

# Cambridgeshire Pension Fund The 2016 Actuarial Valuation



What you need to know ... and possibly do soon

- Douglas Green
- Jamie Clark
- 22 April 2016

# What are we going to cover?

## Actuarial valuation basics



## How your contributions will be set from April 2017



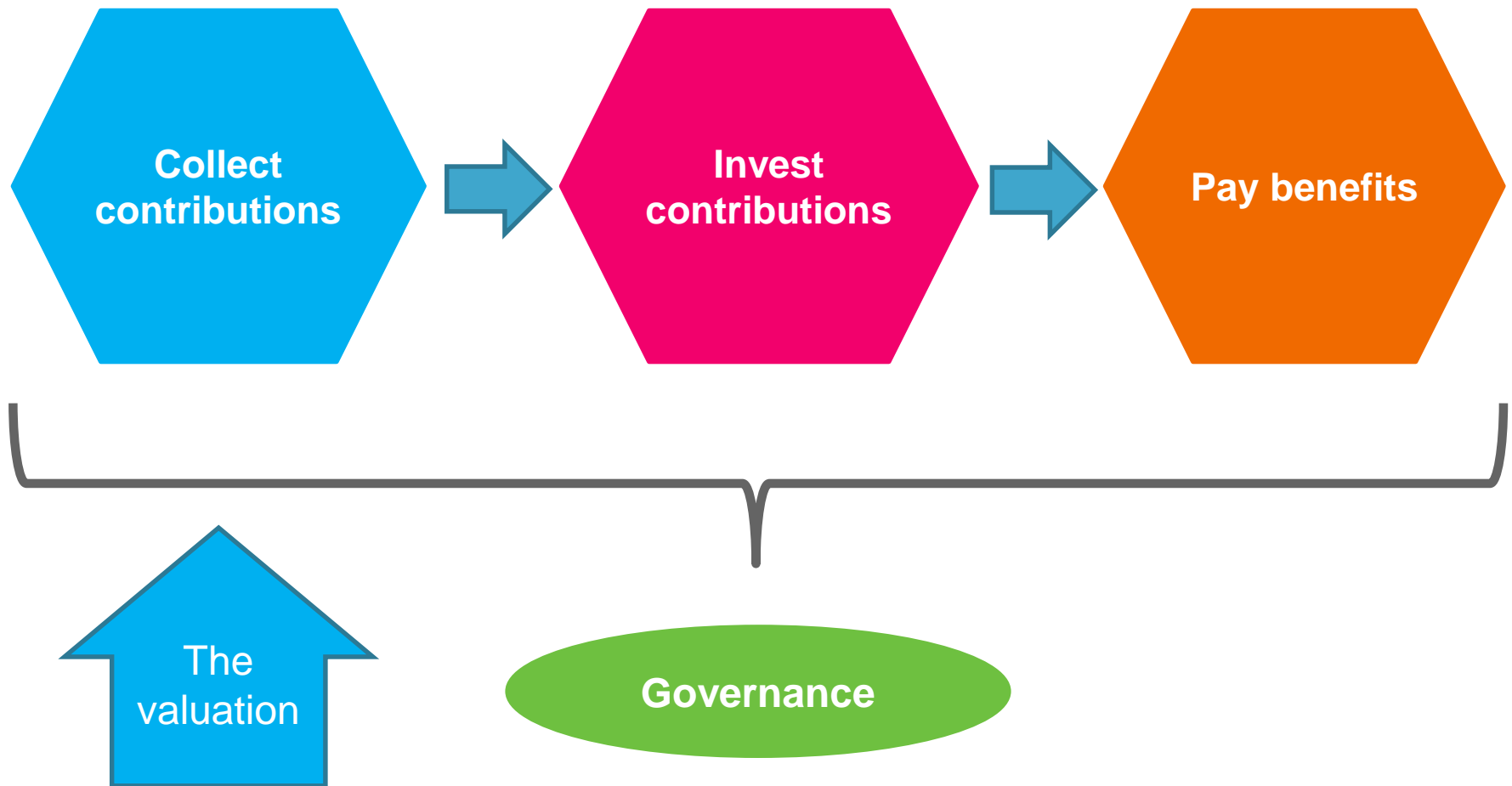
## What you need to look out for



# Actuarial valuation basics



# The basics of a funded pension scheme



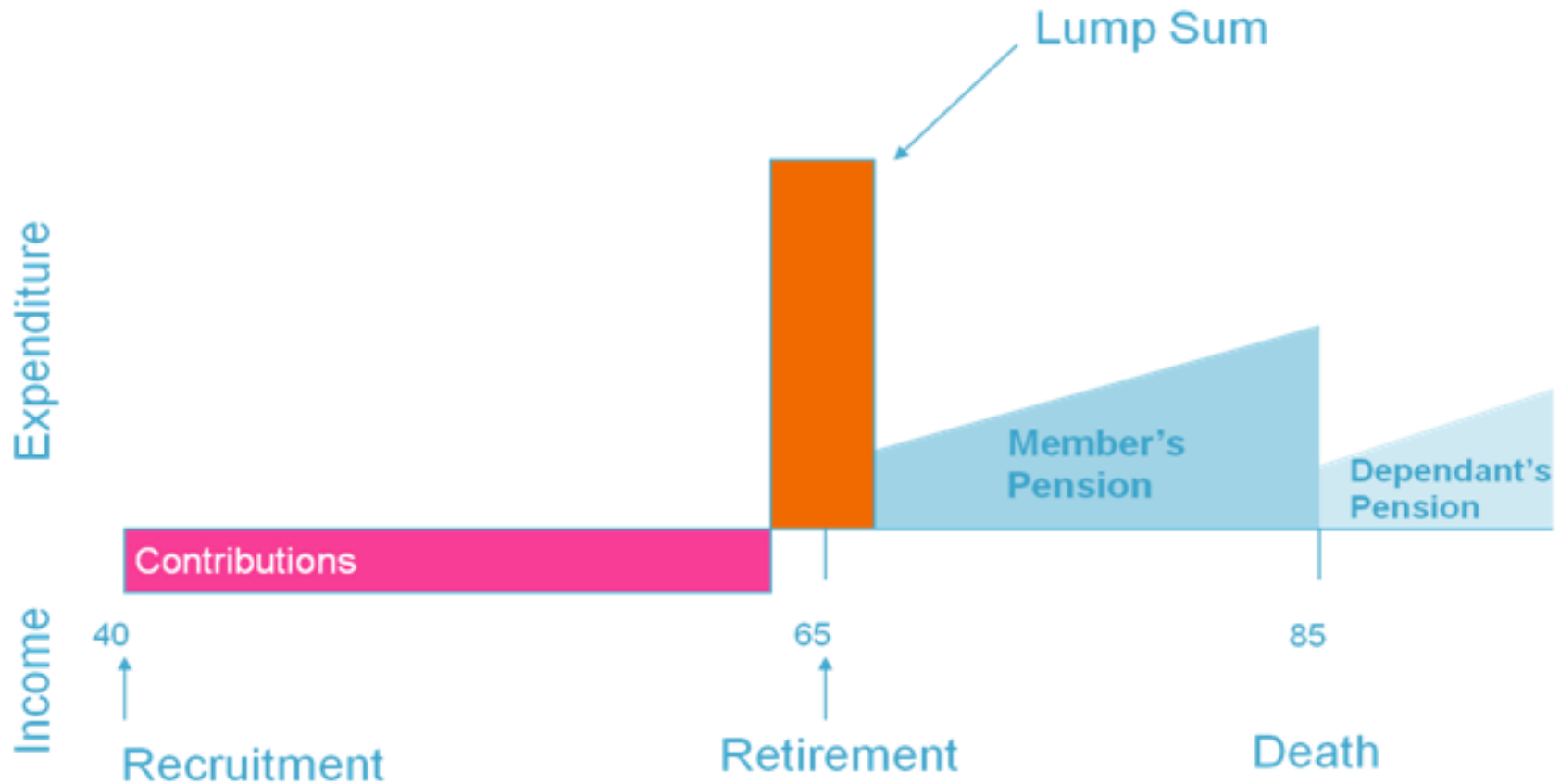
## Why do we do a valuation?

- **Assess** how well pension promises are covered
- **Monitor** experience vs. assumptions
- Set **credible** funding plan
- Consider potential **risks** to the Fund & employers
- Every three years: next one as at **31 March 2016**

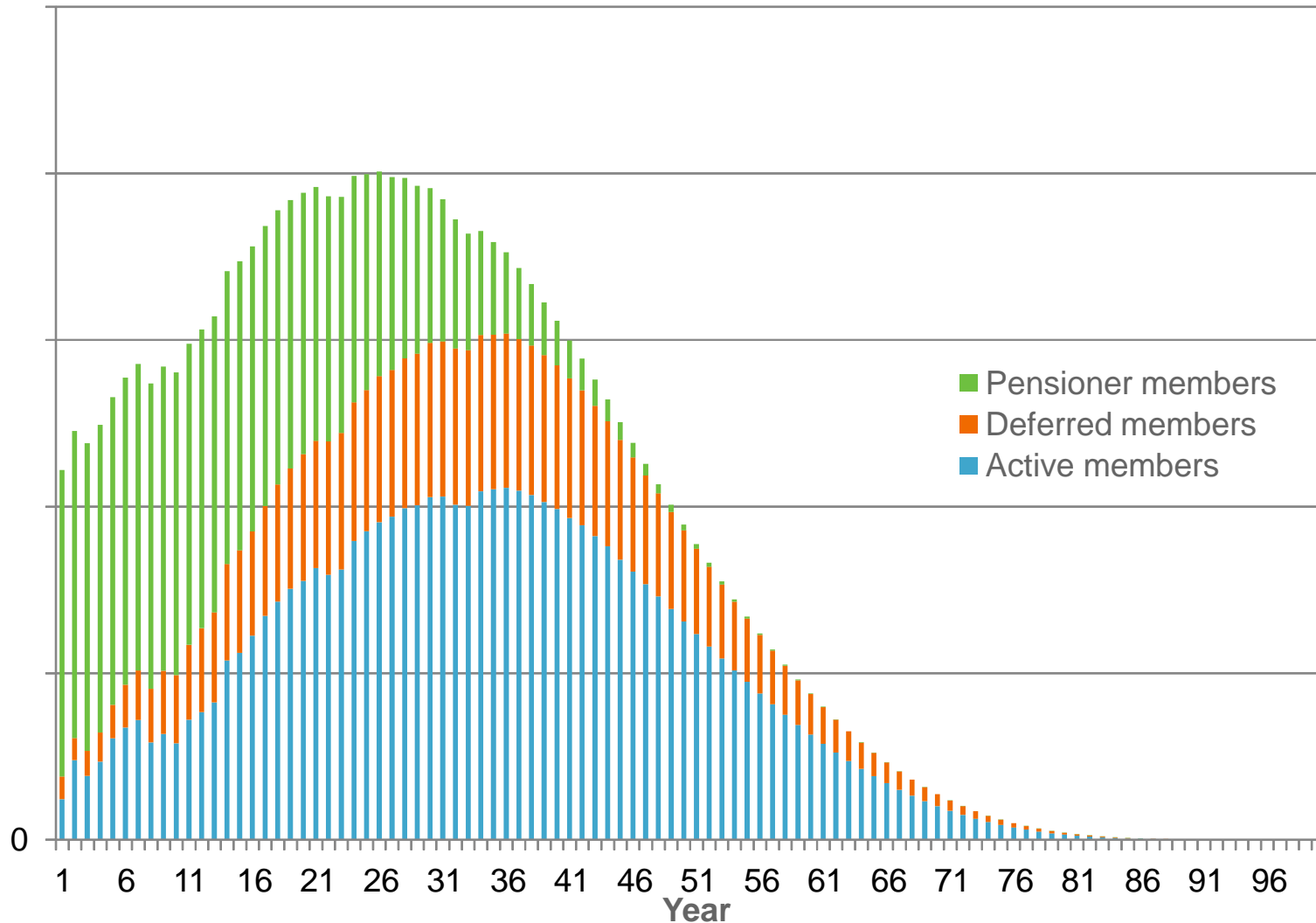
Central part of risk management of the Fund



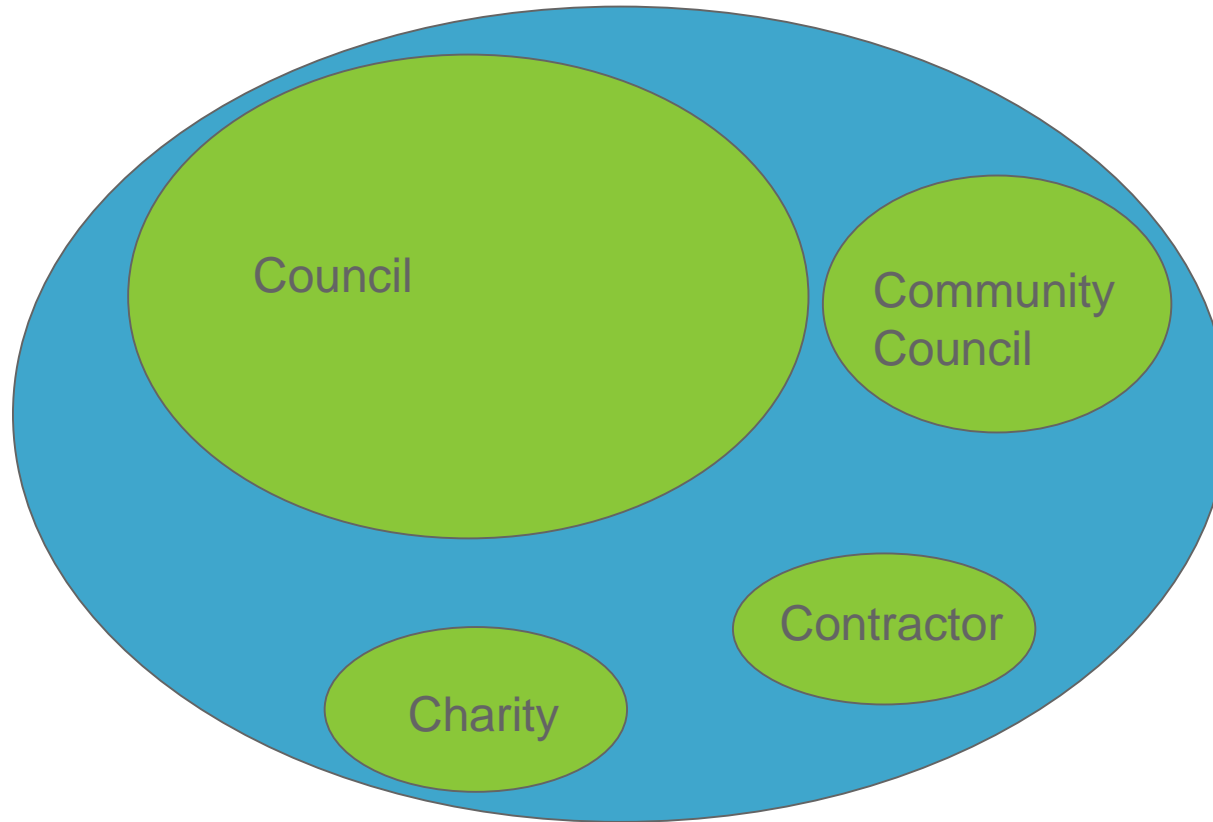
# Valuing a single member



# Projected pension payments



# One big pot of assets

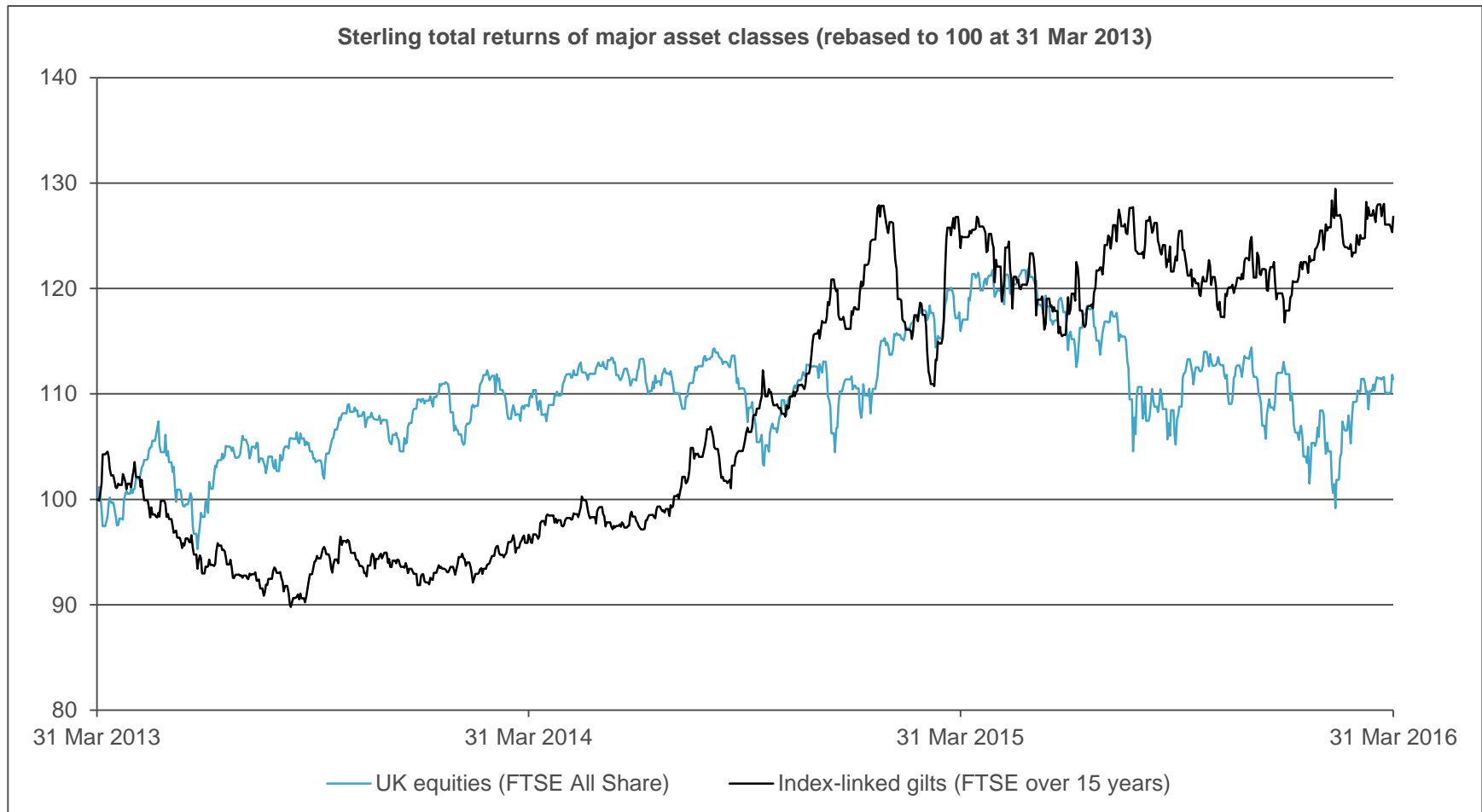


Ring-fenced employer assets and liabilities













Actuary calculates how much is notionally allocated to each every three years



# Market conditions since 31 March 2013



# Experience since 2013

Key driver	Deficit	Contribution rate	
Market conditions (net discount rate)			
Investment returns			
Life expectancy			
<b>Overall Impact</b>			

# Possible 2016 valuation timeline

2015 & early 2016

Valuation discussions with Fund

May/June 2016

Data cleansed and submitted by Fund to actuaries.

October 2016

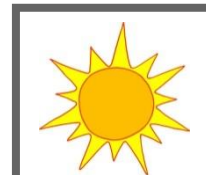
Initial results and assumptions discussed and agreed with Fund.

December 2016

Employer results and funding strategies agreed in principle.  
Employer forum and surgeries held.

March 2017

Final valuation report signed off by 31 March 2017.



30 April 2016

Data submitted by employers.

July – September 2016

Actuarial calculations processed.

November 2016

Individual employer results calculated and issued. FSS consultation.

February 2017

End of employer consultation.  
Final employer results and FSS agreed.

1 April 2017

New contributions start to be paid.

# How your contributions will be set from April 2017



# Setting our goals



What is our funding target?

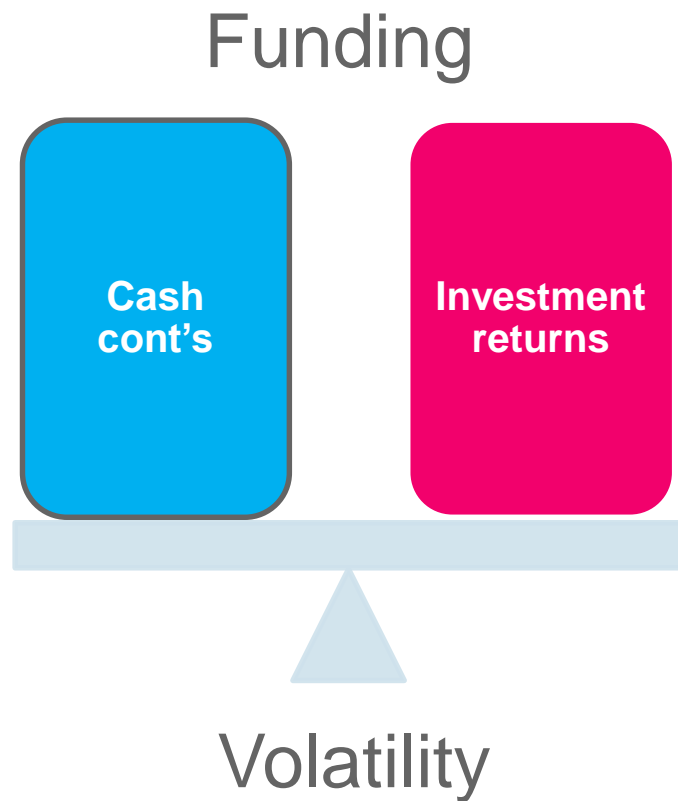


How long do we want to give ourselves to get to the target?



How sure do we want to be that we hit the target?

# A balancing act

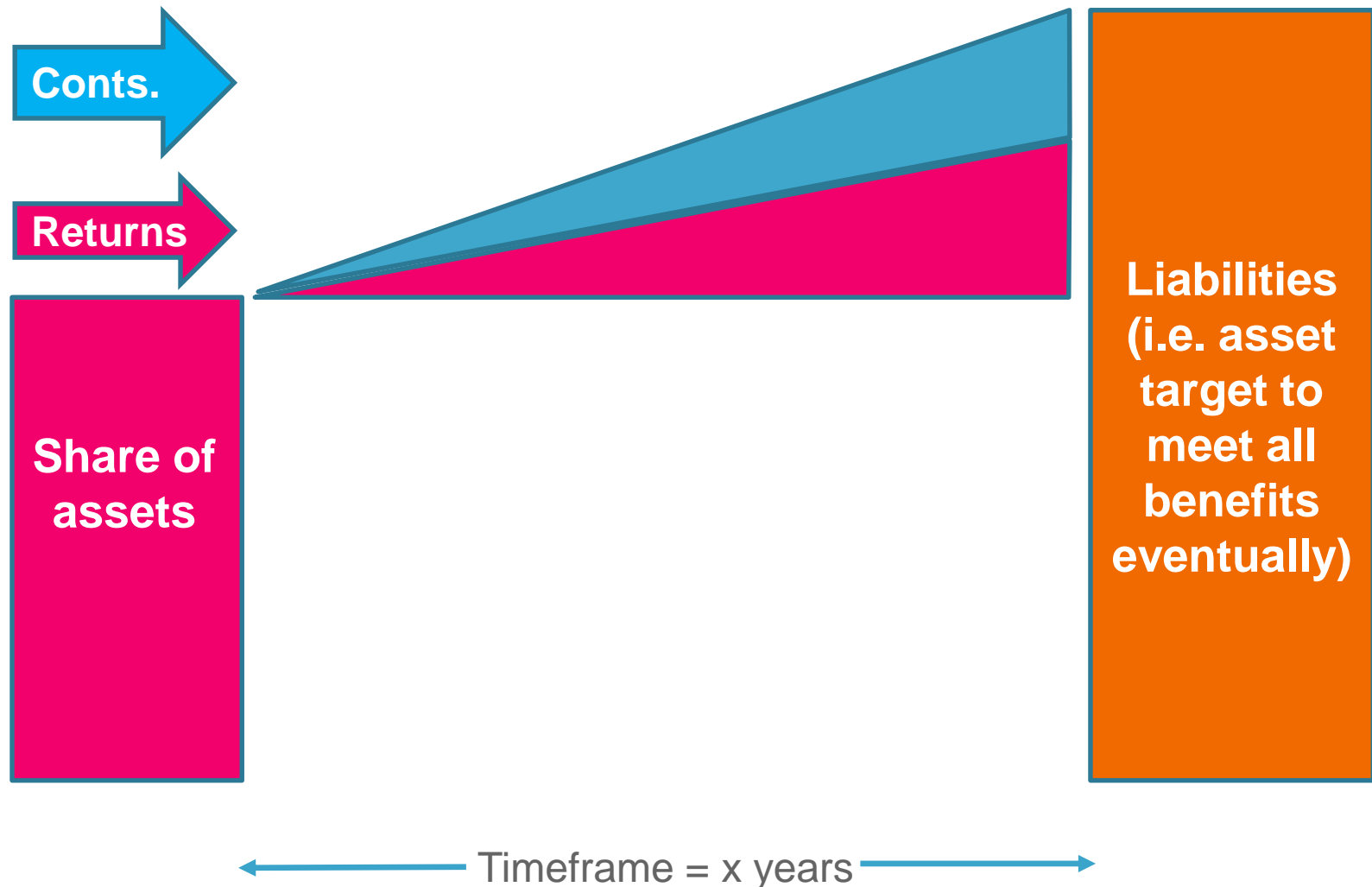


- Higher expected investment returns ...
- ... mean less cash cont's required from employers ...
- ... but also mean more risk to the Fund ...
- ... so we need to factor in strength of employer covenant.

# How to set a credible funding plan

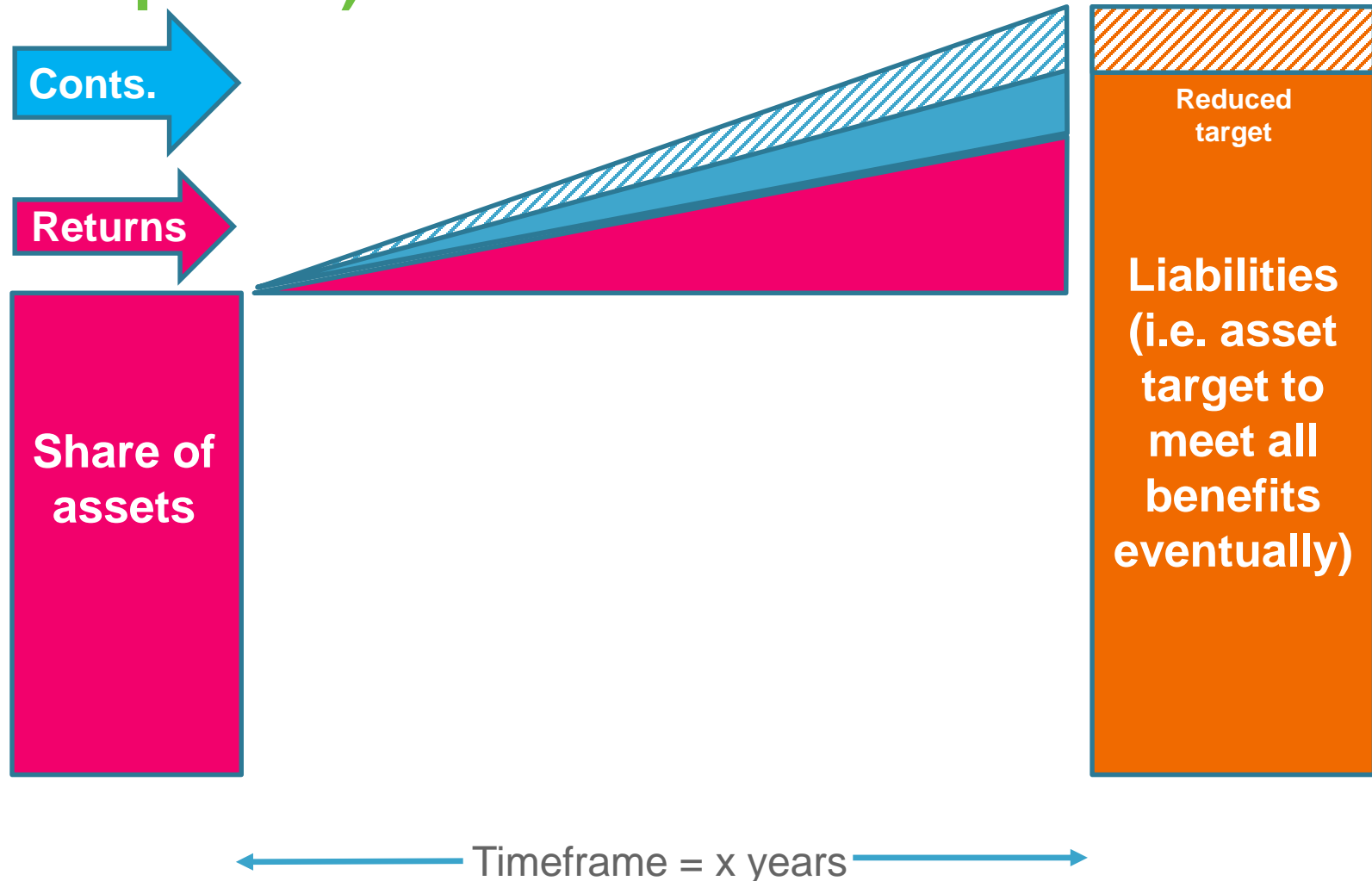
Feature	Implications for funding strategy
Security	(eg charge on employer asset) Will allow greater flexibility around term of deficit recovery
Maturity	More mature employer = higher % payroll required (therefore better to pay deficit as £)
Term	Contractors aim to be fully funded by end of contract term
Planning to exit?	If a non-contractor is heading for cessation, then plan conts accordingly
Open or closed?	If closed to new entrants then allow for ageing of membership (usually higher conts)
Review triggers	Significant changes to employer or membership may trigger a review of conts
New employer	New employers will need starting assets and contribution rate calculated – how?

# In principle

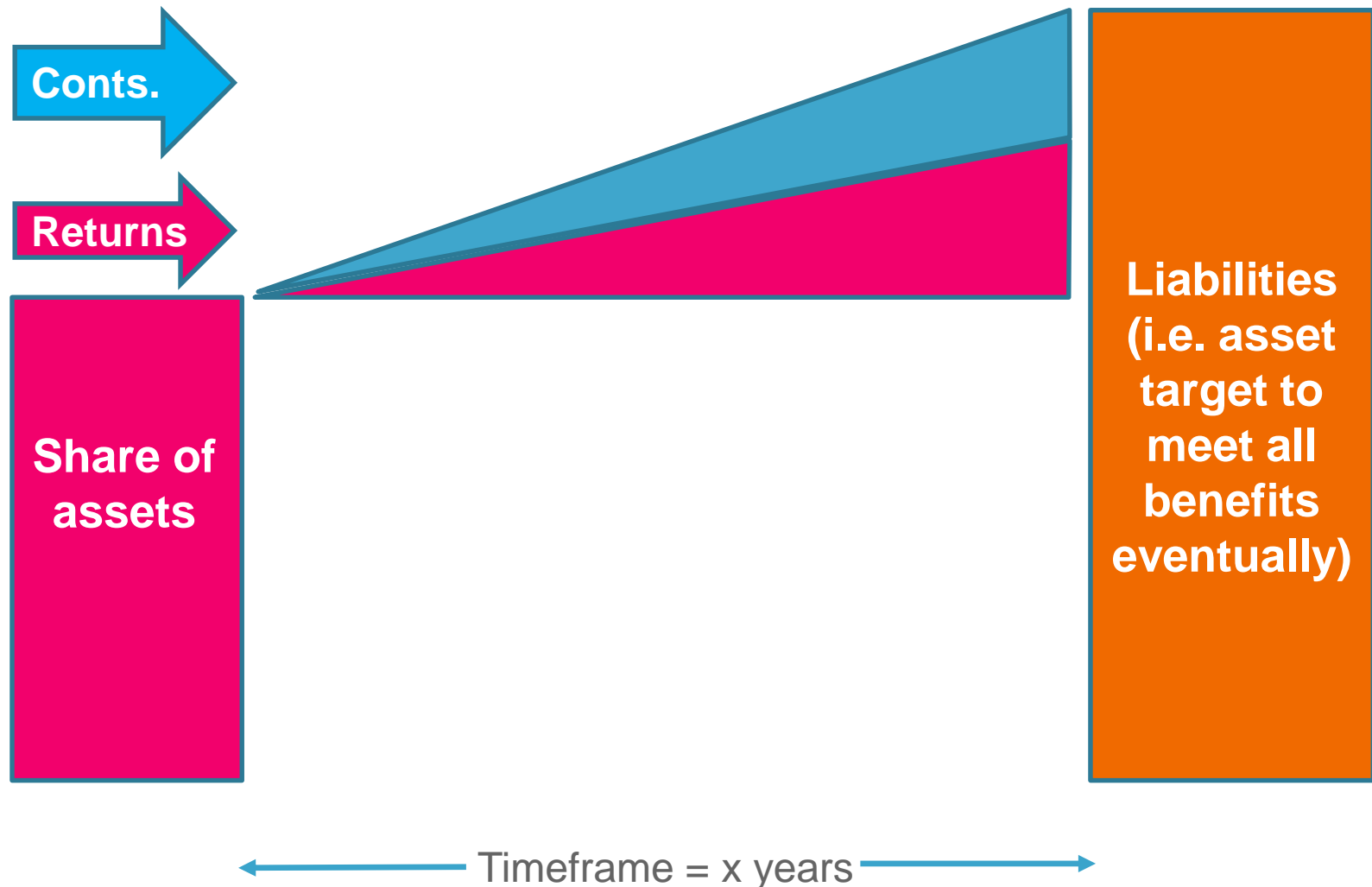




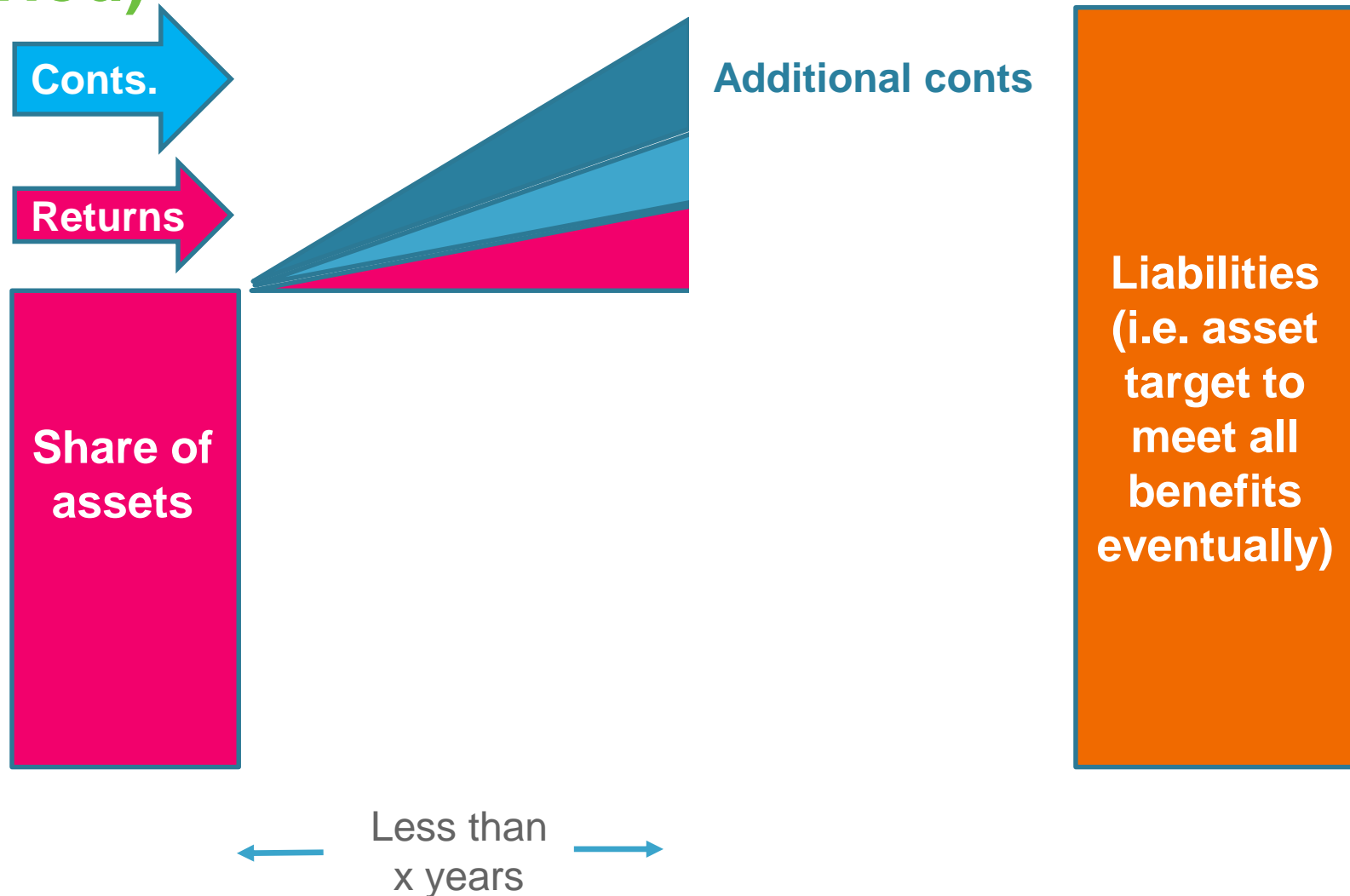
# 1. Varying the target (eg altered assumptions)



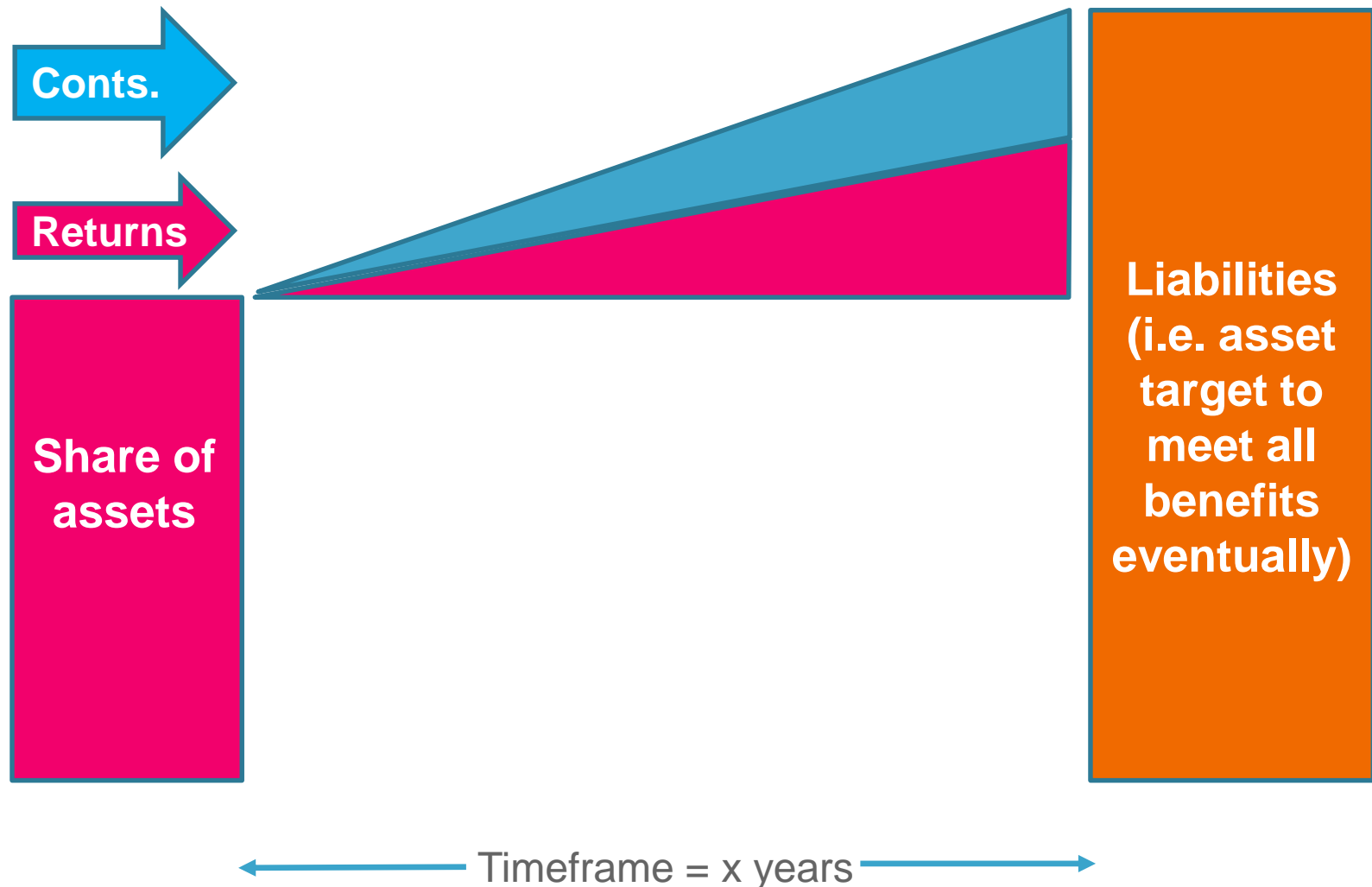
# In principle



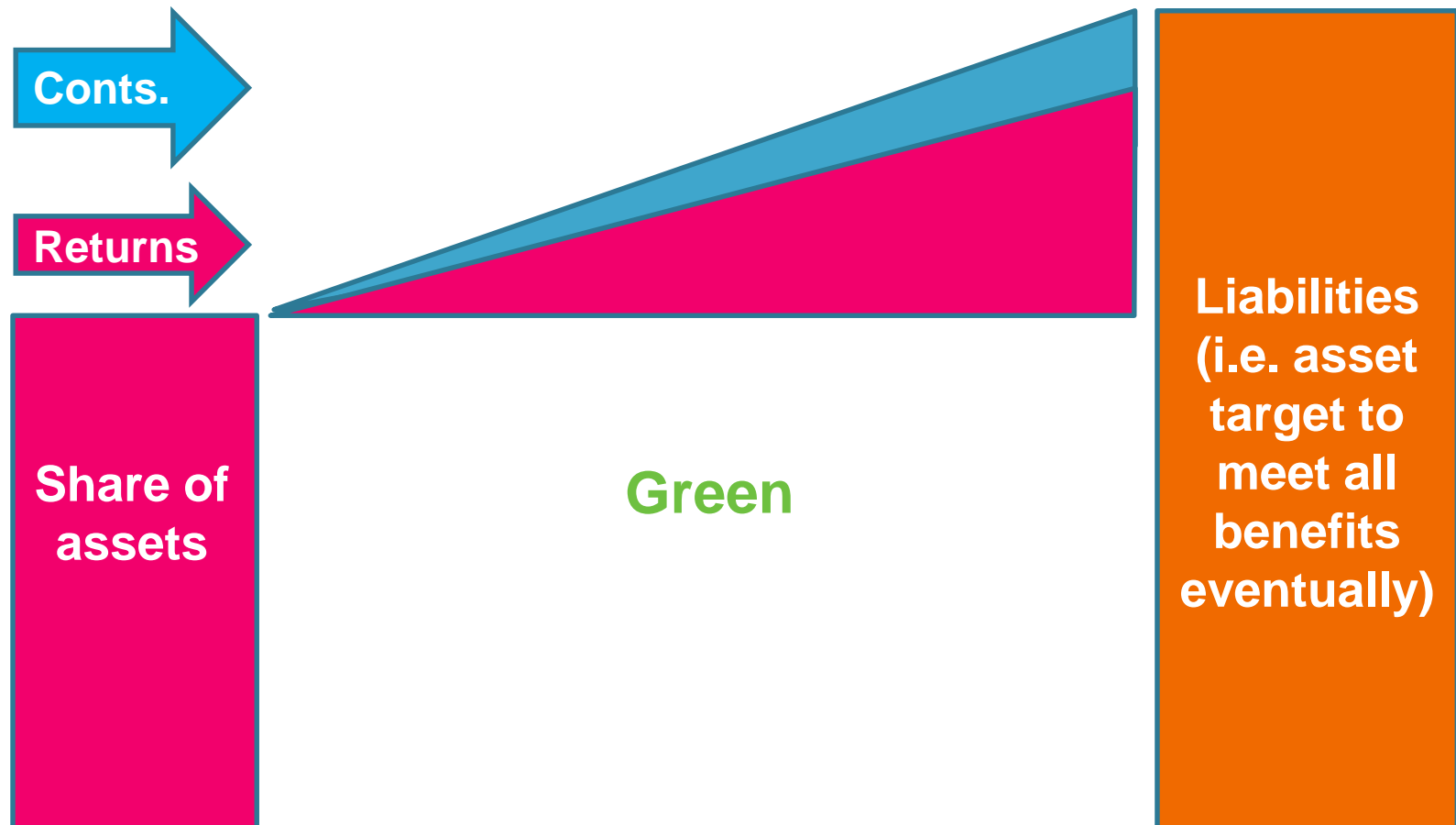
## 2. Varying the timeframe (deficit recovery period)



# In principle

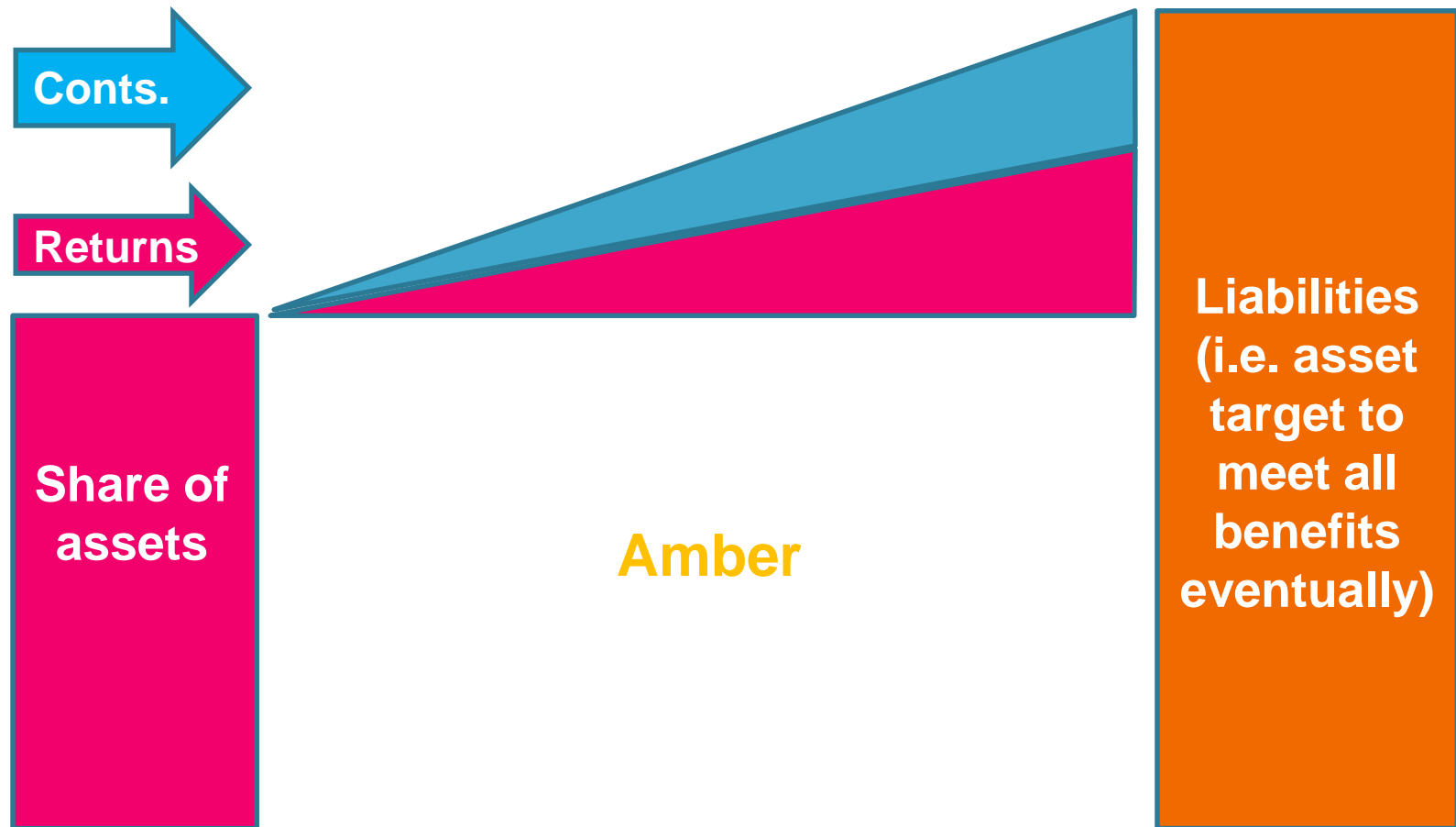


### 3. Varying the risk/probability - Green



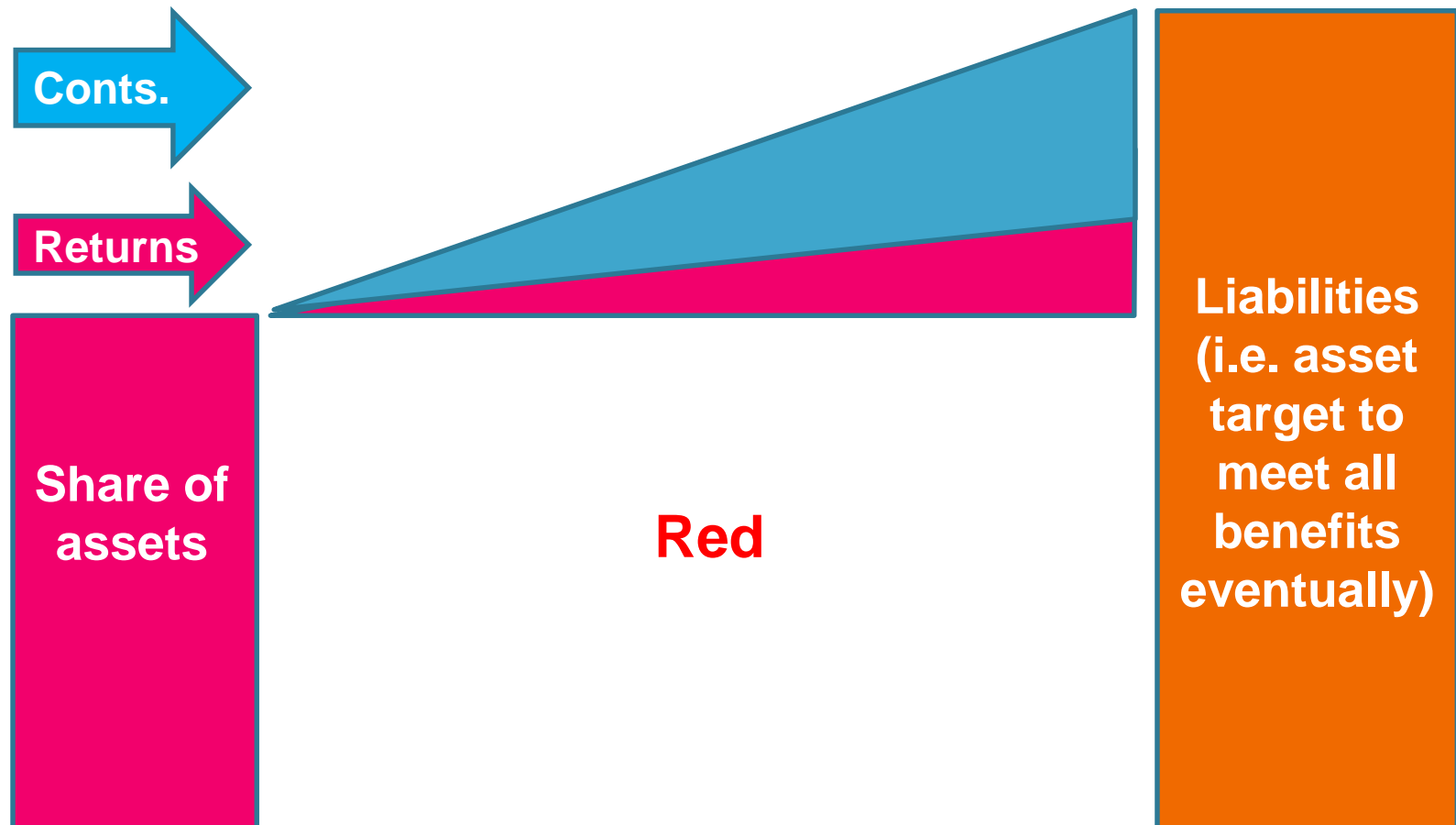
Employer profile links to contributions

### 3. Varying the risk/probability - Amber



Employer profile links to contributions

### 3. Varying the risk/probability - Red



Employer profile links to contributions

## What you need to look out for





## Concerned about contribution levels?

- Your obligation to current and former employees (and their dependants)
- Remember: cash conts generate investment returns, i.e. reducing your future cash cont obligations
- Enter into early discussions with Officers re:
  - Timing of contribution rises?
  - Suitable term of deficit recovery?
  - Provide security / guarantor?
- Relaxation in contributions requires the Fund to protect the other employers – “*quid pro quo*”

# Understanding what changes your deficit (or your rate)



Salary increases

Contributions

Workforce restructuring



Outsourcings

Ill health retirements

**Your actions have a reaction in your pension costs**

# FSS consultation with all employers in 2016

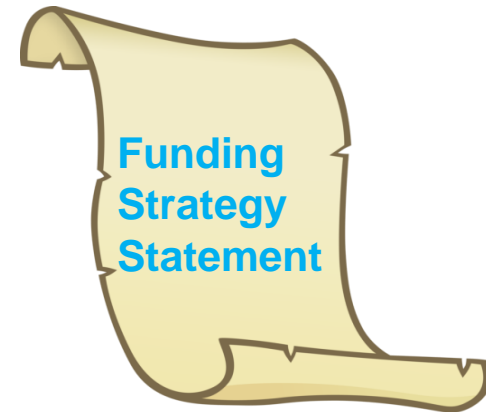
## ➤ Purpose

- establish a clear and transparent fund-specific strategy,
- how contributions are set for different types of employer,
- how contributions vary in different circumstances.

## ➤ Consider

- strength of employer covenant
- funding risks and controls
- inter-valuation monitoring

## ➤ What does it mean for you?



# 2016 valuation: what you need to do



- Speak to the LGSS team
  - Change in open/closed status
  - Affordability of contributions
  - Change in business/outsource
  - Exit planning
- Ensure all data provided is correct and up to date
- Watch out for communications
- Look out for Funding Strategy Statement (FSS) consultation

# The scrutiny on the Fund is greater than ever



HM TREASURY



Public Service Pensions  
(Record Keeping) Regulations

The Pensions  
Regulator

Governance and administration of  
public service pension schemes



Local Pension Board



Scheme Advisory Board



# Reliances and Limitations

This presentation :

- is addressed to the Cambridgeshire County Council as Administering Authority and not for the purposes of advice to any other party; Hymans Robertson LLP makes no representation or warranties to any third party as to the accuracy or completeness.
- discusses the current issues in the LGPS and was prepared purely for illustration to employers. Hymans Robertson LLP accepts no liability for any other purpose of this presentation.
- does not constitute advice to any employer. Employers are encouraged to speak to the Fund officers and /or seek independent advice before making material decisions.