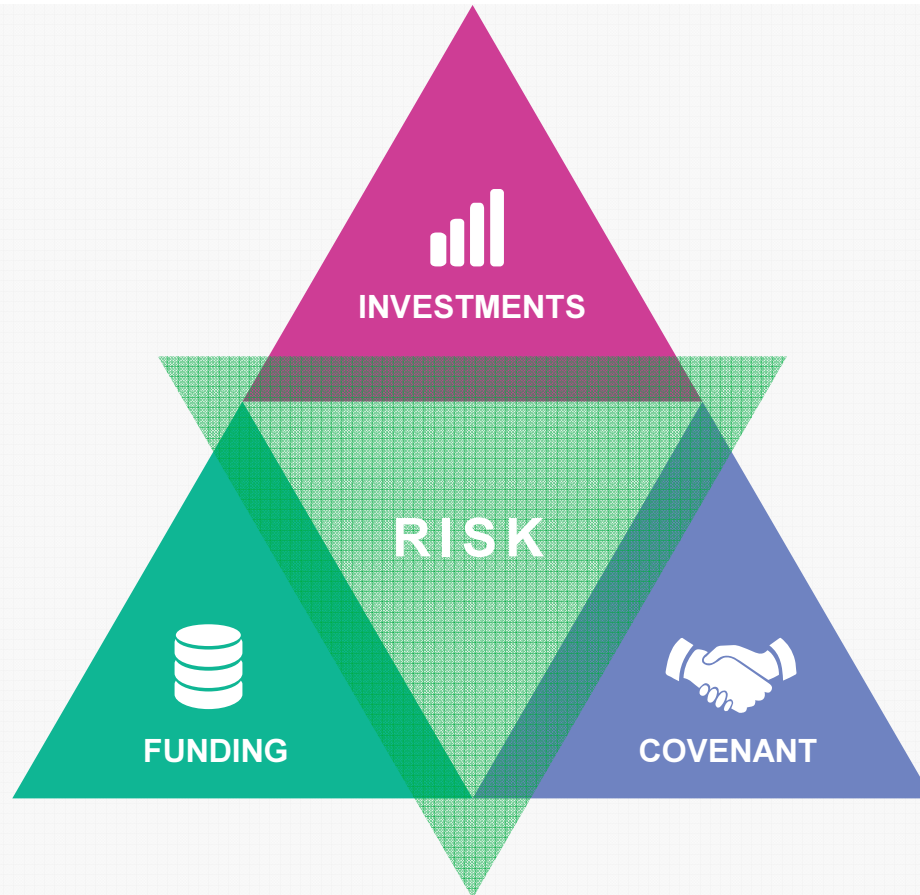
Corporate Resources Overview and Scrutiny  
Committee

13 February 2020

welcome to brighter



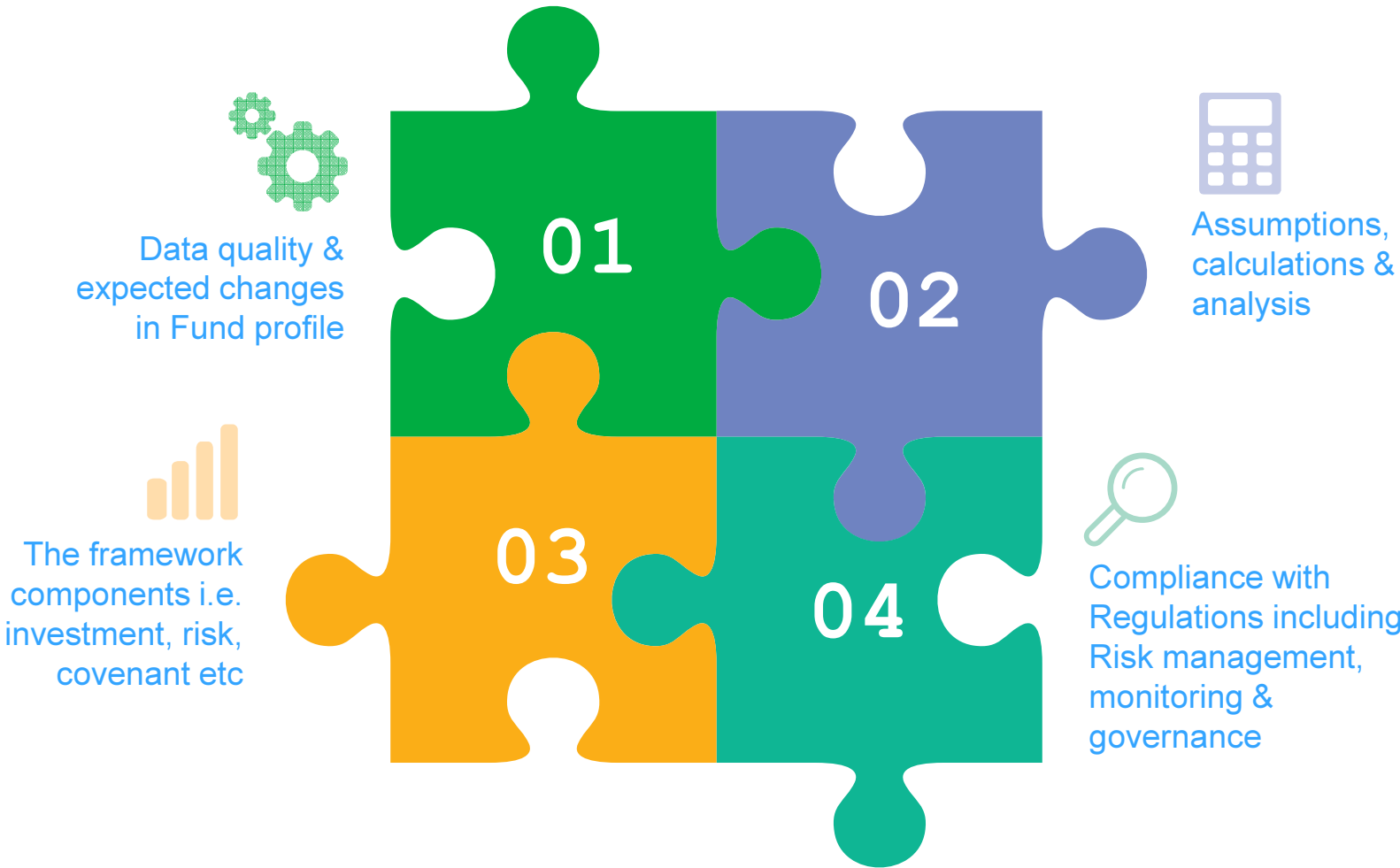
# Valuation principles



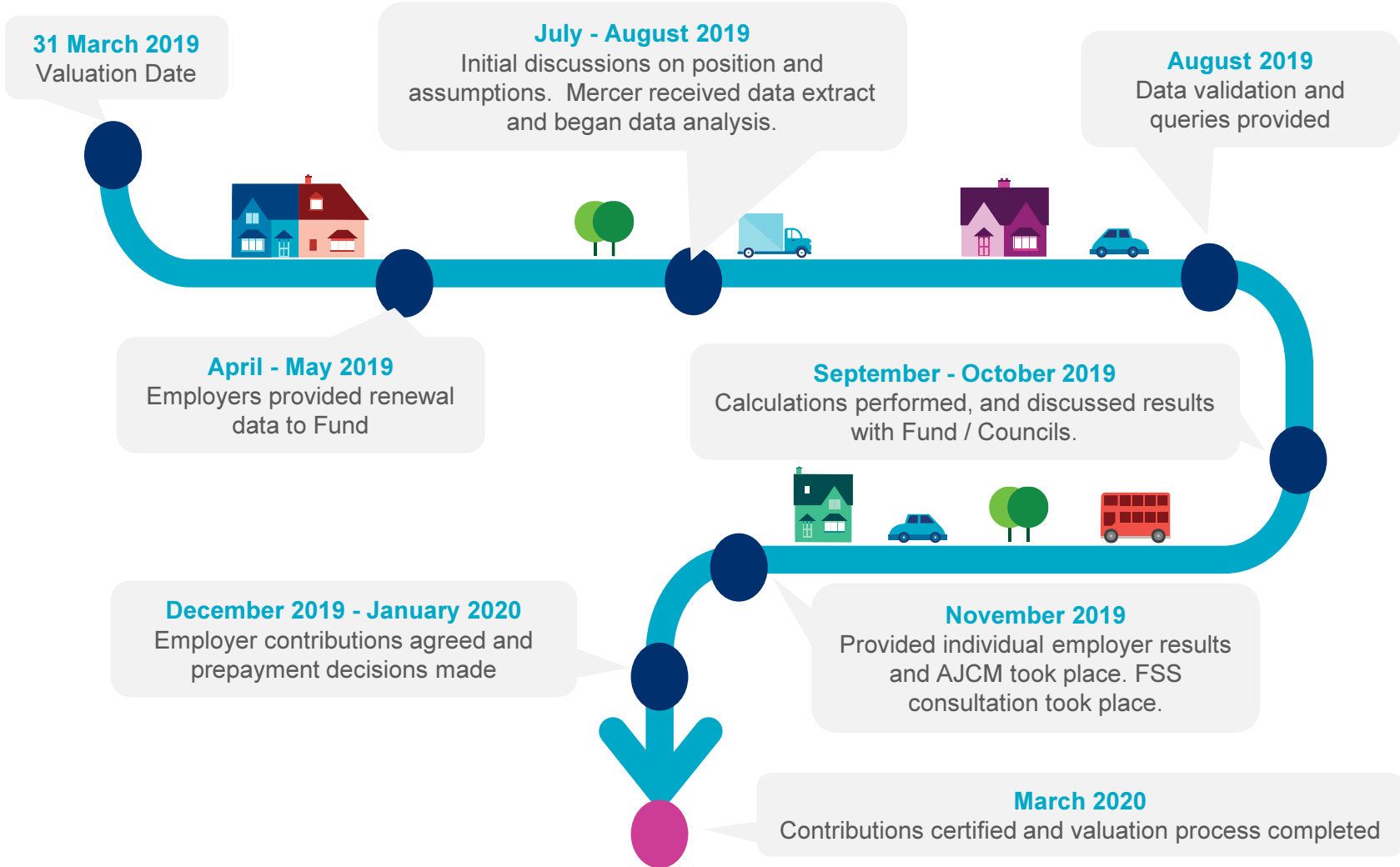
## KEY OBJECTIVES

- All employers must consider the balance of contributions versus risk including in relation to employer affordability
- The valuation assesses the position at 31 March 2019 and contributions effective from 1 April 2020
- Key parameters are documented within the Funding Strategy Statement (FSS)
- Must ensure it is fair (and protect) different generations of tax payers

# Valuation components



# Valuation process and consultation



# Valuation results

## Total Fund

Average funding level increased from 76% at 2016 to 91% at 2019.

- The deficit has more than halved from £437m at 2016 to £177m at 2019.
- The average future service rate increased from 15.3% of pay to 17.3% of pay (prior to McCloud)
- Average McCloud impact is 0.5% increase in accrued liabilities and increase in average future service costs of 0.5% of pay per annum

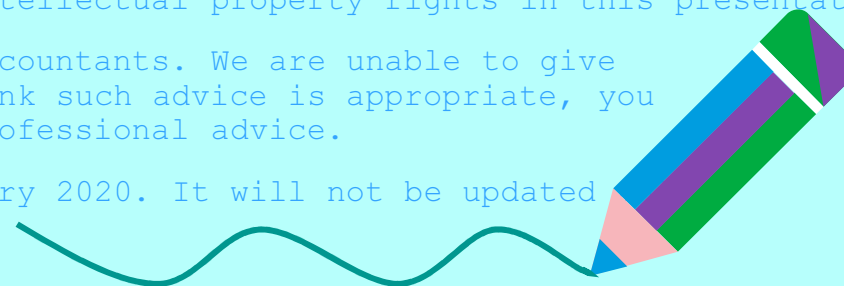
## Flintshire CC

Funding level increased from 75% at 2016 to 90% at 2019.

- The deficit has more than halved from £158m at 2016 to £72m at 2019 and this is being funded over 14 years.
- The average future service rate increased from 15.2% of pay to 17.3% of pay (prior to McCloud)
- McCloud impact is 0.4% increase in accrued liabilities and increase in average future service costs of 0.3% of pay per annum which is being provided for in the agreed contributions
- The valuation takes into account the bespoke characteristics of Flintshire CC and results in an overall contribution reduction over 2020/23.

# Actuarial advice

- We have prepared this document for the Administering Authority for the purpose of updating the funding position of the Clwyd Fund
- “Technical Actuarial Standard 100: Principles for Technical Actuarial Work” issued by the Financial Reporting Council applies to this presentation and the associated work, and we confirm compliance with this standard. This presentation should be read in conjunction with our report on the actuarial valuation of the Fund as at 31 March 2019.
- Unless otherwise stated, we have relied on the information and data supplied to us in preparing the information, without independent verification. We will not be responsible for any inaccuracy in the advice that is a result of any incorrect information provided to us.
- Mercer does not accept any liability or responsibility to any third party in respect of this report.
- This presentation is confidential and may not be disclosed in whole or part to any third party without Mercer’s prior written consent, unless required by law or order of a court or regulatory body.
- Mercer retains all copyright and other intellectual property rights in this presentation.
- We are not lawyers, tax specialists or accountants. We are unable to give legal/tax/accountancy advice. If you think such advice is appropriate, you are responsible for obtaining your own professional advice.
- This presentation is correct as at February 2020. It will not be updated requested.



# Types of Contributions

- Comprises two parts:
  - Past Service Deficit (Contribution to eliminate the historic deficit position)
  - Future Service (Contribution to meet the future pension benefits of scheme members)
- Past Service Rate 2019/20 is 12.1% of basic pay
- Future Service Rate 2019/20 is 15.5% of basic pay
- Additional on-cost to the Council of 27.6%

# Types of Contributions

- Historic Deficit element is paid annually in advance to obtain a discount (will continue 2020/21 onwards)
- Annual amount in advance of £9.985m last 3 years (Fixed cost) which is 'recouped' through the year
- Future Service element is around £12m on a pay bill of £80m (Variable)

# Impact of the Actuarial Valuation 2019

	Current	New	Change
Future Service	15.5%	17.6%	2.1%
Deficit Contribution	12.1%	6.0%	(6.1%)
Total	27.6%	23.6%	(4.0%)



# Impact of the Actuarial Valuation 2019

- Annual Contribution to historic deficit has reduced from £9.985m to £4.881m in 2020/21
- However, Future Service Contributions have increased leaving a net reduction of 4%
- Saving to the Council Budget of £2.646m
  - Non School £1.959m
  - Schools £0.687m