



SHROPSHIRE COUNTY
PENSION FUND



Welcome



James Walton

Director of Finance, Governance and Assurance
(Section 151 Officer)
Scheme Administrator

→ Agenda

9:00am	Registration and refreshments	
9:30am	Welcome and introduction	James Walton, Scheme Administrator
	Pension administration update	Debbie Sharp, Pensions Administration Manager
	Latest LGPS news	John Livesey, Fund Actuary
10:45am-11:15am	Break with refreshments	
	2019 Valuation Results	John Livesey, Fund Actuary
	Initial results provided to employers and questions	
13:00pm	Close	

This meeting is being filmed and will be available to watch on the Fund's website



SHROPSHIRE COUNTY
PENSION FUND





SHROPSHIRE COUNTY
PENSION FUND

A large, stylized tree graphic with a grey trunk and branches, and a canopy of overlapping circles in various shades of blue and teal. The text 'Pensions Administration Update' is overlaid on the tree's canopy.

Pensions Administration Update

Debbie Sharp

Pensions Administration Manager

→ What we've done over the last twelve months

Valuation

- Valuation data submitted on time and minimal data queries from the actuary
- Year-end completed
- Thank you!

Annual benefit statements

- Issued on time

Data items received

198,230 contribution postings

409,202 pay data postings

6,049 notification of starters

5,182 notifications of leavers

602 retirements



Ongoing challenges

- More complex scheme design – different rules across different periods of membership
- More data to hold and check – CARE benefits
- Helping members understand the scheme
- Liaising with more employers and small and varied payroll providers
- Ensuring we don't hold unnecessary data

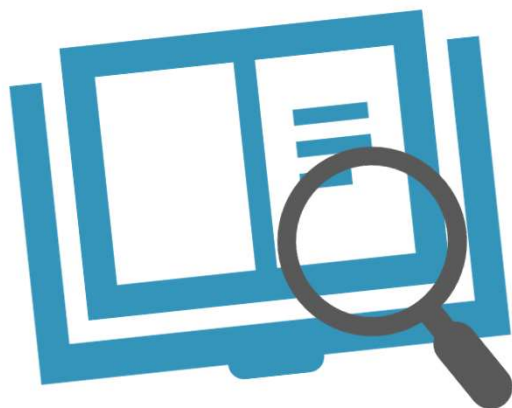


→ This time last year...

- Academy treatment in LGPS was being reviewed
- Exit payment reform and fair deal being talked about
- Scheme valuations and cost management process being looked at by the Scheme Advisory Board and HM Treasury
- McCloud case in early stages



→ One year on... same challenges



Consultation	Stage	Key dates
Academy treatment in LGPS	Still being reviewed	Ongoing review
Exit payment cap	Consultation now closed and awaiting response	Not likely before 1 April 2020
Fair deal	Consultation closed	Ongoing
Scheme valuation and cost management process	Paused	Paused
McCloud/Sargent case	MHCLG looking into actions for employers	Ongoing

→ Not to mention...

- Completed another data quality review
- GMP reconciliation project
- Introduced a member address tracing/mortality screening service
- Security of data – how we receive it and send it



→ McCloud – implications for employers

No decisions yet



Early stages for a remedy, when or who will be affected

Possible remedy



The remedy could involve extension of underpin to members who aren't currently offered protection

Employer action



To assess this, a full history of part time hours changes and service break information from 1 April 2014 is needed

Important



Hours and service break data should be kept for pre 2014 members.

Forms available on website

→ Retention policy Are you keeping the data we need?



Local Government Association (LGA) put together a policy for employers to use with GDPR in mind

Sets expectations of LGPS employers participating in the fund about the retention of personal data.



Details what factors employers should take account of when determining what data retention period to adopt



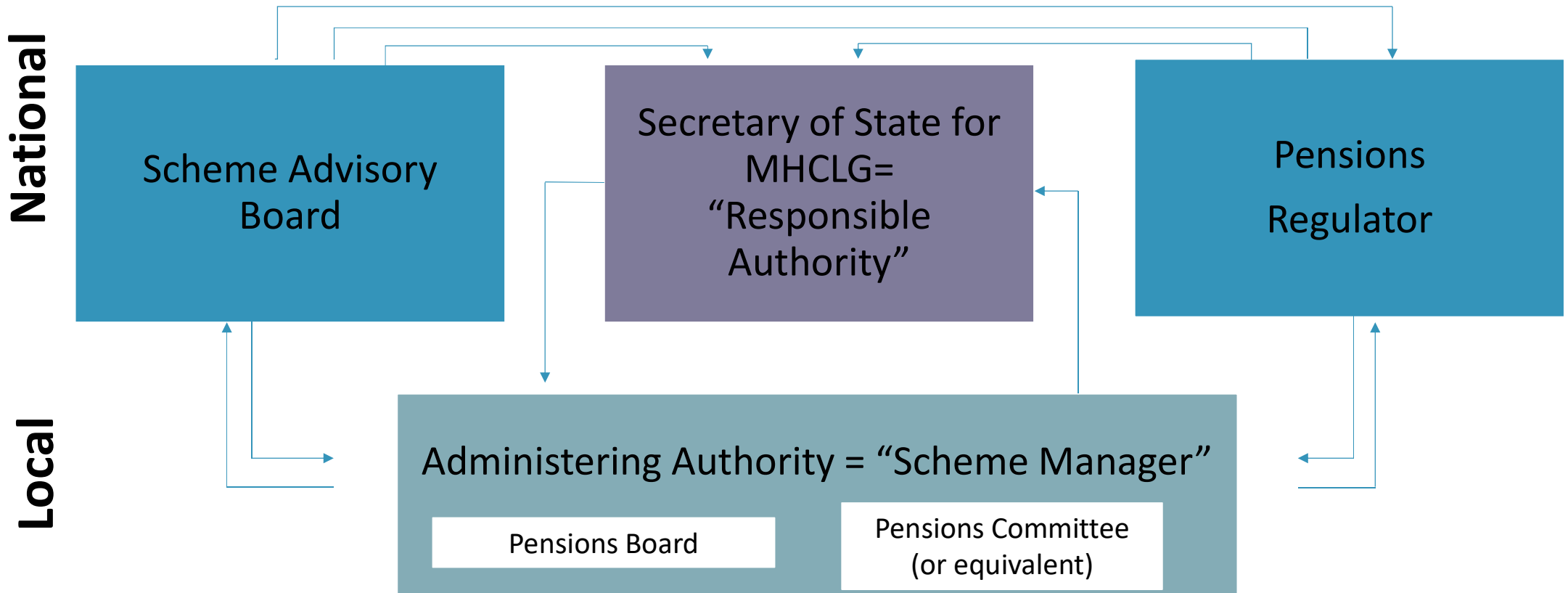
Explains that legal requirements may change where the fund must recalculate benefits – **exactly the circumstances we're in now**



- If you haven't already been providing this – data may be needed for your members
- Do not dispose of relevant data



→ LGPS Governance Structure



→ Get to know your pension board



Mike Morris (Chair)



John Hall



Philip Ingle



Liz Furey



- Set up on 1 April 2015
- Same time as the Pensions Regulator and given oversight of the scheme



- Equal number of member and employer representatives
- They're representing you!



Responsible for assisting and securing compliance with:

- scheme regulations
- other governance and administration legislation
- any requirements of The Pensions Regulator
- additional matters, if specified by scheme regulations

Contact details:

pensionsboard@shropshire.gov.uk



What we need from you

- Regulation 80 of the LGPS (England and Wales) regulations 2013 states:
A scheme employer 'must give that authority such other information as it requires for discharging its scheme functions'
- We have a pensions administration strategy which sets out responsibilities and consequences
- We collect data monthly to save time at year end and pick up any potential issues throughout the year
- Data you give us feeds directly into the pension administration system – members can check benefits, annual benefit statements are produced and year-end can be reconciled.



→ Two-way approach

Employers:

- Provide the information we ask for
- Have awareness of the terms of employer agreements
- Abide by contract / obligations under regulations
- Manage HR / payroll systems to provide LGPS data
- Provide accurate data and on time

The Fund:

- Follow scheme regulations, rules and requirements when calculating benefits
- Have awareness of terms of employer agreements
- Have clear, robust, published processes / deadlines / communications
- Have a dedicated helpdesk providing member/employer support
- Follow through on non-compliance
- Understand material breach of law reporting requirements



➔ Reasons why we enforce this



The Pensions Regulator extended role from April 2015



'Scheme managers should undertake an annual data review and put in place an improvement plan where they identify issues' - **Data improvement is a continuous process, not a one-off exercise!**



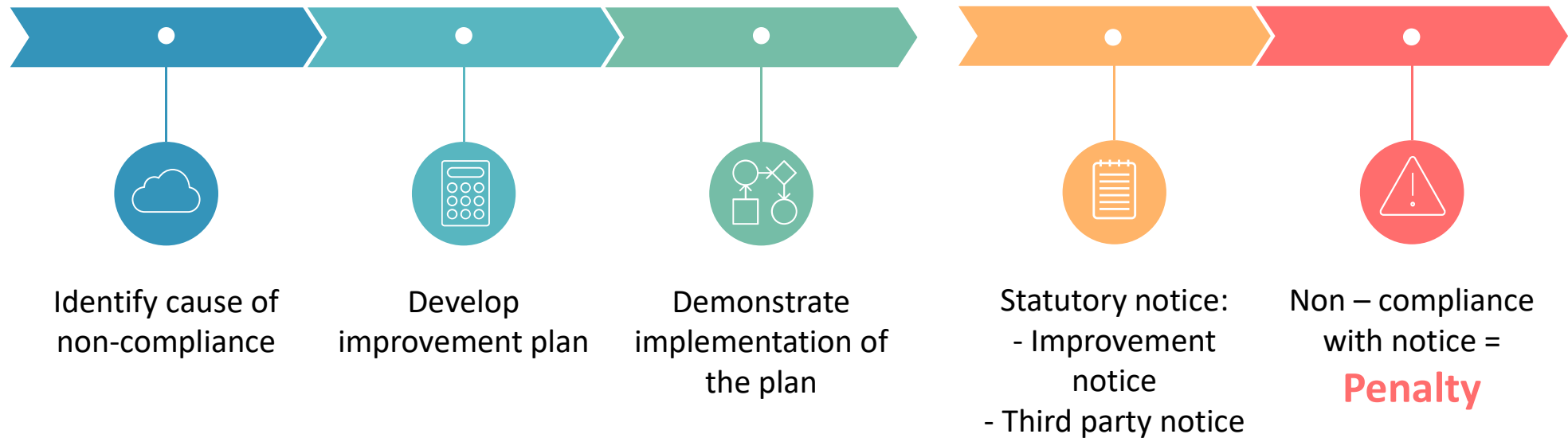
Poor data integrity has a real impact on members - accurate records are key



Data should be well managed day-to-day to make sure it's accurate and complete

→ TPR powers – if legal requirements are not met

Primary focus = **educating and enabling** schemes to **improve standards** of governance and administration and **comply with legal requirements**



→ Things still go wrong...



Staff changes
or new systems



Assumed
pensionable pay not
worked out correctly
when staff on no pay



Late decision
making in
appeal
situations



Member dies – no
admission agreement
signed following
outsourcing



Not
understanding
the cost of the
benefit
awarded






Not keeping
data



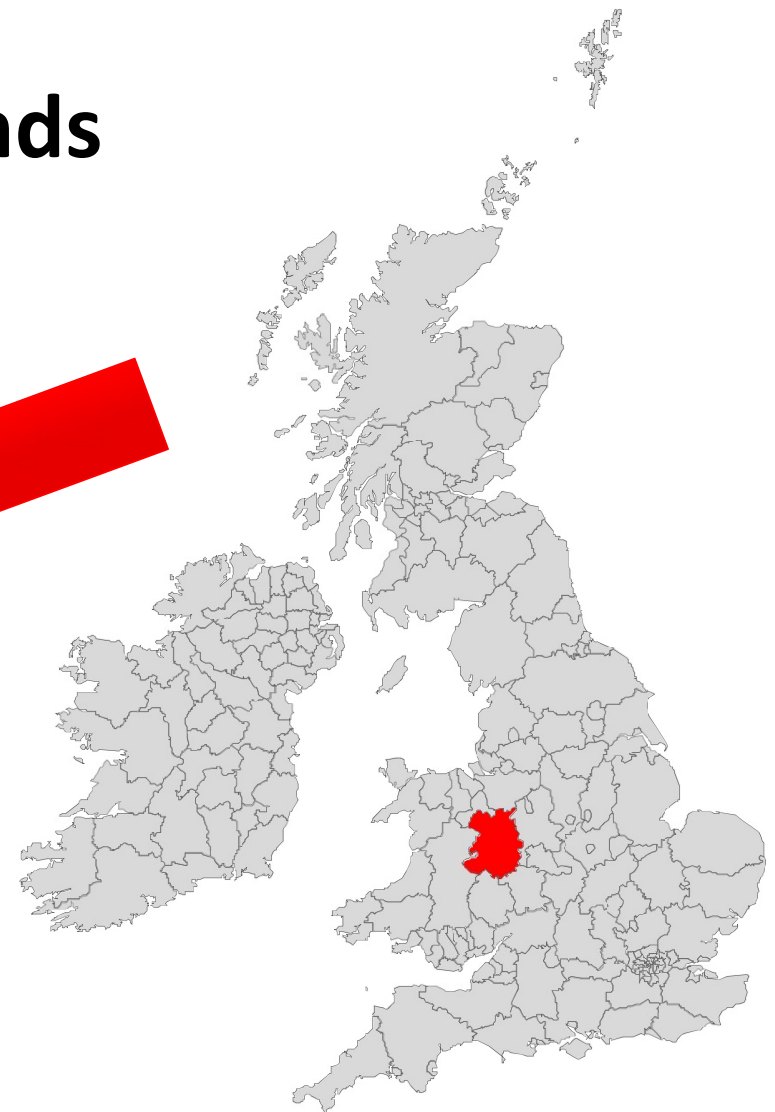
Extra work
becomes
chargeable..

→ TPR 'deep dive' on ten LGPS funds

The Pension Regulator flagged the following employer related issues:

-  **Contributions** – funds monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and not sending a breakdown of the amount paid.
-  **Third party providers** - payroll providers won't engage with a body it doesn't have an actual relationship with
-  **Change of payroll provider** – where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier

All happened in Shropshire





Recording and reporting breaches

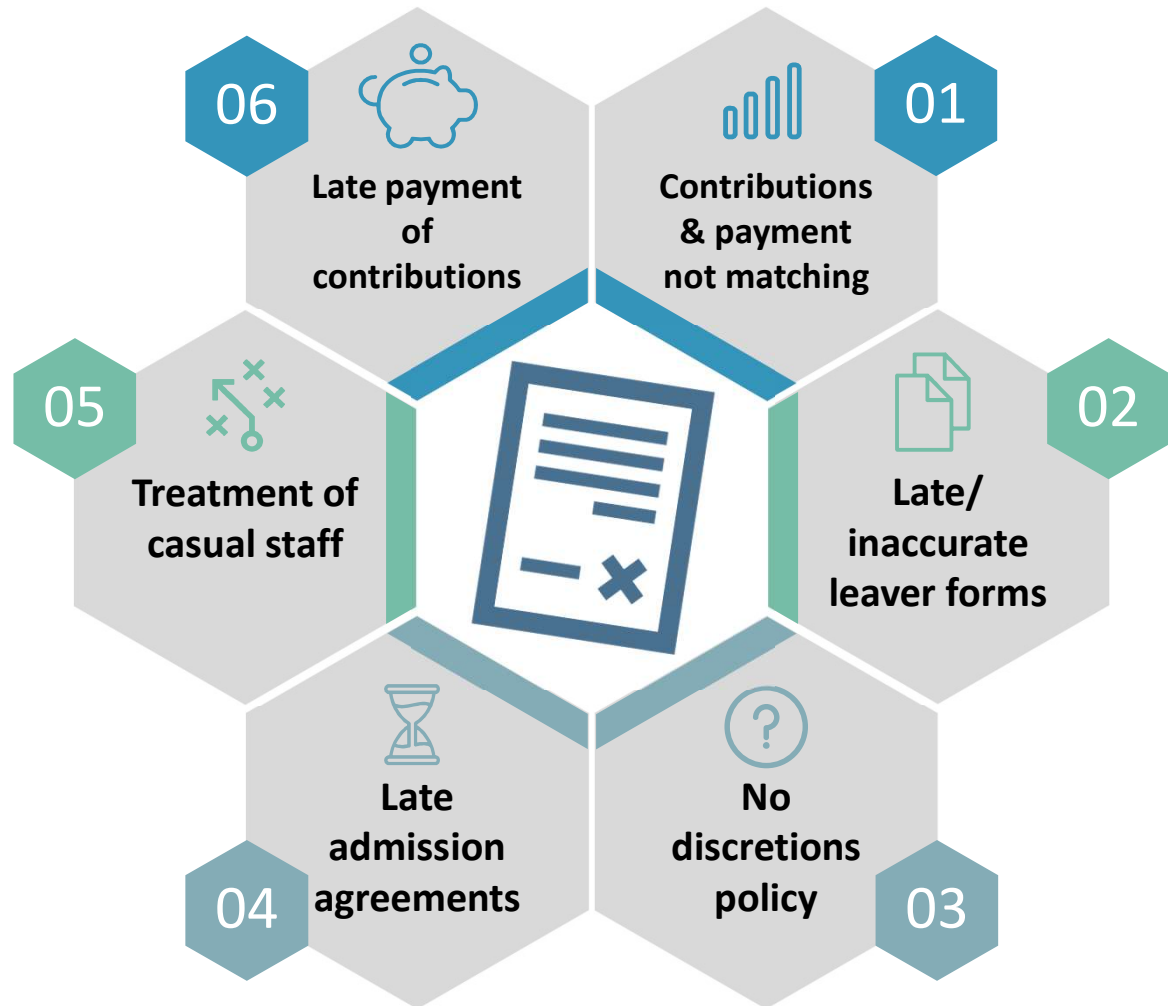
- Neil Wilson from TPR presented at last years meeting...
- TPR must be informed where the breach is likely to be of 'material significance'
- Cause, effect, reaction to and wider implications of the breach considered
- We **record** everything to spot patterns/deal with issues early on:
 - Lots of small problems adding up?
 - Resource issue?



Employer Meeting 2018



→ Common reoccurring breaches



→ Training

SHROPSHIRE COUNTY PENSION FUND

HOME ABOUT US EMPLOYER FIREFIGHTER

Employer > Employer's guide

Employer's guide

These pages are for employer use only. Member information can be found on the [home page](#).
Welcome to the Shropshire County Pension Fund's employers' guide.
You'll find lots of important information here, including information about your roles, responsibilities and processes. You should also read our administration strategy which describes your responsibilities as an employer the fund.

- Introduction and overview of employer responsibilities »
[For more information >>](#)
- Managing employer and member contributions »
[For more information >>](#)
- Absences and changes affecting scheme members »
[For more information >>](#)
- Processing leavers and retirements »
[For more information >>](#)
- Requesting information »
[For more information >>](#)
- Appeals (Internal Dispute Resolution Procedure) »
[For more information >>](#)
- Transfer of staff »
[For more information >>](#)

Latest News

- Employer meeting 2019- Two weeks to go
- Update contacts and signatories in your organisation
- Employer meeting 2019
- Do you employ any casual or time-sheet staff?
- Latest news on McCloud judgement

Related Pages

- Homepage
- Forms and guidance library
- Fund strategies, policies and statements

- Check out our website for forms and guidance
- Links to statutory guidance



Training for new staff or existing staff?
Can request an on-site visit

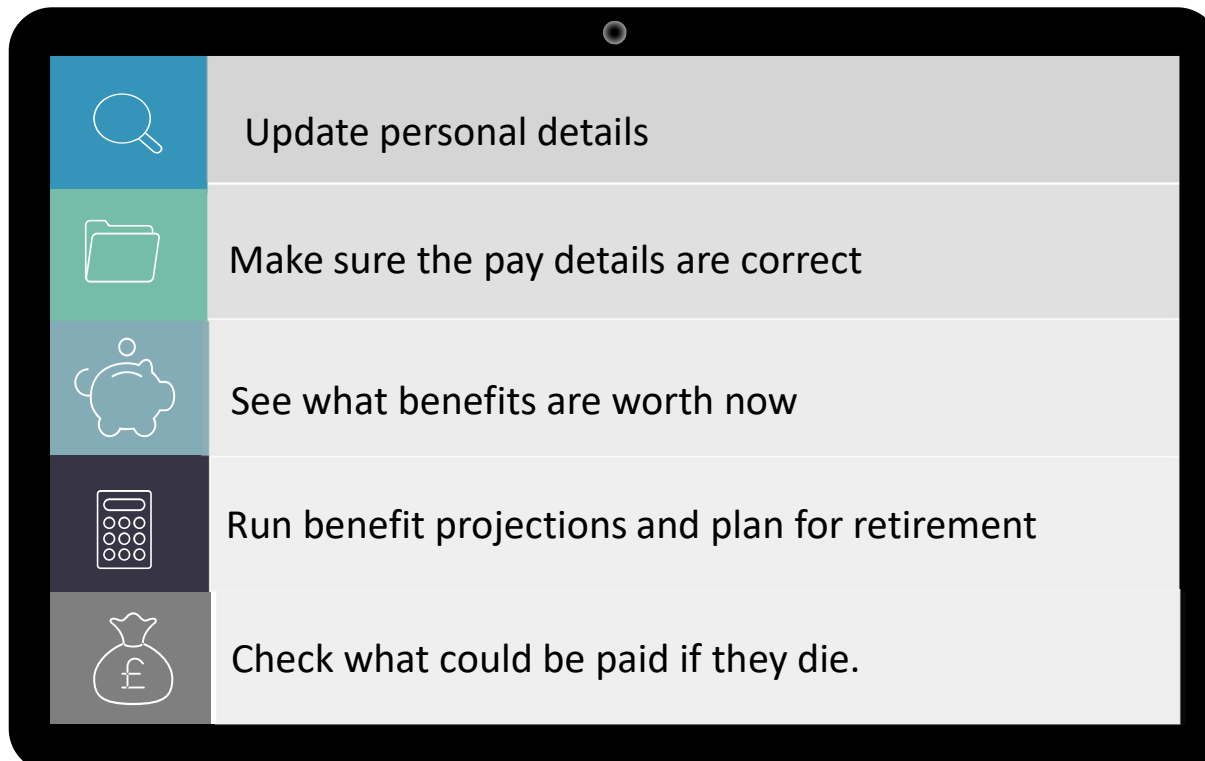


Date for your diaries:

22 January 2020 – employer webinar on ‘basics’ of LGPS



My Pension Online



You'll find the % number of staff registered for 'My Pension Online' from your organisation **on the back of your name badge**

- Can you help with take up?
- Do your staff understand the importance of the scheme?





Questions?

HEALTH WEALTH CAREER

SHROPSHIRE COUNTY PENSION FUND

CURRENT NATIONAL ISSUES

NOVEMBER 2019

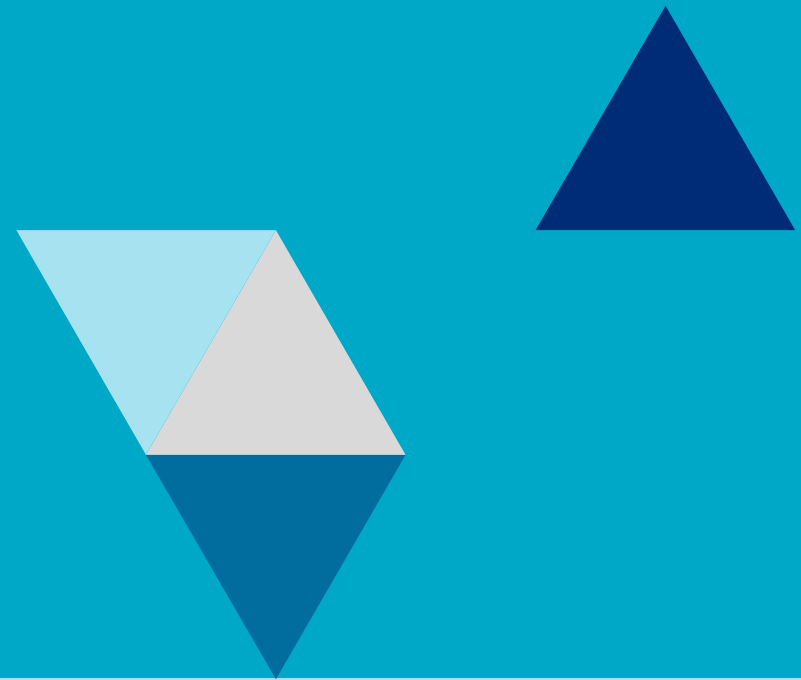
MAKE TOMORROW, TODAY



AGENDA



COST CAP AND MC CLOUD



COST CAP – RECAP

- With the introduction of the 2014 scheme, Government introduced a cost cap process – benefits would change if costs moved outside of a given range
- However, the mechanism only considered “member” costs – life expectancy, salary increase, while excluding other costs, such as investment performance / economic conditions...
- ...and while designed to limit costs, on first review it actually produced an increase in benefits!
- To increase the overall value of benefits in line with the cost cap requirements a range of benefit improvements were proposed:
 - ✓ Removal of lowest ill-health tier
 - ✓ Improved death benefits
 - ✓ Enhanced early retirement factors
 - ✓ Some reduction in member contributions

Net cost increase **0.5%** of pay

SCPF **£1.2m** pa

Employer cost **0.9%** of pay

SCPF **£2.1m** pa

MC CLOUD – WHAT IS IT?



The case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform.



On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.



If the protections are unlawful then those members who are found to have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members



Such remedies will need to be 'upwards' - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.



Whilst the case was in relation to the judges and firefighters schemes, the principles are accepted to apply to all public sector schemes

MC CLOUD – IMPACT FOR THE LGPS



Government has therefore agreed that, on the back of the McCloud judgment, LGPS benefits will need to be adjusted to remove potential age discrimination



Outcome to be agreed via tribunal – so the remedy, and resulting cost, is currently unknown



However, it is likely to feature an amendment to benefits accrued since 2014, and for benefits going forward

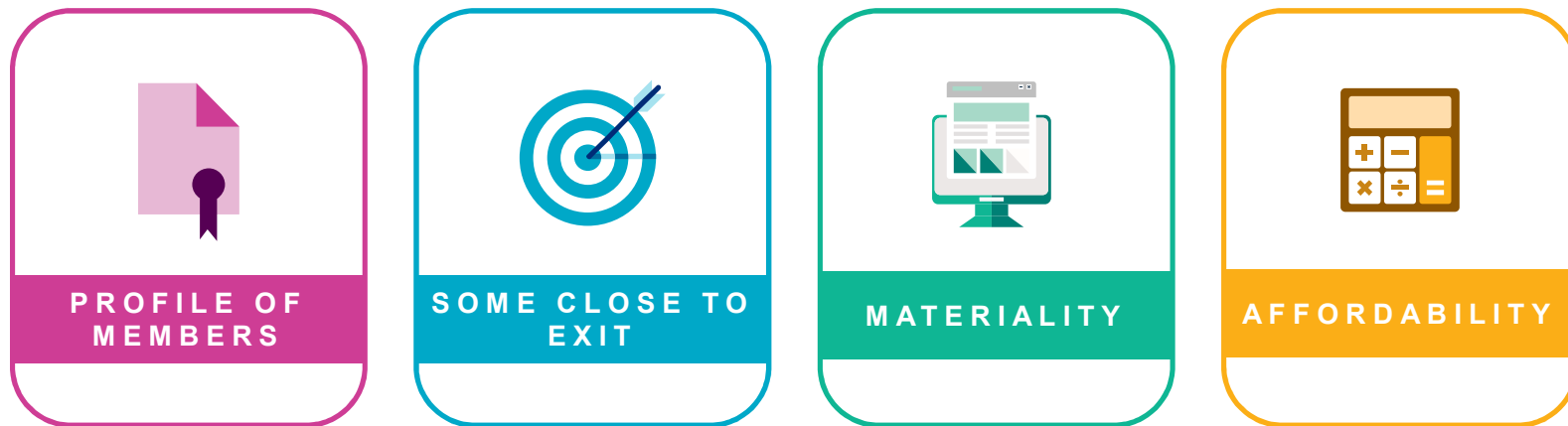


Remedy unlikely to be available in time to incorporate formally into the 2019 valuation results but SAB guidance is for funds to consider the risk and potential costs



Cost cap on hold pending the remedy – if costs exceed those required by the cap requirements then no further adjustment may be needed, but still some uncertainty on how the two will interact

MCLOUD – POTENTIAL IMPACT EVERY EMPLOYER IS DIFFERENT



COSTS WILL VARY SIGNIFICANTLY BY EMPLOYER

MCCLLOUD COSTS PROPOSED POLICY FOR EMPLOYERS



Employer funding positions and contribution rates will not include any allowance for McCloud costs, on the basis that these costs are uncertain at this time



However, estimates of the possible costs will be provided to employers. This is to ensure that employers are aware of the potential issue for budgeting and risk purposes.



Employers will be notified once the remedy is known. The Fund will review the potential costs, and will reserve the right to change contributions where it is deemed necessary



In practice, the Fund may choose not to change contributions in many cases, and review the costings as part of the next valuation



The exception to this may be higher risk employers, and those with a limited lifespan in the Fund

GOVERNANCE AND OPERATIONAL ISSUES



EMPLOYER RISK MANAGEMENT COVENANT



• **Security of the Fund**



• **Monitoring and targeted engagement**

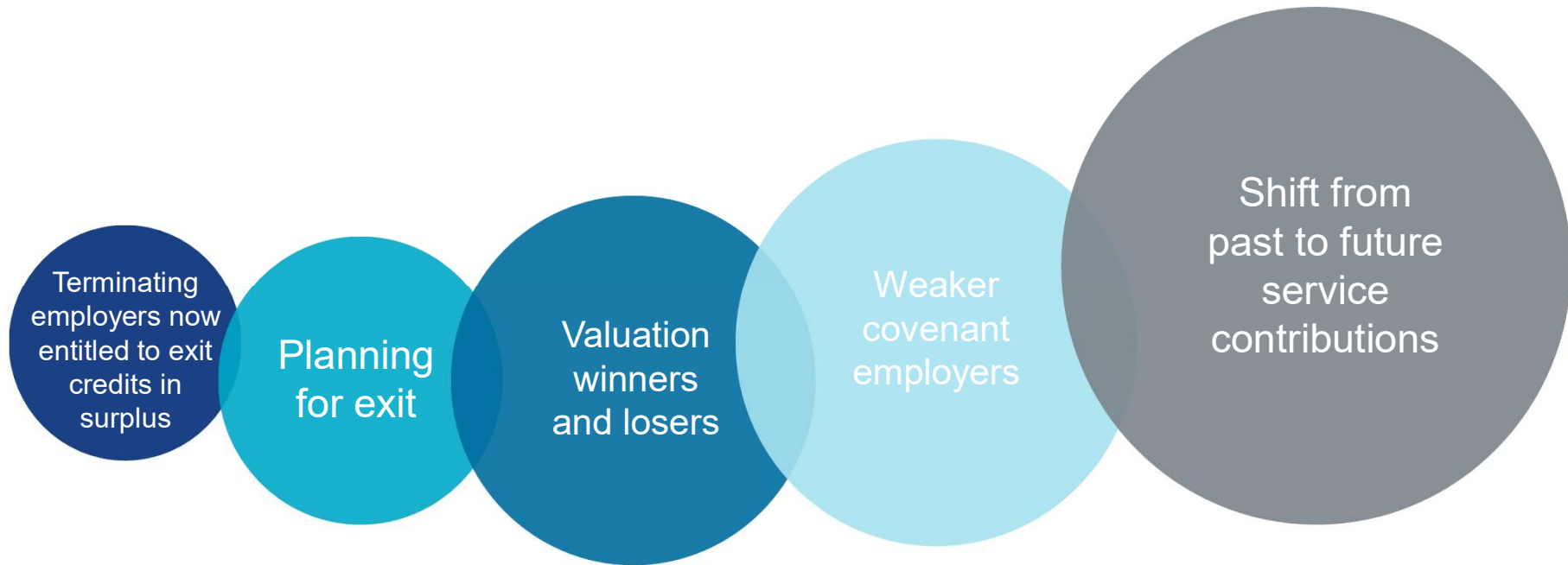


• **Increased certainty of contributions**



• **Increased stability of contributions**

TERMINATING EMPLOYERS & EXIT CREDITS



TERMINATING EMPLOYERS / EXIT CREDITS



**POLICY
REVIEWED**

Key distinction between employers with/without a guarantor

Appropriate treatment of exit credits

Fairness between employers


Protection of other Fund employers



ASSUMPTIONS

Move from least risk to corporate bond assumptions for non-guaranteed employers

Protects Fund & employers, but prevents employers becoming trapped by unmanageable deficits



McCloud

Instigated policy to include McCloud allowance on termination

Done on a “reasonable worst case” basis, to be corrected when the remedy is agreed

Protects Fund employers from potential costs



**EXIT CREDIT
RISK SHARING**

Look to put terminations with risk sharing on hold

Will protect Fund employers with outsourcings from unfair surplus refunds being paid

CONSULTATION ON 4 YEAR VALUATIONS



Released on 8 May 2019 and closed on 31 July 2019. Amends three-year valuation cycle to four-years from 2024.



Proposes an out-of-cycle valuation in 2022. Contributions from 2019 valuation will be set for 3 years to 2023. Contributions in 2022 valuation will then be set for 2 years to 2025.



Introduces a power for LGPS funds to undertake interim valuations (in full or in part). In addition, widens the power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations.



In addition

Introduction of a “deferred employer status”, further flexibility for exit payments, a review of the requirements to pay “exit credits” and potentially a significant change to further/higher education employers.

OTHER ISSUES



FAIR DEAL

“Fair Deal” is guidance – but Statutory rules for LGPS are provided by the Best Value Authorities Staff Transfers (pensions) Direction 2007 and the Welsh Authorities Staff Transfers Direction 2012

Protects pension provision for employees transferred on a compulsory basis to a new employer

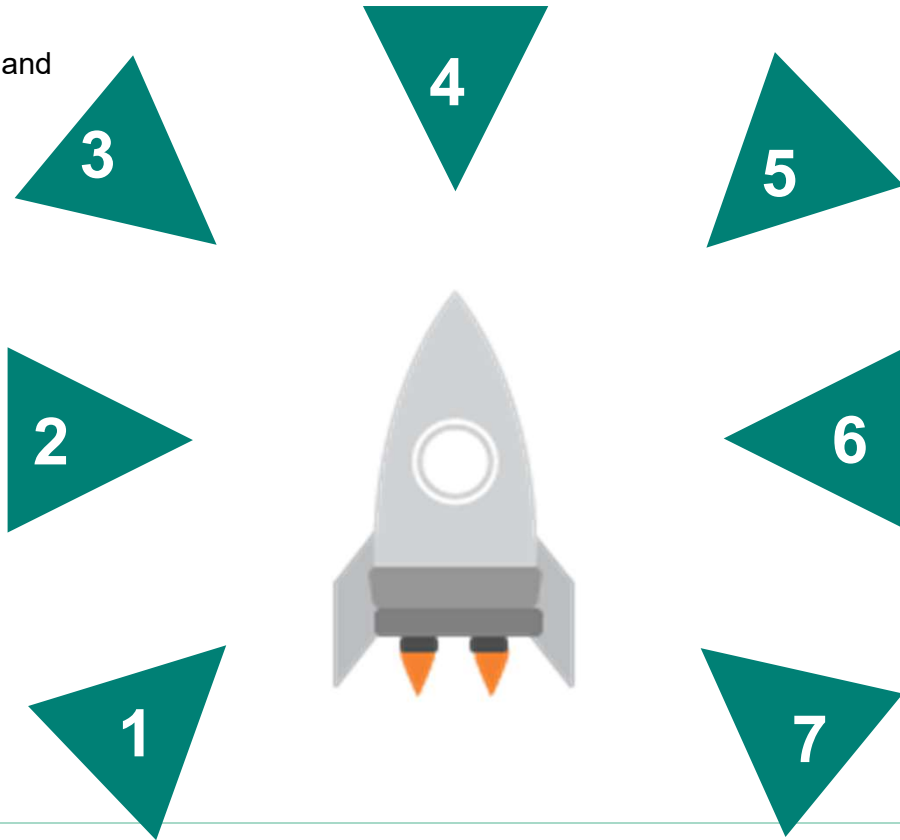
Fair Deal introduced in 1999 by HM Treasury and then updated (ie “New Fair Deal” in October 2013 effective from April 2015

The updated Fair Deal currently applies to central Government departments, the NHS, maintained schools (including academies) and other parts of the public service which are “controlled by ministers”

New contracts – employees can remain members of their existing public service scheme when their employment is transferred outside the public sector

Existing contracts – employees who had been compulsorily transferred out of the public service under Fair Deal may return to the public service pension scheme on retender

MHCLG currently considering how to achieve the new Fair Deal principles in local government – most recent consultation closed 4 April.



ALTERNATIVE DELIVERY MODELS NEW FAIR DEAL

**Option removed to
transfer staff from
LGPS**

A new “Protected
Transferee” category
Second generation
transfers back also

**Admission Body or
Deemed Employer?**

New “Deemed
Employer” route but
still have admitted
body option

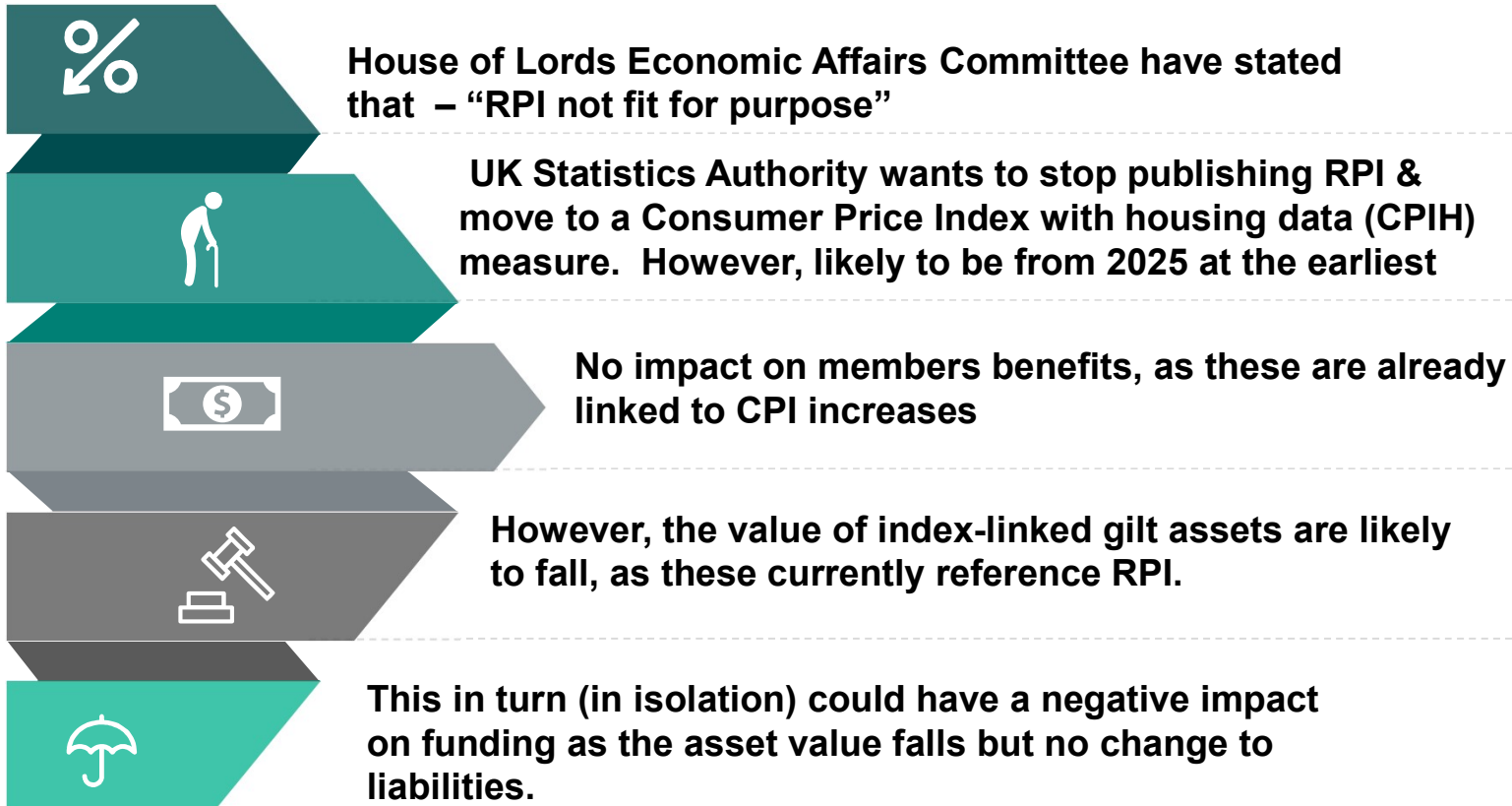
As a result...

Employer and Fund
policy needs to be
aligned

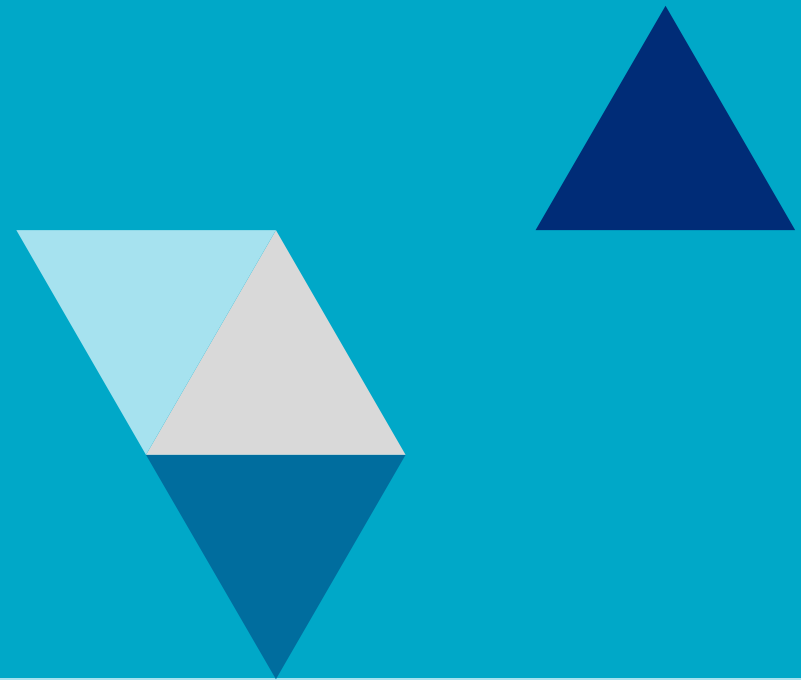
Record keeping
needs to be fit for
purpose

The consultation closed on 4 April 2019 and the outcome is awaited.

FUTURE OF THE RETAIL PRICE INDEX (RPI)



QUESTIONS?





MERCER

MAKE TOMORROW, TODAY



HEALTH WEALTH CAREER

SHROPSHIRE COUNTY PENSION FUND 2019 ACTUARIAL VALUATION

OVERALL RESULTS

NOVEMBER 2019



MAKE TOMORROW, TODAY

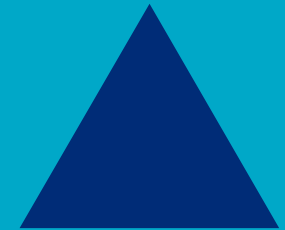


AGENDA

-
- 1** **WHERE HAVE WE BEEN?**
– a recap on 2016 and our existing funding strategy
 - 2** **WHERE ARE WE NOW?**
– the preliminary 2019 valuation results
 - 3** **WHERE WE ARE GOING?**
– key next steps for the 2019 valuation

WHERE HAVE WE BEEN?

– A RECAP ON 2016 AND OUR EXISTING FUNDING STRATEGY

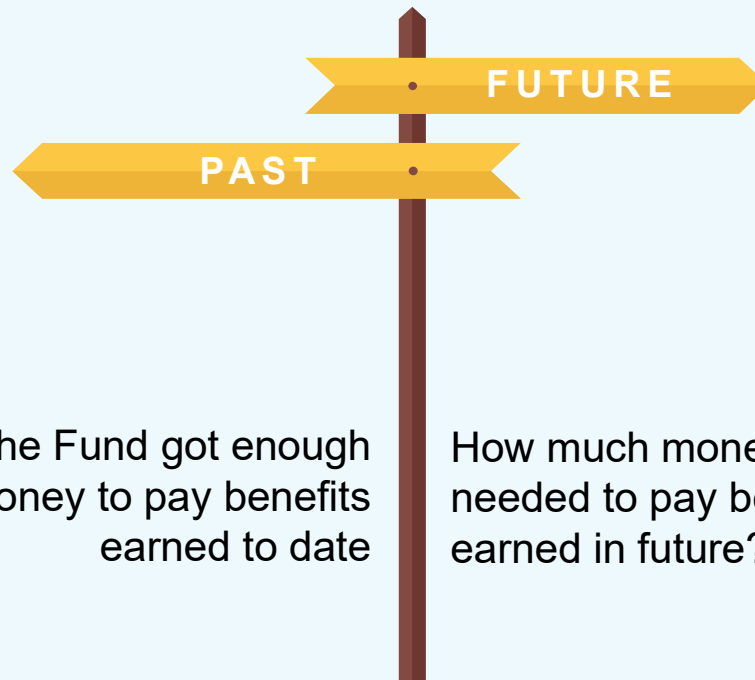


PURPOSE OF AN ACTUARIAL VALUATION

WHY DO A VALUATION?



Regulations say you have to...

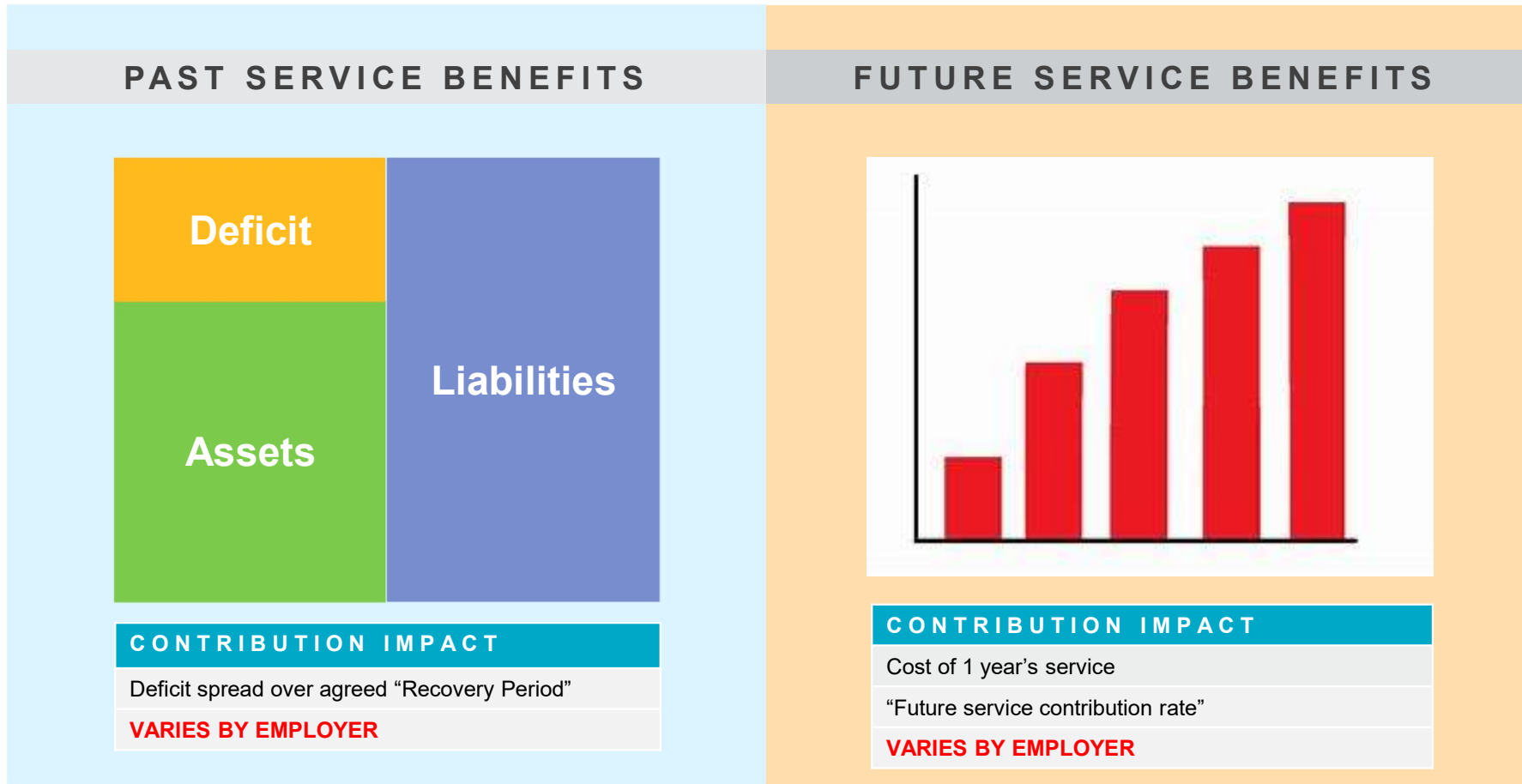


Has the Fund got enough money to pay benefits earned to date

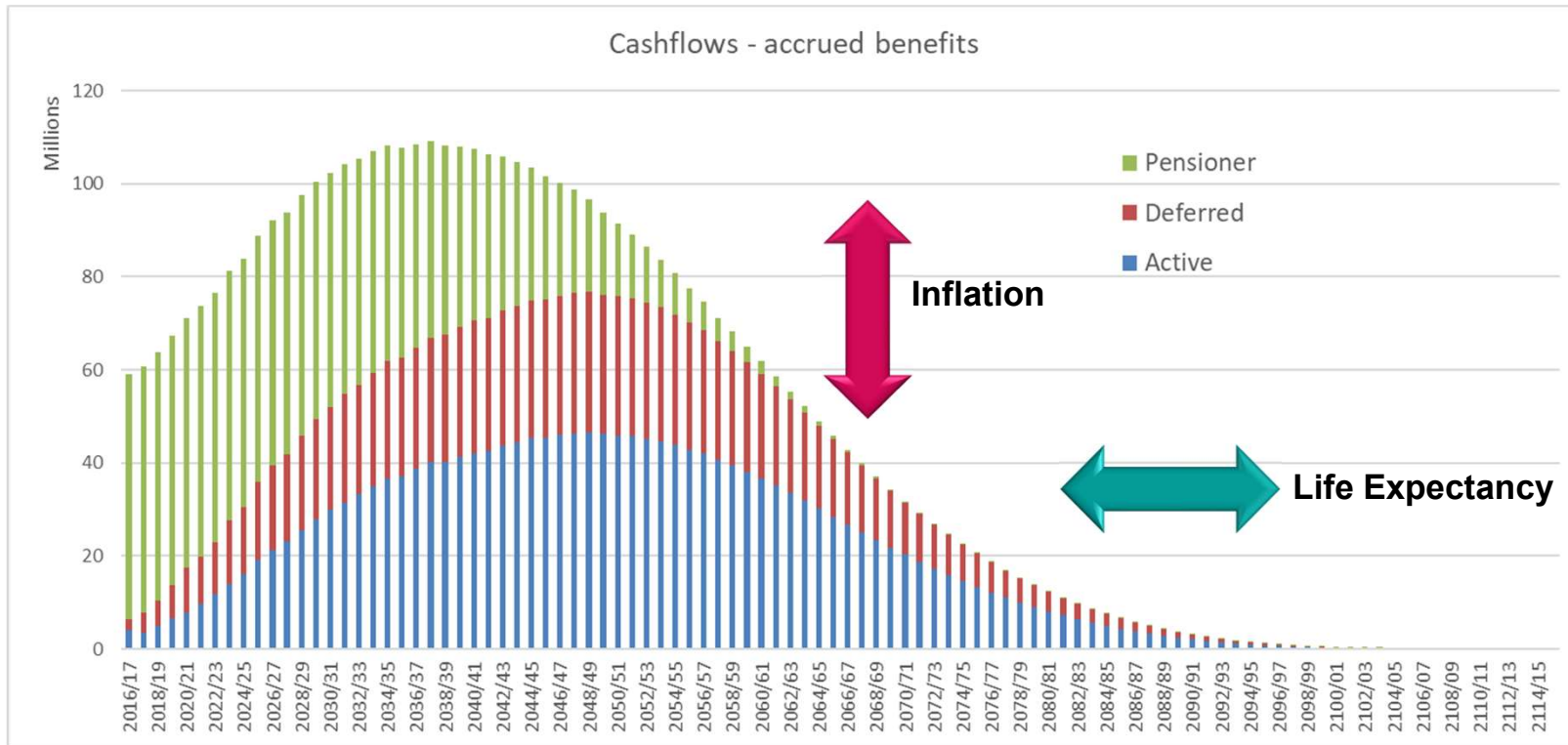
How much money is needed to pay benefits earned in future?

PURPOSE OF AN ACTUARIAL VALUATION

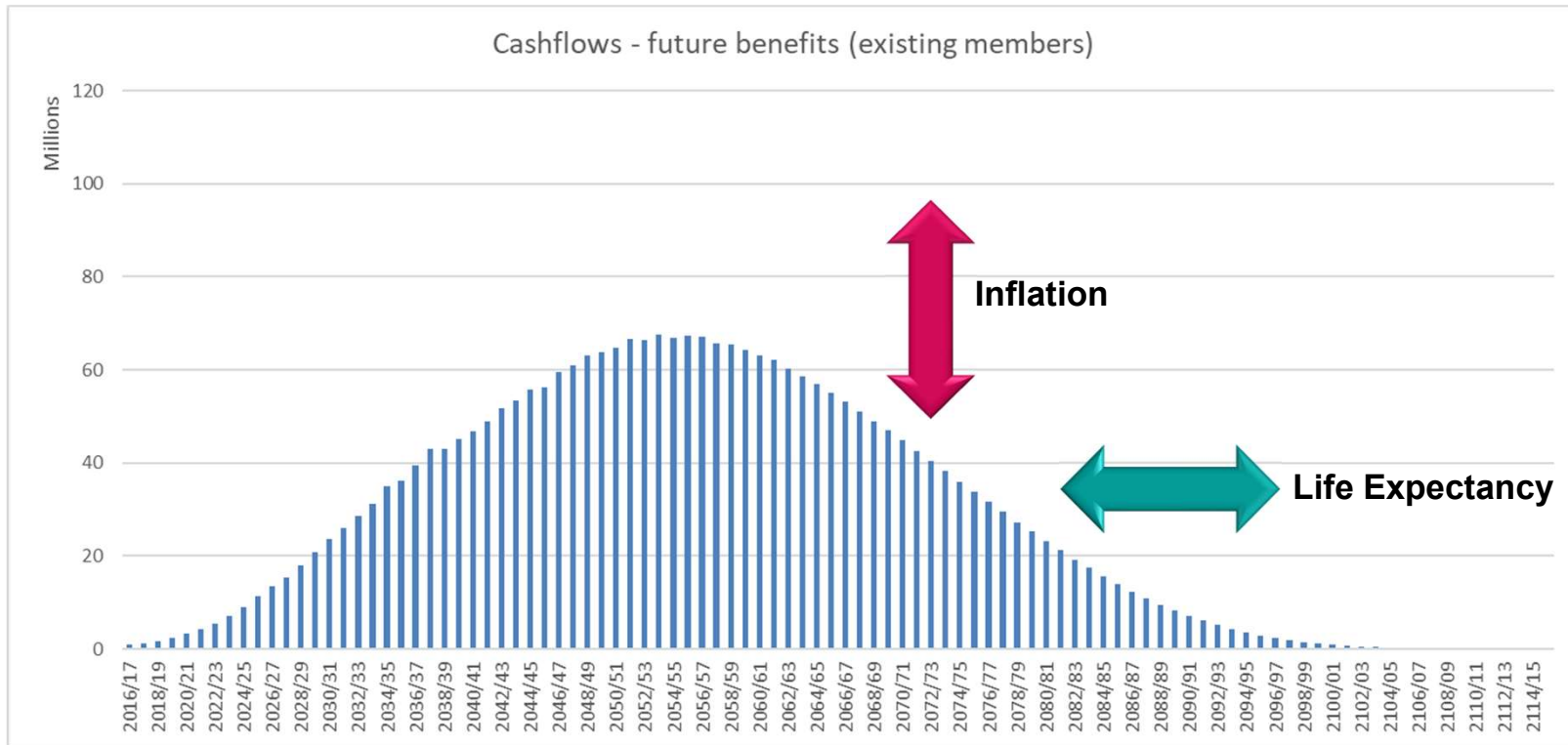
VALUATION OUTCOMES



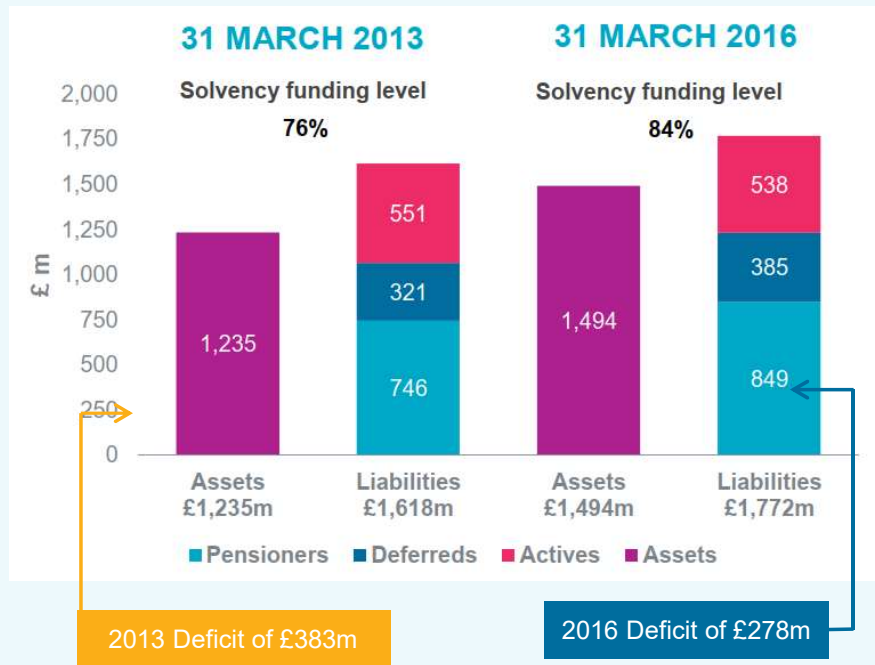
WHAT DO WE MEAN BY FUNDING? IT'S ALL ABOUT THE BENEFIT CASH FLOWS



WHAT DO WE MEAN BY FUNDING? IT'S ALL ABOUT THE BENEFIT CASH FLOWS



WHERE HAVE WE BEEN? RECAP OF FUND RESULTS AS AT 31 MARCH 2016



PRIMARY CONTRIBUTION RATE	% OF PENSIONABLE PAY	
	31 st MARCH 2016	31 st MARCH 2013
Normal contribution rate for retirement and death benefits	20.6	19.8
Allowance for administrative expenses	0.6	0.5
Total normal contribution rate	21.2	20.3
Average member contribution rate	6.3	6.3
Primary contribution rate	14.9	14.0

WHERE HAVE WE BEEN? KEY FUNDING STRATEGY PARAMETERS



Investment return/discount rate explicitly linked to real returns versus CPI (CPI plus 2.35% for past service and CPI plus 2.75% for future service)



Implemented strategy to protect equity gains



Other assumptions: short term pay (employer dependent) demographics (life expectancy, ill health etc.)

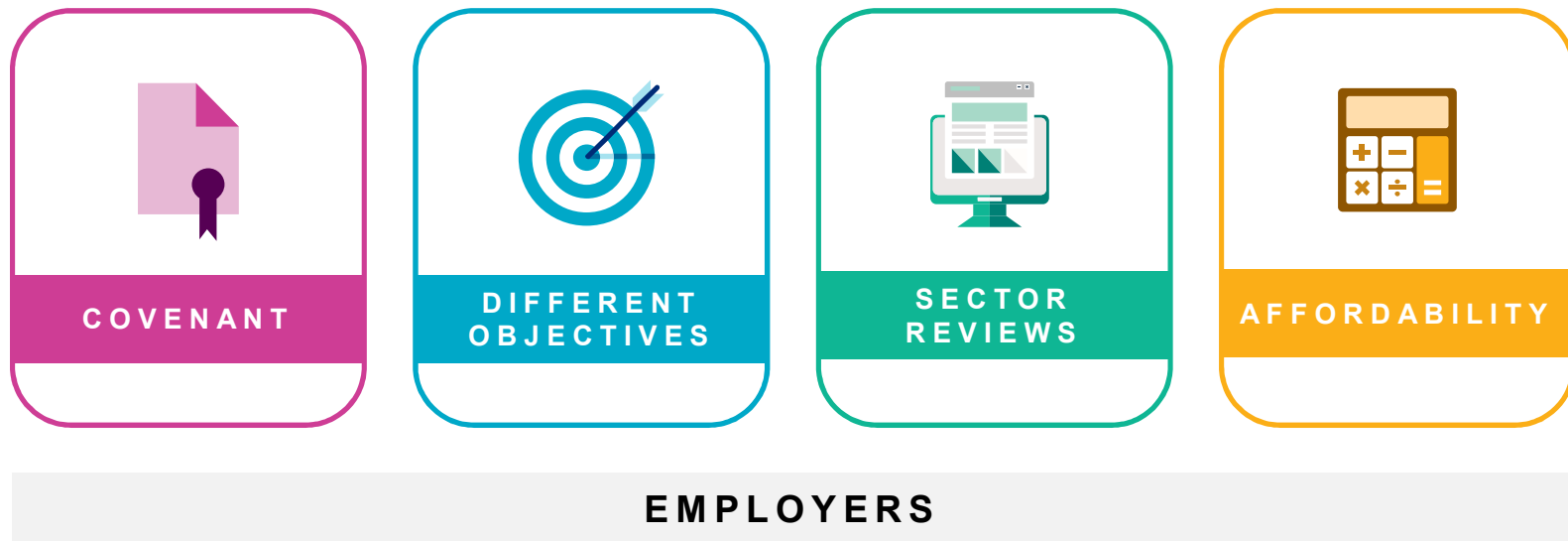


Reduced the deficit recovery period (subject to affordability), average of 22 years across the Fund



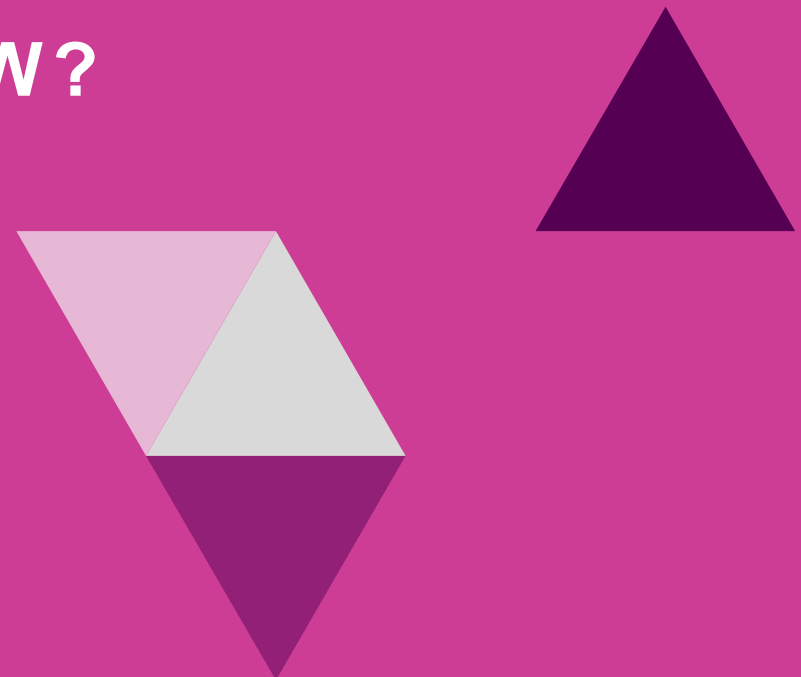
Employers were given options (phasing and prepayments) to manage cashflow requirements

WHERE HAVE WE BEEN? EVERY EMPLOYER IS DIFFERENT

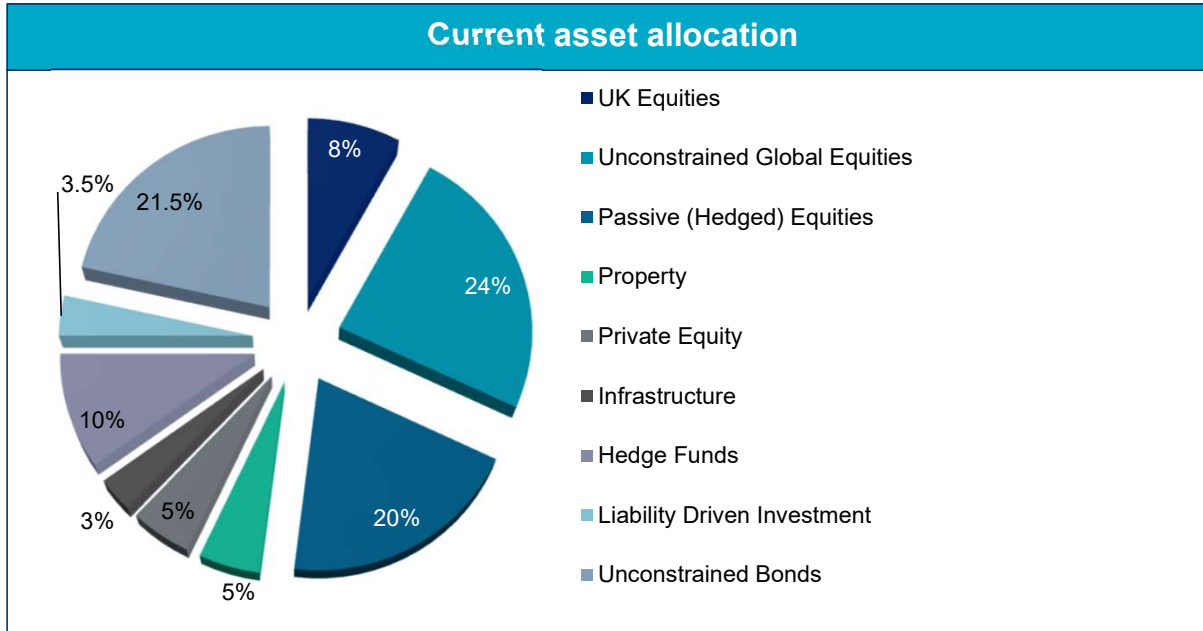


WHERE ARE WE NOW?

– THE PRELIMINARY 2019
VALUATION RESULTS



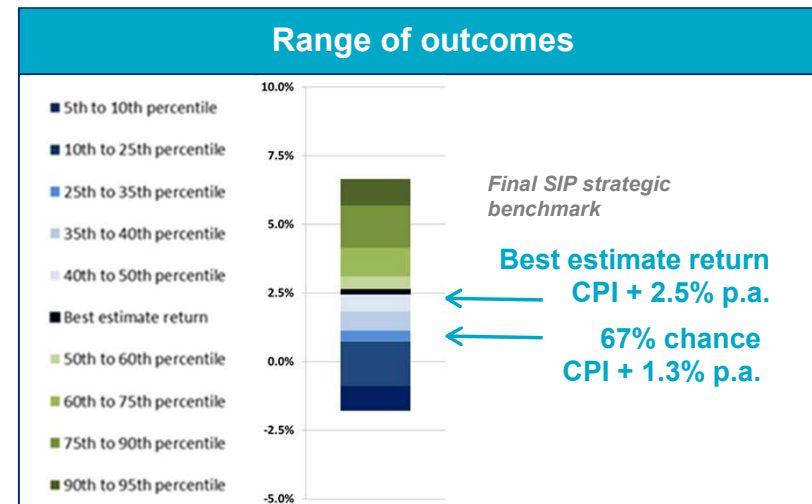
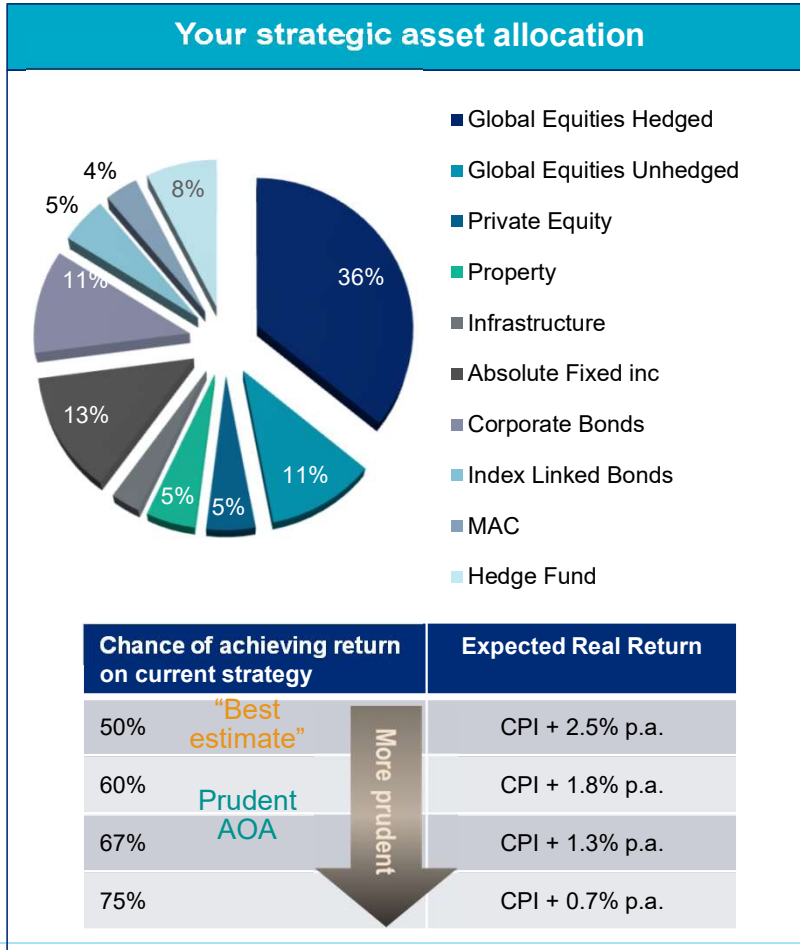
DISCOUNT RATE ANALYSIS RECAP - 2016 ANALYSIS















Chance of achieving return on current strategy	Expected Real Return
50%	CPI + 3.25% p.a.
60%	CPI + 2.55% p.a.
65%	CPI + 2.2% p.a.
75%	CPI + 1.4% p.a.

More prudent

DISCOUNT RATE ANALYSIS 2019 STRATEGY



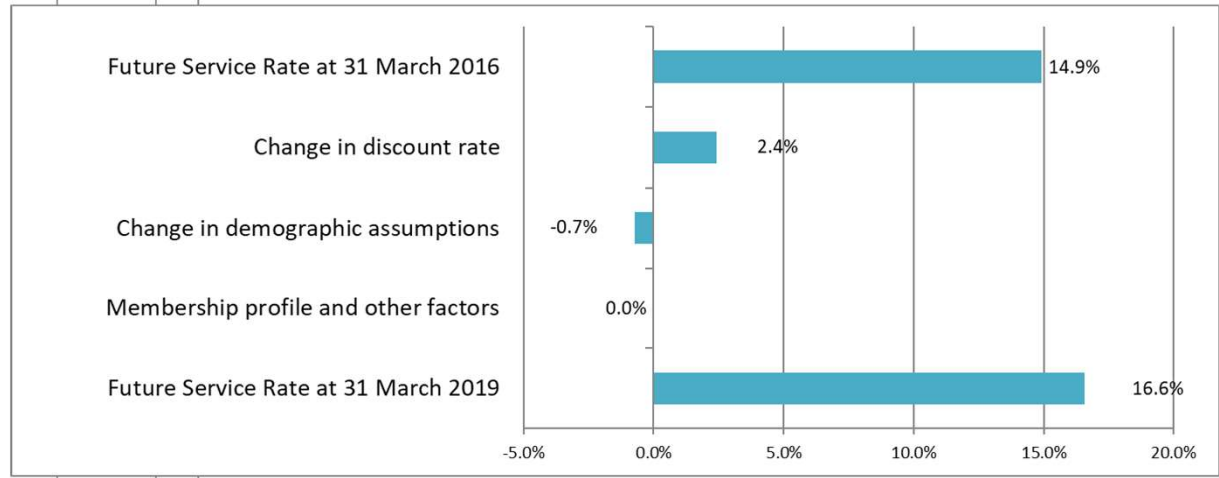
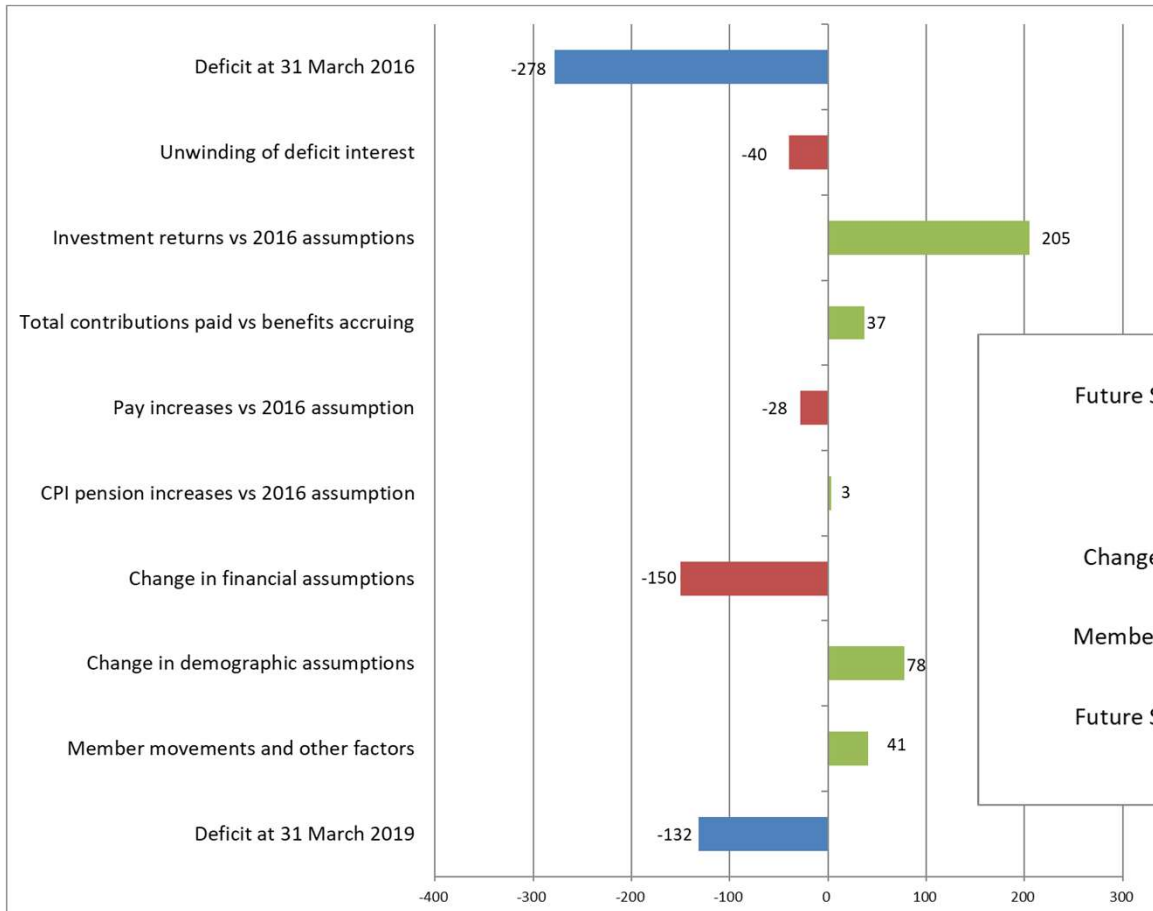
WHERE ARE WE NOW? DEMOGRAPHIC ASSUMPTIONS UPDATE

Analysis	Effect on Deficit (Whole Fund)	Effect on Future Service Rate (Whole Fund)	Comment in relation to Fund
Life Expectancy			Analysis indicates reductions from last time.
Ill-Health Retirement			General increase in numbers observed across LGPS. SCPF at the lower end of observed trend.
Withdrawal			No material change so maintain assumption.
Retirement Rates (pre 14 benefits)			Some changes in observed retirement patterns. Not significant from a liability point of view (maintain assumption).
Commutation			Slight trend upwards in terms of commutation.
Proportions Married / Dependants			No material change so maintain assumption.

WHERE ARE WE NOW? 2019 WHOLE FUND RESULTS

	2016 Valuation	2019 Valuation	Including estimated McCloud impact
Assets	£1,494m	£1,915m	£1,915m
Liabilities	£1,772m	£2,047m	£2,061m
Surplus / Deficit	-£278m	-£132m	-£146m
Funding Level	84%	94%	93%
Future Service Rate (% of pay)	14.9%	16.6%	17.3%
Deficit Recovery Period	22 years	19 years	19 years
Real Discount Rate (Past)	2.35% p.a.	1.85% p.a.	1.85% p.a.
Real Discount Rate (Future)	2.75% p.a.	2.25% p.a.	2.25% p.a.
Long Term Pay (Real)	1.50% p.a.	1.25% p.a.	1.25% p.a.
Short Term Pay	2016 Valuation	None	None
Life Expectancy Assumption	CMI 2015 1.5%	CMI 2018 1.5%	CMI 2018 1.5%

WHERE ARE WE NOW? MOVEMENT IN DEFICIT FROM 2016



WHERE ARE WE NOW? 2019 WHOLE FUND RESULTS – CONTRIBUTIONS

	2016 Valuation	2019 Valuation	Including estimated McCloud impact
Payroll (2020/21 estimate)	£248m	£248m	£248m
Future Service Rate (% of pay)	14.9%	16.6%	17.3%
Surplus / Deficit	-£278m	-£132m	-£146m
2020/21 Future Service Amount	£37.0m	£41.2m	£42.9m
2021/22 Future Service Amount	£38.4m	£42.8m	£44.6m
2022/23 Future Service Amount	£39.9m	£44.5m	£46.4m
2020/21 Deficit Recovery Amount	£16.2m	£7.1m	£8.1m
2021/22 Deficit Recovery Amount	£16.9m	£7.3m	£8.3m
2022/23 Deficit Recovery Amount	£17.5m	£7.6m	£8.6m
Total 2020/21 Contributions	£53.2m	£48.3m	£51.0m
Total 2021/22 Contributions	£55.3m	£50.1m	£52.9m
Total 2022/23 Contributions	£57.4m	£52.1m	£55.0m
Total Contributions (3 year)	£165.9m	£150.5m	£158.9m

Notes:

- Contributions are based on a payroll of £237m for 2018/19, and ignore any prepayment
- The 31 March 2019 deficit contributions increase at 3.9% pa over the recovery period

LESS MATURE EMPLOYERS 2019 RESULTS (EXCLUDING MCCLOUD)

	2016 Valuation	2019 Valuation
Assets	£15.9m	£30.6m
Liabilities	£29.8m	£42.5m
Surplus / (Deficit)	-£13.9m	-£11.9m
Funding Level	53%	72%
Future Service Rate (% of pay)	15.1%	17.4%
Deficit Recovery Period	22 years	19 years

	2016 Valuation	2019 Valuation
Payroll (2020/21 estimate)	£14.45m	£14.45m
Future Service Rate (% of pay)	15.2%	17.4%
Surplus / (Deficit)	-£13.9m	-£11.9m
2020/21 Future Service Amount	£2.19m	£2.51m
2020/21 Deficit Recovery Amount	£0.66m	£0.63m
Total 2020/21 Contributions	£2.85m	£3.14m

PRELIMINARY NUMBERS

ABC EMPLOYER

2019 ACTUARIAL VALUATION HEADLINE FIGURES

Shropshire County Pension Fund - ABC Housing Ltd



This sheet shows the overall results of the 2019 actuarial valuation for this employer

HEADLINE RESULTS

VALUATION BALANCE SHEET

Surplus / (Deficit)	(£2,000,000)
Funding Level	95%

TERMINATION POSITION

Surplus / (Deficit) including Estimated McCloud Cost	(£18,500,000)
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EMPLOYER FUTURE SERVICE COST

Employer Future Service Rate (% pay p.a.)	16.0%
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EMPLOYER CONTRIBUTION REQUIREMENTS

Contributions:	Future Service Rate	Deficit Contributions
2020/21	16.0%	£100,000
2021/22	16.0%	£104,000
2022/23	16.0%	£108,000

The figures above exclude the potential impact of the McCloud judgment.

This schedule should be read in conjunction with the Funding Strategy Statement 2019 and the Funding Report of the Actuarial Valuation as at 31 March 2019. The contributions will be reassessed as part of the 2022 Actuarial Valuation and new contributions will be payable from 1 April 2023.

Whilst reasonableness checks on the data provided by the Fund have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently, we do not accept any liability in respect of our advice where we have relied on data which is incomplete or inaccurate.

Employer Information	
Employer Type	Part 3 – Community Admission
Open/Closed	Open
Termination basis	Corporate bond

McCloud Estimated Costs	
Increase in Liabilities (% of liabilities)	1.3%
Increase in Liabilities	£500,000
Increase in Future Service Rate (% of pay)	0.5%

Illustrative figures - potential McCloud costs are uncertain at this stage - employers can choose whether to pay them now or wait until position is clarified



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PRELIMINARY NUMBERS ABC EMPLOYER

2019 ACTUARIAL VALUATION FURTHER INFORMATION Shropshire County Pension Fund - ABC Housing Ltd



DETAILED RESULTS

	2016 results		2019 results		2019 results incl McCloud	
	Final results at 31 March 2016		Actuarial Valuation Results at 31 March 2019		Results as at 31 March 2019 including estimated McCloud cost	
Assets	£24,000,000		£37,000,000		£37,000,000	
Liabilities	£27,500,000		£39,000,000		£39,500,000	
Surplus / (Deficit)	(£3,500,000)		(£2,000,000)		(£2,500,000)	
Funding Level	87%		95%		94%	
Employer Future Service Rate (% pay)	14.0%		16.0%		16.5%	
2020/21 Projected Payroll	£8,000,000		£8,000,000		£8,000,000	
Implied Recovery Period	17 years		14 years		14 years	
"BASE" RESULTS (before employer options including prepayment - for like-for-like comparison)						
2020/21 Future Service Amount	14.0%	£1,120,000	16.0%	£1,280,000	16.5%	£1,320,000
2020/21 Deficit Recovery Amount	£200,000		£100,000		£125,000	
2020/21 Total Contributions	£1,320,000		£1,380,000		£1,445,000	
FINAL RESULTS (allowing for employer options and prepayments)						
2020/21 Future Service Amount			16.0%	£1,339,100	16.5%	£1,380,950
2021/22 Future Service Amount			16.0%	£1,388,000	16.5%	£1,431,380
2022/23 Future Service Amount			16.0%	£1,438,600	16.5%	£1,483,560
2020/21 Deficit Recovery Amount				£100,000		£125,000
2021/22 Deficit Recovery Amount				£104,000		£130,000
2022/23 Deficit Recovery Amount				£108,000		£135,200
Total 2020/23 Projected Contributions				£4,477,700		£4,686,090
	Employer options		Future service	Deficit	Future service	Deficit
	Deficit Prepayment Options:		None	None	None	None
	Saving (over 3 years):		£0	£0	£0	£0

Headline results

Contribution outcomes

Year by year contribution outcomes

Effect of savings if employer has chosen to pay contributions early (approx 4% p.a. discount)

Overall change in contributions

Potential McCloud costs are uncertain at this stage - employers can choose whether to pay them now or wait until position is clarified



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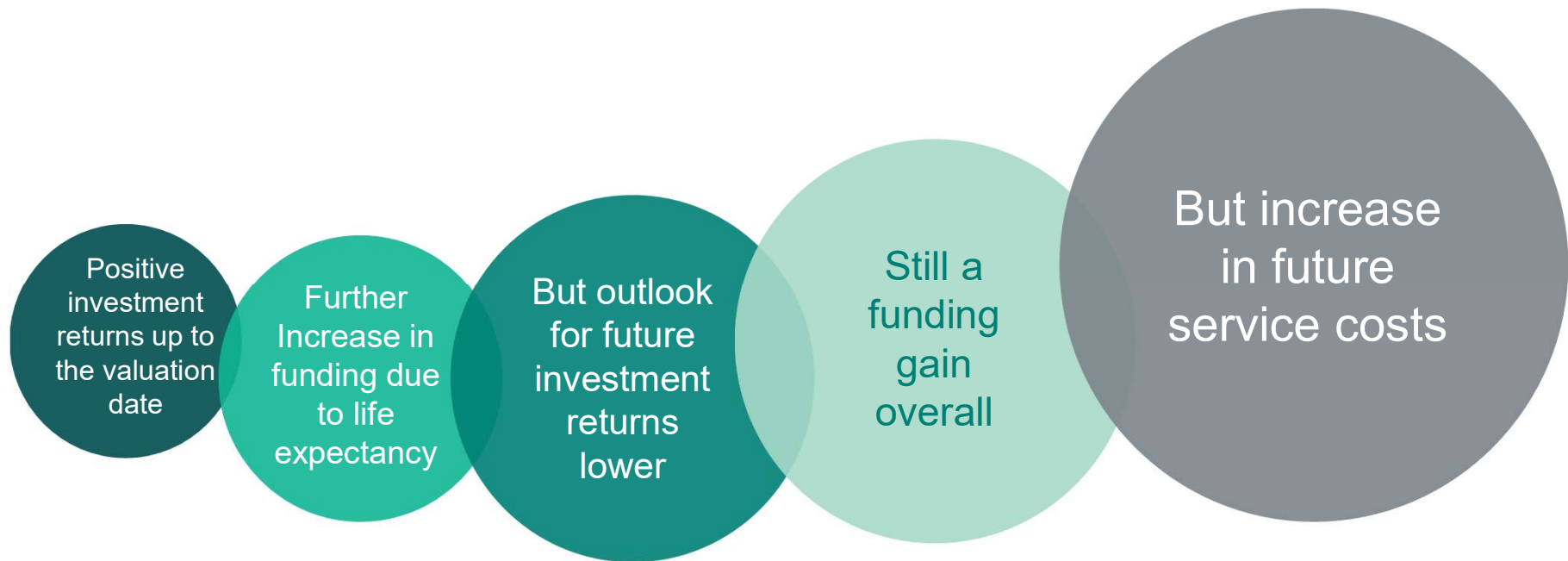


WHERE WE ARE GOING?

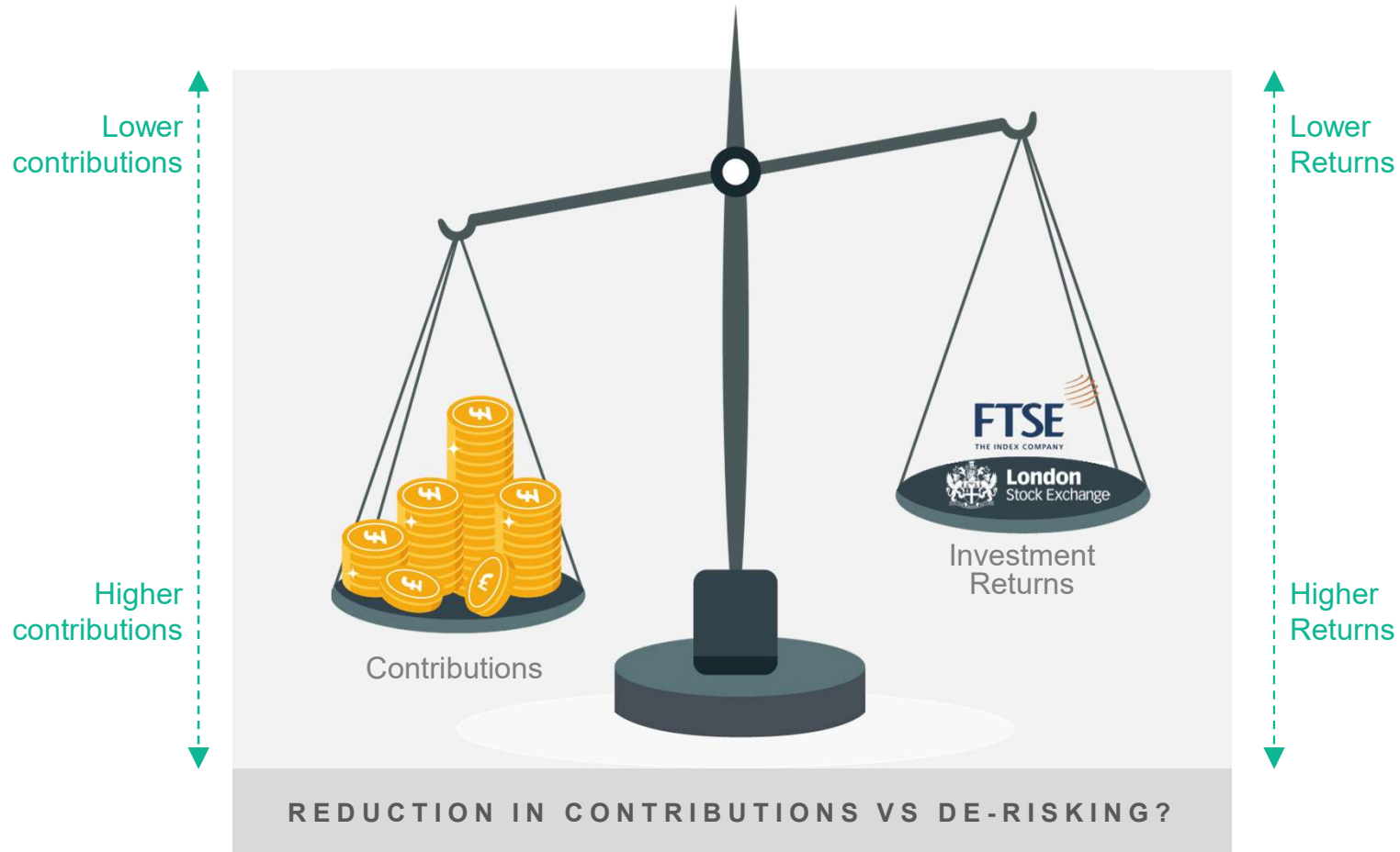
– KEY NEXT STEPS



WHERE ARE WE HEADING? WHAT WE CURRENTLY KNOW...



SPENDING THE FUNDING GAIN OPPORTUNITY TO DE-RISK?



WHERE ARE WE HEADING? WHAT MIGHT CHANGE FROM HERE

1 EQUITY PROTECTION

Implemented to protect equity gains and maintain stable contributions.

2 COVENANT MONITORING

Covenant of key employers assessed and potential high risk cases identified.

3 BESPOKE APPROACHES

Consider differential approaches for employers depending on covenant / risk appetite / circumstances.

4 TERMINATION POLICY

Riskier employers valued on more prudent assumptions?
Exit credits now payable.

5 RECOVERY PERIODS

Aligned to the contract length or working lifetime of employees to manage a smooth plan to exit?

6 LEGISLATIVE CHANGES

Does the FSS incorporate all of the recent legislative changes?

FUNDING STRATEGY TO BE UPDATED

WHERE ARE WE HEADING? WHAT STILL DON'T KNOW...



McCloud and
the cost cap
outcomes



4 year valuations
& associated
regulation
changes



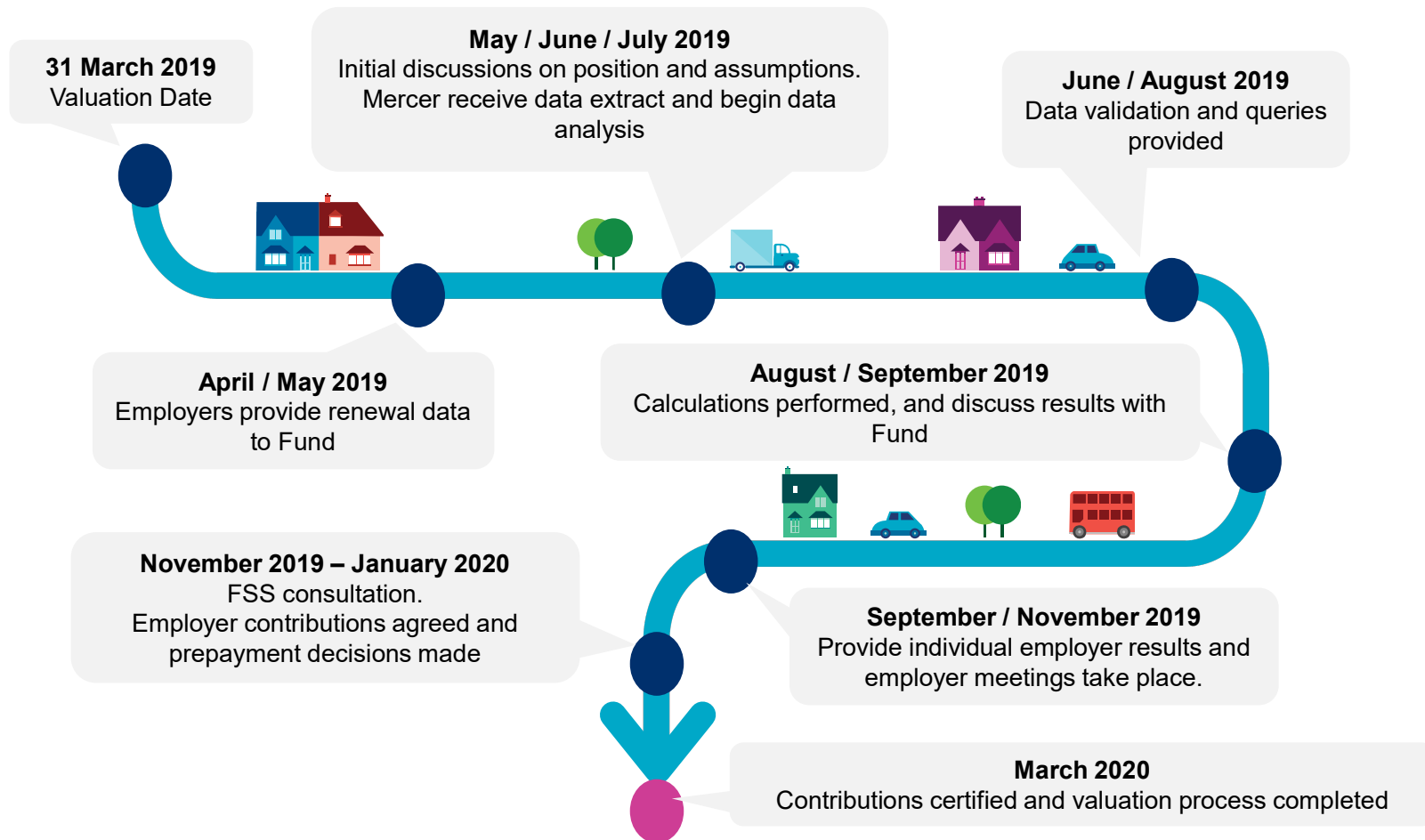
How covenant and
affordability has
changed



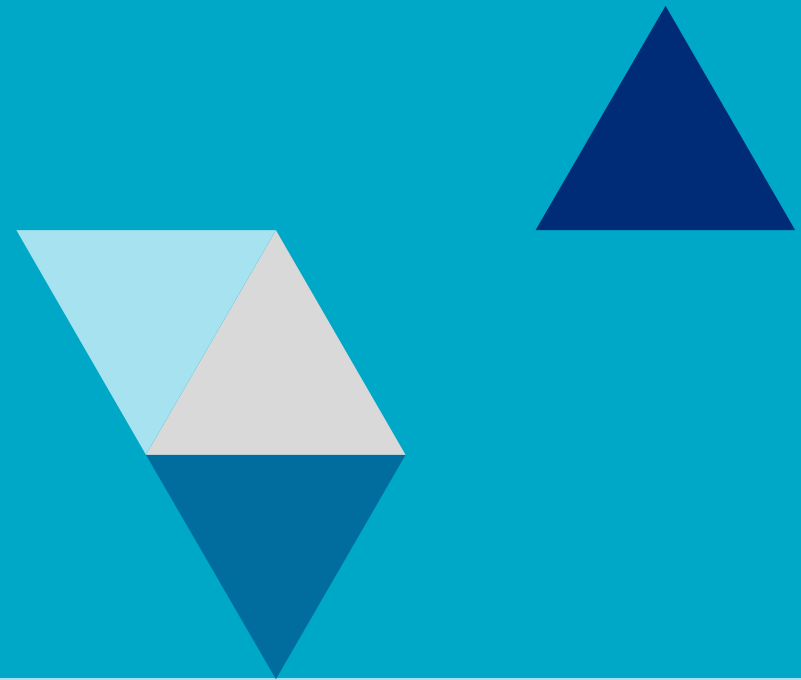
Impact on individual
employers

LOTS OF FLEXIBILITY IN THE FSS NEEDED...

TIMELINE



APPENDIX



FUND MEMBERSHIP

MEMBERSHIP ANALYSIS FROM THE DATA RECEIVED

	31 MARCH 2016	31 MARCH 2019
ACTIVE MEMBERS		
Number	16,494	16,260
Total Pensionable Salaries (£000s p.a.)	222,358	236,567
Average Pensionable Salary (£ p.a.)	13,481	14,549
Average age (weighted by pension)	49.2	50.0
DEFERRED PENSIONERS (INCLUDING UNDECIDEDS)		
Number	18,762	20,944
Total deferred pensions revalued to valuation date (£000s p.a.)	22,003	26,403
Average deferred pension (£ p.a.)	1,173	1,261
Average age (weighted by pension)	49.6	50.4
CURRENT PENSIONERS AND DEPENDANTS		
Number	11,083	12,260
Total pensions payable (£000s p.a.)	53,691	59,691
Average Pension	4,754	4,869
Average age (weighted by pension)	69.5	70.7

NOMINAL FINANCIAL ASSUMPTIONS

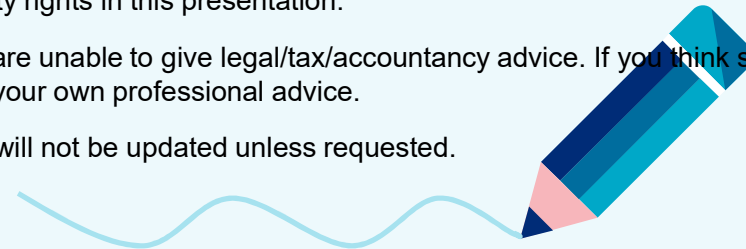
Market yields	31 March 2016	31 March 2019
Fixed interest gilt yield	2.20% p.a.	1.40% p.a.
Index-linked gilt yield	-1.00% p.a.	-1.90% p.a.
Assumed CPI price inflation (derived by differencing yields on fixed-interest and index-linked gilts less 1% p.a.)	2.20% p.a.	2.40% p.a.
Assumptions used for Liabilities		
Derivation of Discount Rate/Expected Return	CPI plus 2.35% p.a. (past) CPI plus 2.75% p.a. (future)	CPI plus 1.85% p.a. (past) CPI plus 2.25% p.a. (future)
Discount rate:	4.55% p.a. (past) 4.95% p.a. (future)	4.25% p.a. (past) 4.65% p.a. (future)
Inflation: Consumer Prices Index (CPI)	2.20% p.a.	2.40% p.a.
Long term pay growth assumption	3.70% p.a.	3.65% p.a.
Pension increases	2.20% p.a.	2.40% p.a.
Short term pay growth assumption (for two years to 31 March 2020)	1% per annum	None

DEMOGRAPHIC ASSUMPTIONS

Demographic assumptions	31 March 2016	31 March 2019
Post retirement mortality tables:	CMI S2PA tables (S2DA for female dependants)	CMI S3PA tables (S3DA for female dependants S3IA for ill-healths)
Adjustments - active (MF):	Members: 95%/83% Future dependants: 113%/96% Ill-health: 95%/83% +4 years	Members: 98%/90% Future dependants: 126%/113% Ill-health: 116%/139%
Adjustments - deferred (MF):	Members: 95%/83% Future dependants: 113%/96%	Members: 117%/104% Future dependants: 126%/113%
Adjustments - pensioners (MF):	Members: 95%/83% Dependants: 115%/93% Future dependants: 113%/96% Ill-health: 95%/83% +3 years	Members: 93%/88% Dependants: 124%/87% Future dependants: 119%/106% Ill-health: 115%/126%
Future improvements:	CMI 2015 with 1.5% p.a. improvements	CMI 2018 with 1.5% p.a. improvements
Other demographic assumptions*:	As detailed in 2016 valuation report	

ACTUARIAL ADVICE

- We have prepared this document for the Administering Authority for the purpose of updating the funding position of the 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 2016.
- 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.
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- 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 15 November 2019. It will not be updated unless requested.





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PENSION FUND



**Thank you for
listening**