

County Buildings, Stafford
Please ask for Zach Simister
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Pensions Forum AGM

Tuesday 2 November 2021

10:00

Meeting to be conducted using Microsoft Teams - Microsoft Teams

John Tradewell
Director of Corporate Services

A G E N D A

1. **Welcome and Apologies**
2. **Minutes of the meeting held on 23 February 2021** (Pages 1 - 6)
3. **Staffordshire Pension Fund Annual Report and Accounts 2020/21** (Pages 7 - 46)
4. **Investment Performance and Investment Updates**
5. **LGPS Central - Pooling Update**
6. **Administration Update**
7. **2022 Actuarial Valuation and Actuarial Update** (Pages 47 - 80)

Minutes of the Pensions Forum Meeting held on 23 February 2021

Present: Alastair Little (Chairman)

Attendance: Alison James, Amy Phillips, Carol Stead, Chalpin Rose, Hannah Fletcher, John Snow, Keith Humphreys, Lindsey Radford, Lisa Turner, Mala Visram, Abi Brown, Philip Ingle, Sarah Rowell, Sarah Wilkes, Shane Birchall, Stefan Garner, Tracy McCready, Victoria Whibley, Anthony Thomas

Also in attendance: Melanie Stokes, Martin Griffiths, Tim Byford, Simon Jackson, John Wiggins, Douglas Green & Adrian Loughlin.

20. Minutes of the Previous Meeting

RESOLVED – That the minutes of the meeting held on 12 November 2019 be confirmed and signed by the Chairman.

21. Presentation of the 2019/20 Annual Report and Accounts

Tim Byford and Melanie Stokes presented the Staffordshire Pension Fund Accounts for the year ended 31 March 2020, where it was reported that the contributions receivable had decreased from £157.1m (in 2018/19) to £153.1m (in 2019/20); it was highlighted that the contributions receivable does not include £59.4m of employer deficit prepayments paid in 2017/18 which relate to these financial years (2018/19 £28.1m and 2019/20 £31.3m). It was also reported that in the same period, the Benefits payable had increased from £182.4m to £195.5m.

The Forum were informed that the management expenses had increased slightly (£400,000).

It was reported that due to COVID-19 there had not been a good return on investments, with the net change in investments for 2018/19 reported at (-£312.0m).

As a result, the Fund was valued at £5.131bn at 31 March 2019 but was now valued at £4.744bn at 31 March 2020. It was however reported that there had been some recovery since 31 March 2020.

A breakdown of the asset classes in which the Fund invests was presented, which highlighted that the Fund is heavily invested in global equities (46.6%). The Strategic Asset Allocation as at 31 January 2021 was presented.

The recent and ongoing Fund activity was shared at the meeting. It was reported that £420m had been invested in the LGPS Central Corporate Bond Fund, £78m committed to 2 Infrastructure Funds, £125m invested in Global Multi Factor Equities, £235m to be invested in Global Sustainable Equities and £128m committed to Private Debt and Private Equity. There is ongoing divestment from Hedge Funds and £330m was to be divested from UK Active Equities.

The recent property purchases were also highlighted; these included an investment in the private residential sector. Property transactions within the last 12 months were also shared at the meeting.

Responsible Investment was highlighted at the meeting as an increasing area of focus for the Fund. Responsible Investment beliefs have been embedded in Staffordshire Pension Funds Investment Strategy Statements.

<https://www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Documents/COP2202-PAR-PENSIONS-ANNUAL-REPORT-BOOK-2020-DIGI-Final-Version.pdf>

22. LGPS Central Pool Update

Melanie Stokes presented the meeting with an update about asset pooling and LGPS Central Limited. She reminded the meeting that pooling was first suggested in May 2013 with investment reform criteria and guidance being issued in November 2015. Staffordshire Pension Fund is one of 8 Partner Funds in LGPS Central, which was created in October 2016. It was reported that there was £45bn+ under management in the Pool. The Governance arrangements at LGPS Central were also shared with the meeting.

The Meeting were also advised that the original estimation for LGPS Central to make cumulative savings of £270m by 2033/34, was currently being updated. LGPS Central progress to date since April 2018 was also shared at the Meeting highlighting that they now employed 65 staff. It was reported that LGPS Central had 100% Responsible Investment status. The Meeting were also advised that LGPS Central had undertaken their first compliance report (AAF 2 Report) which has given some assurance to the Partner Funds.

It was reported that Staffordshire had a total of £1.2bn invested in LGPS Central Limited; £638.8m invested in LGPS Central Limited Global Equity Active Multi Manager Fund; £440.8m invested in LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund; £10m invested in LGPS Central Limited Private Equity Primary Partnership LP and; £125m invested in LGPS Central Limited Global Multi Factor Equity Index Fund. Potential new allocations to LGPS Central Limited were also shared at the meeting.

23. General Pension Fund Administration and Investment Updates

Simon Jackson and John Wiggins provided the Staffordshire Pension Fund Administration Update at the meeting. They advised the meeting of the last 12 months and looking forward.

It was reported that the majority of the Pensions Team were currently working from home and that the move to less paper was being embedded in working practices such as scanned documents now being accepted and retirement packs being sent electronically, in addition there is the My Pensions Portal which is being promoted.

The meeting was advised that employer engagement continues to be a key initiative for the Fund. There is a monthly employer focus newsletter, a quarterly employers focus peer group, employer training days, employer section on the Pension Fund website, Administration strategy and the My Pensions Portal.

McCloud judgement

John Wiggins advised the practicalities of the McCloud judgement on the Pension Fund Administration highlighting the need for data from employers relating to employee hours/breaks since 2014. He also advised that where there is no data, assumptions on benefits will be applied consistently and in favour of the member. Resourcing was also highlighted as an issue due to the 30,000+ Members in the scope of this judgement.

24. Actuarial Update by the Funds Actuary - Hymans Robertson

Douglas Green and Adrian Loughlin from Hymans Robertson, the Funds' Actuary provided an Actuarial update through four agenda items; Covid-19 and longevity; FRS102/IAS19 Accounting; McCloud and Goodwin cases and; Regulatory update.

COVID-19 and longevity

The Actuary reported the potential impact of COVID-19 on the Fund as Staffordshire was worse affected by the number of deaths than the national average. It was reported that it was too early to tell what the impact of COVID-19 would have on the fund, however the impact would be reported at the next valuation.

FRS102/ IAS19

The Actuary reported that there was a new streamlined accounting process to save time and resources by enabling employers to request reports directly to and from the Actuary without going through the Fund through the Accounting Portal, although the fund would remain involved in data collection, results shared and invoicing.

The Actuary also reported that there would also be a change in audit queries. It was reported that employers could now request summary paper/ assumptions advice through the Accounting Portal. There was now an automatic allowance for updated longevity, re-designed report and results schedule, reports and results schedules could now be sent directly to an employer's auditor.

The Actuary explained how the Employer Contributions are calculated adding that the method for setting contribution rates allows for future uncertainty and helps all stakeholders understand the risk inherent in funding plans.

McCloud and Goodwin cases

The Actuary highlighted the McCloud and Goodwin Court cases.

McCloud

The Actuary explained the LGPS scheme from 2008 to 2014 and that all members received 1/60th of final salary for each year of service. From 2014 everyone moved to the new career average (CARE) scheme however members within 10 years of retirement get final salary benefits if they end up better for them.

It was reported the arrangement for those within 10 years of retirement getting “best of both” is age discrimination and as a result McCloud extends the underpin to everyone who was in in the scheme on 31 March 2012.

The Actuary explained the impact of McCloud to employers and the Fund highlighting that the main impact may be gathering additional data from employers and submitting historical membership and payroll data to the Fund. It was reported that some allowance for increase in contributions from employers was built in at the 2019 valuation.

Goodwin

The Actuary explained that the Goodwin case was to do with survivor benefits for male and female dependants. It was reported that male dependents of female scheme members were entitled to a lower pension compared to the female survivors of male or female scheme members.

It was reported that the remedy for the discrimination had not yet been announced however it was expected that for male dependents of female scheme members would now be based on all of their service built up between 1978 and 1988, however this would only affect pensioners who have died since 2005.

The Actuary explained the impact of Goodwin to employers and the Fund highlighting pressure on admin work to find affected members and calculate backdated payments. It was reported that there was no intention to review contributions before the 2022 valuation.

Regulatory Update

The Actuary highlighted that there were new LGPS regulations introduced 23 September 2020 to give employer flexibilities. It was highlighted that in the current regulations contributions can only change at triennial valuation, however the new regs allow for the provision to change contributions if there is a significant change. The Fund would note also have discretion to allow spread of payments over a few years over Cessation payments and a Managed exit.

The Actuary highlighted the Exit pay reform at the meeting. The £95,000 cap and the wider LG exit pay reform.

It was reported that the £95,000 exit package cap was introduced on 4 November 2020 with no transition which applies to the whole of the Public Sector. The Actuary highlighted that this collides with LGPS regulations as it potentially includes the added cost of allowing for the early retirement pension if the employee in question is over 55 years old.

It was reported that there was a wider Local Government exit pay reform which is due to address the £95,000 cap in the regulations. It was also reported that there was a Judicial Review on the £95,000 pay cap and as a result, the Government revoked the cap.

Chairman

Staffordshire Pension Fund

Annual General Meeting

2 November 2021

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Tim Byford (Strategic Investment Manager)
Melanie Stokes (Assistant Director for Treasury & Pensions)

Agenda Item 3



Staffordshire Pension Fund Draft Accounts for year ended 31 March 2021



Contributions and Benefits

	2019/20 £m	2020/21 £m
Contributions receivable	153.1*	278.9**
Transfers in	9.2	9.7
Benefits payable	(195.8)	(190.2)
Transfers out	(20.2)	(15.4)
Net additions/(withdrawals) from dealing with members	(53.7)	83.0

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*Does not include £31.3m of employer deficit prepayments paid in 2017/18, which relate to 2019/20.

** Includes £82.2m of employer deficit prepayments which relate to 2021/22 and 2022/23

Management Expenses

	2019/20 £m	2020/21 £m
Administrative expenses	(2.8)	(2.4)
Investment management expenses	(16.4)	(18.9)
Oversight and Governance expenses	(1.6)	(1.6)
Total management expenses	(20.8)	(22.9)

Return on Investments

	2019/20 £m	2020/21 £m
Investment income	82.6	58.3
Change in the market value of investments	(394.6)	1,289.5
Net change in investments	(312.0)	1,347.8

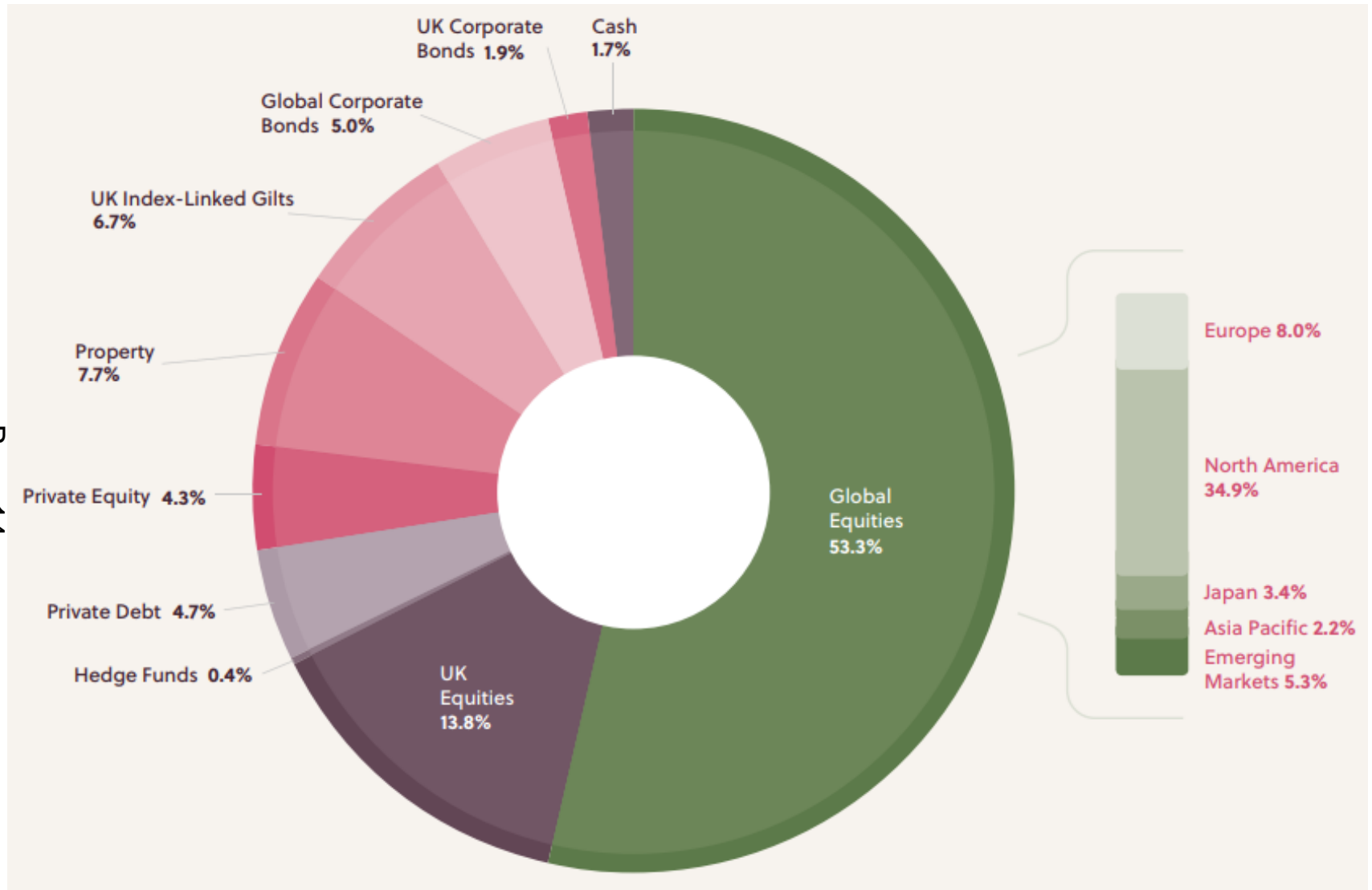
Net assets of the Fund

	2019/20 £000	2020/21 £000
Opening net assets of the Fund	5,131.0	4,744.5
Net increase in the Fund	(386.5)	1,407.9
Closing net assets of the Fund	4,744.5	6,152.4

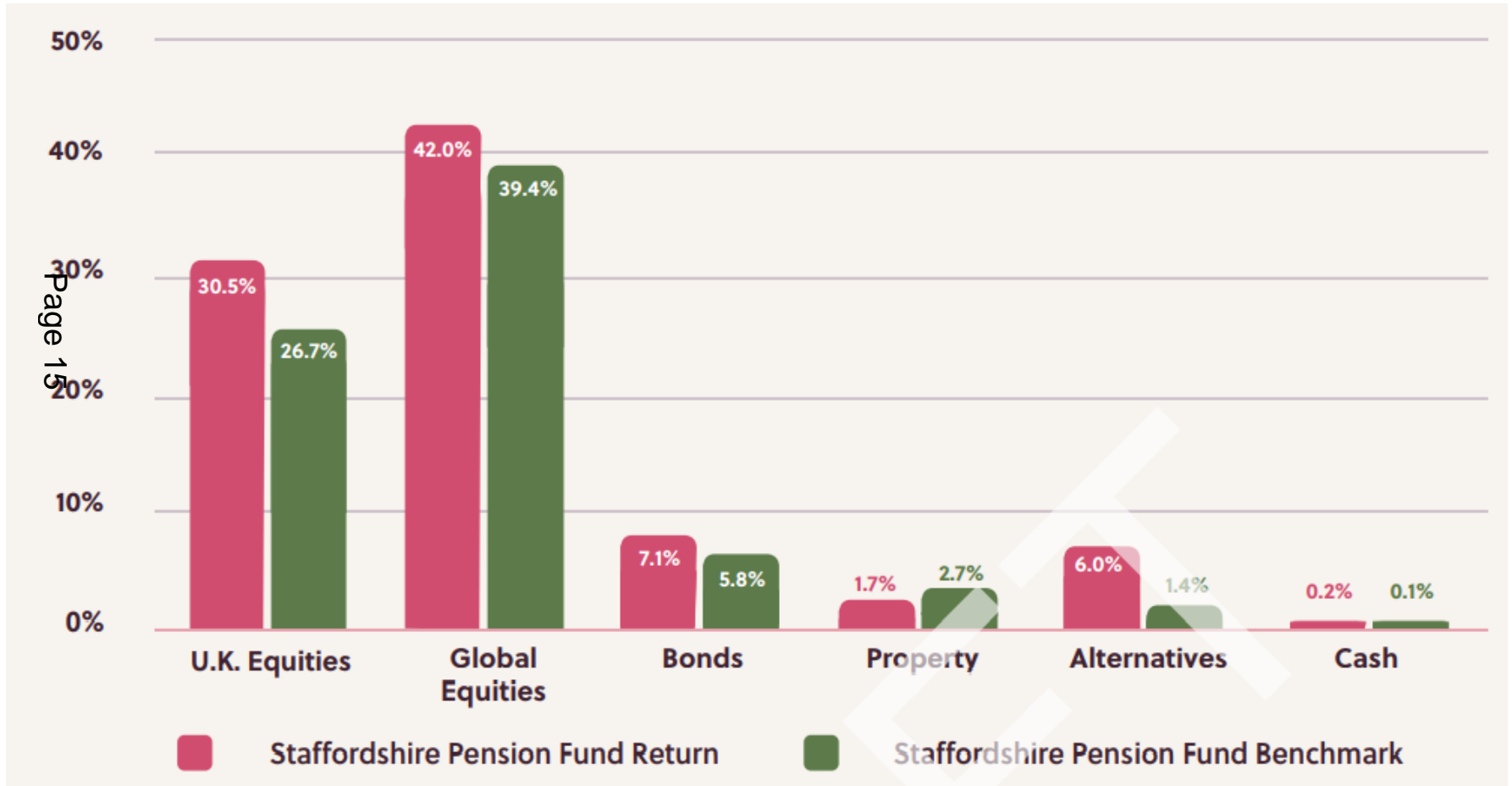
Staffordshire Pension Fund 2020/21 Investment Update



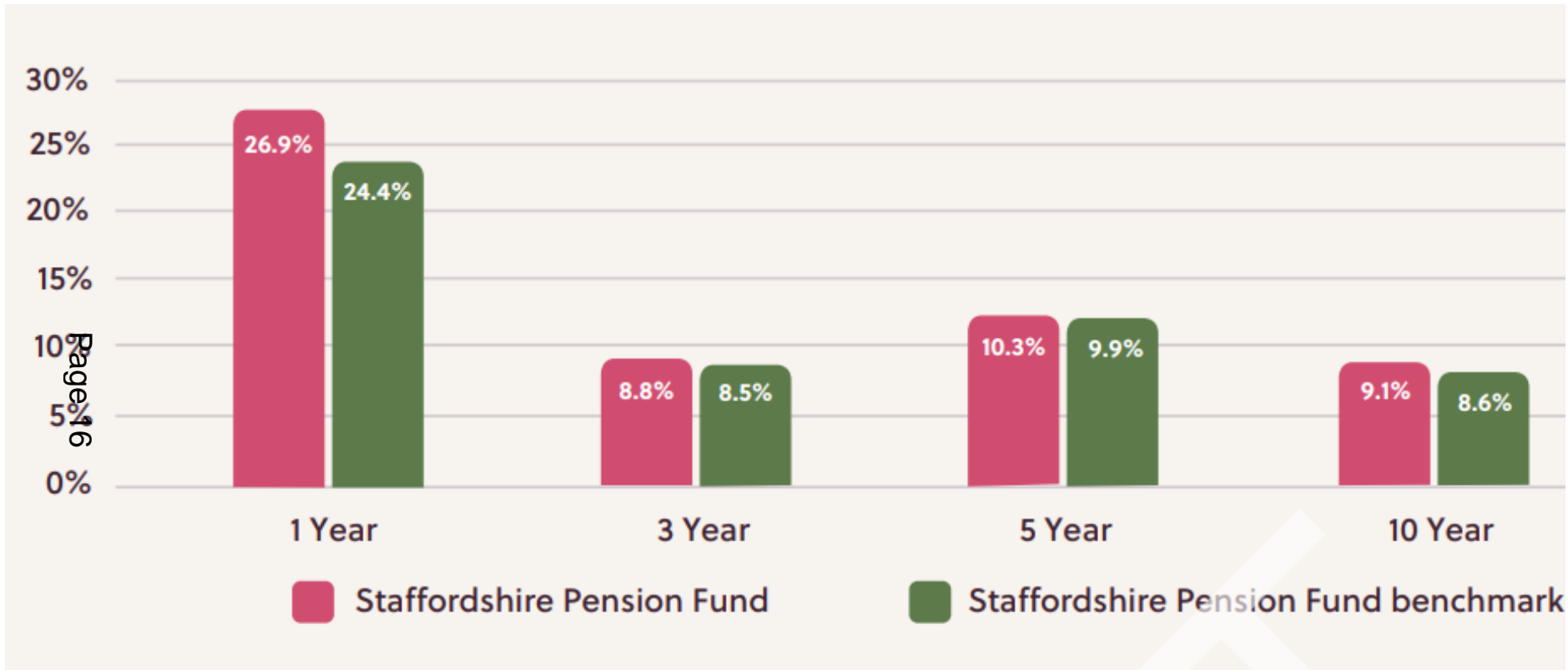
Percentage breakdown by asset class at 31 March 2021



Asset class returns for year ended 31 March 2021



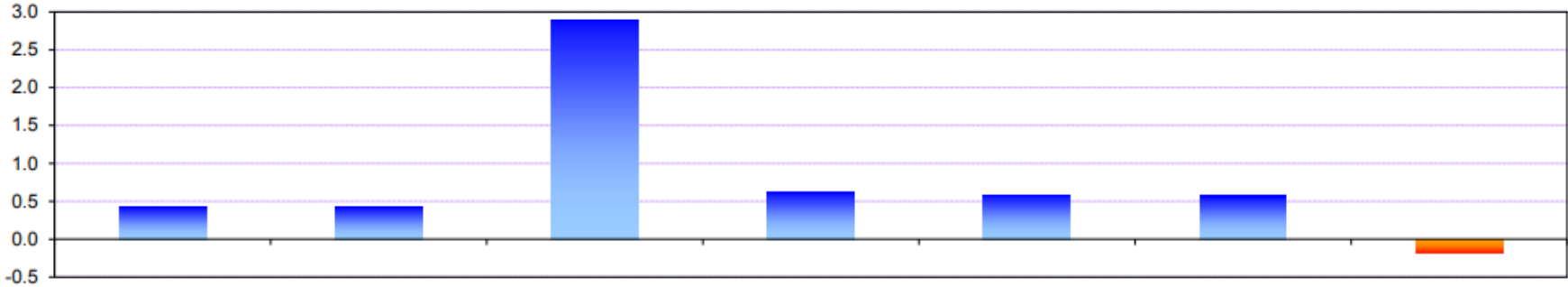
Fund Performance at 31 March 2021



Fund Performance at 30 June 2021 (Market Value £6.5bn)

Excess Return Analysis (%)

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	QTR	Fin YTD	1 Yr	3 Yr	5 Yr	10Yr	Since Apr 95 (p.a.)
Excess Return	0.4	0.4	2.9	0.6	0.6	0.6	-0.2
Portfolio Return	6.0	6.0	19.7	9.2	10.4	9.6	8.2
Benchmark Return	5.6	5.6	16.8	8.6	9.8	9.1	8.4

All returns for periods in excess of 1 year are annualised. The portfolio return is gross.

Strategic Asset Allocation at 30 September 2021

STRATEGIC BENCHMARK <u>CURRENT</u> (%)	
Fixed Income	18.0
UK Index-linked Gilts	6.5
Corporate Bonds	6.5
Private Debt	5.0
Equities	68.0
UK	6.5
Global	47.0
Global Sustainable	6.0
Factor Based Investment	5.0
Private Equity	3.5
Property	10.0
Alternatives	3.0
Infrastructure	2.0
Hedge Funds	1.0
Cash	1.0

STRATEGIC BENCHMARK <u>ACTUAL</u> (%)	
Fixed Income	17.7
UK Index-linked Gilts	6.7
Corporate Bonds	6.6
Private Debt	4.4
Equities	71.6
UK	6.1
Global	53.2
Global Sustainable	4.2
Factor Based Investment	3.6
Private Equity	4.5
Property	7.5
Alternatives	0.1
Infrastructure	0.0
Hedge Funds	0.1
Cash	3.1

Investment activity since we last met (February 2021)

- Terminated the mandate with our Active UK Equity Manager (Aberdeen Standard) to fund an investment with a Global Sustainable Equity Manager (Impax - £242m) and further investments into the LGPS Central Factor Based Equity Fund (£94m).
- Committed £25m to a UK Infrastructure Fund with further planned commitments of £200m to another four funds (including £60m to LGPS Central's Infrastructure Fund)
- Committed £90m to Private Debt funds (£45m to LGPS Central Private Debt Fund) and £40m to the LGPS Central Private Equity Fund.

Investment activity since we last met (February 2021)

- Currently working on the Strategic Asset Allocation (SAA) review, incorporating Asset Liability Monitoring, in advance of the full triennial Actuarial Valuation at 31 March 2022.

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Alongside the SAA review, Fund Officers have been working with Hymans Robertson and LGPS Central on the Fund's approach to climate change and the development of a Climate Strategy.

Recent property transactions

Purchases

- Hadleigh Park, Stoke on Trent - £23.4m
- Committed £20m to Gresham House Residential Secure Income LP (£17.9m invested)

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Sales

- Unit 19 Meridian Business Park, Leicester - £7.5m
- 263/265 Oxford Street & 8 Portland Street, Swansea - £367,500.
- 24A Market Place, Kingston upon Thames, £1.2m

Hadleigh Park, Stoke on Trent



Responsible Investment (RI)

- Received our first Climate Risk Report from LGPS Central Ltd in March 2021 – detailing the Fund’s carbon metrics and the risks and opportunities arising from climate change.
- Published our first Task force for Climate related Financial Disclosures (TCFD) report. Seen as best practice and soon to become mandatory for LGPS Funds.
- Published a Climate Stewardship Plan - putting into practice recommendations from the Climate Risk Report. Stewardship and engagement activity reported to Pensions Panel quarterly.

Responsible Investment (RI)

- Currently working on embedding climate change into the upcoming SAA review, with the aim of publishing a Climate Strategy on 1 April 2022; likely to have a 2050 net zero ambition and interim targets at 2030 and 2040.
- Working on our application to become a Tier 1 signatory to the 2020 UK Stewardship Code – to be submitted prior to 30 April 2022.

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More information on our RI and engagement activities, alongside that of LGPS Central, the Local Authority Pension Fund Forum (LAPFF) and our investment managers, can be viewed as part of our quarterly report to the Pensions Panel.

<http://moderngov.staffordshire.gov.uk/documents/s150680/Agenda%20Item%206%203%20Sept%2021%20-%20RI.pdf>

More information on the Fund's investments and the latest accounts are available in the (draft) 2020/2021 Annual Report at www.staffspf.org.uk

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LGPS Central Pool Update



Government Criteria

A reminder of what it was all about.....



1

Benefits of scale (at least £25bn in assets)

2

Strong governance and decision making

3

Reduced costs and excellent value for money

4

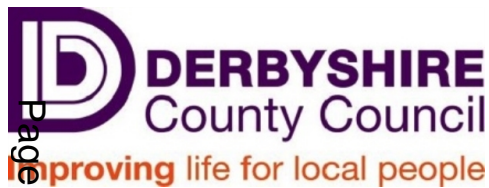
An improved capacity and capability to invest in infrastructure

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BUT MHCLG DLUHC formal consultation still awaited....



1. LGPS Central - 8 Partner Funds



£51.5bn



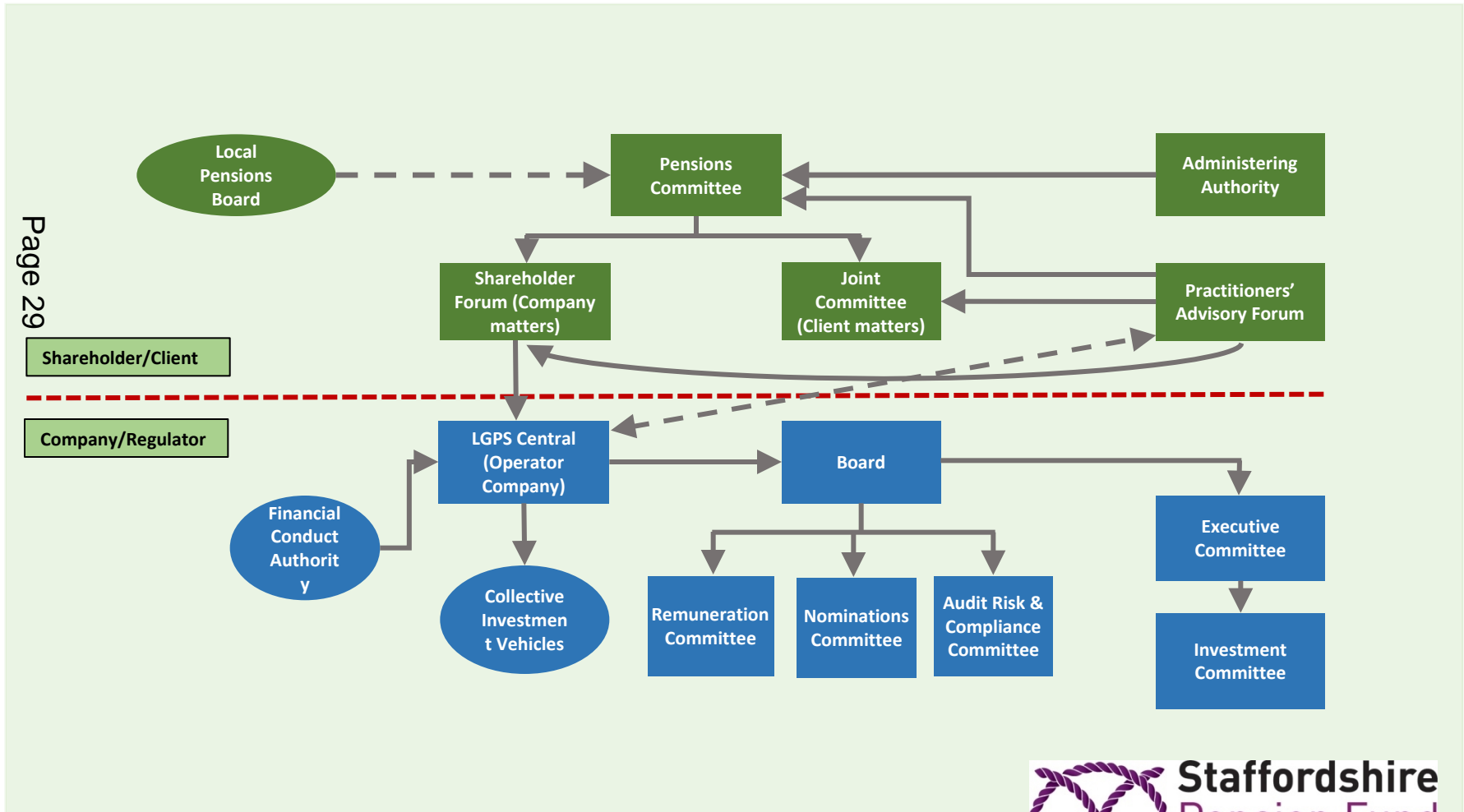
at 31 March 2021



2. Governance – LGPS Central pool



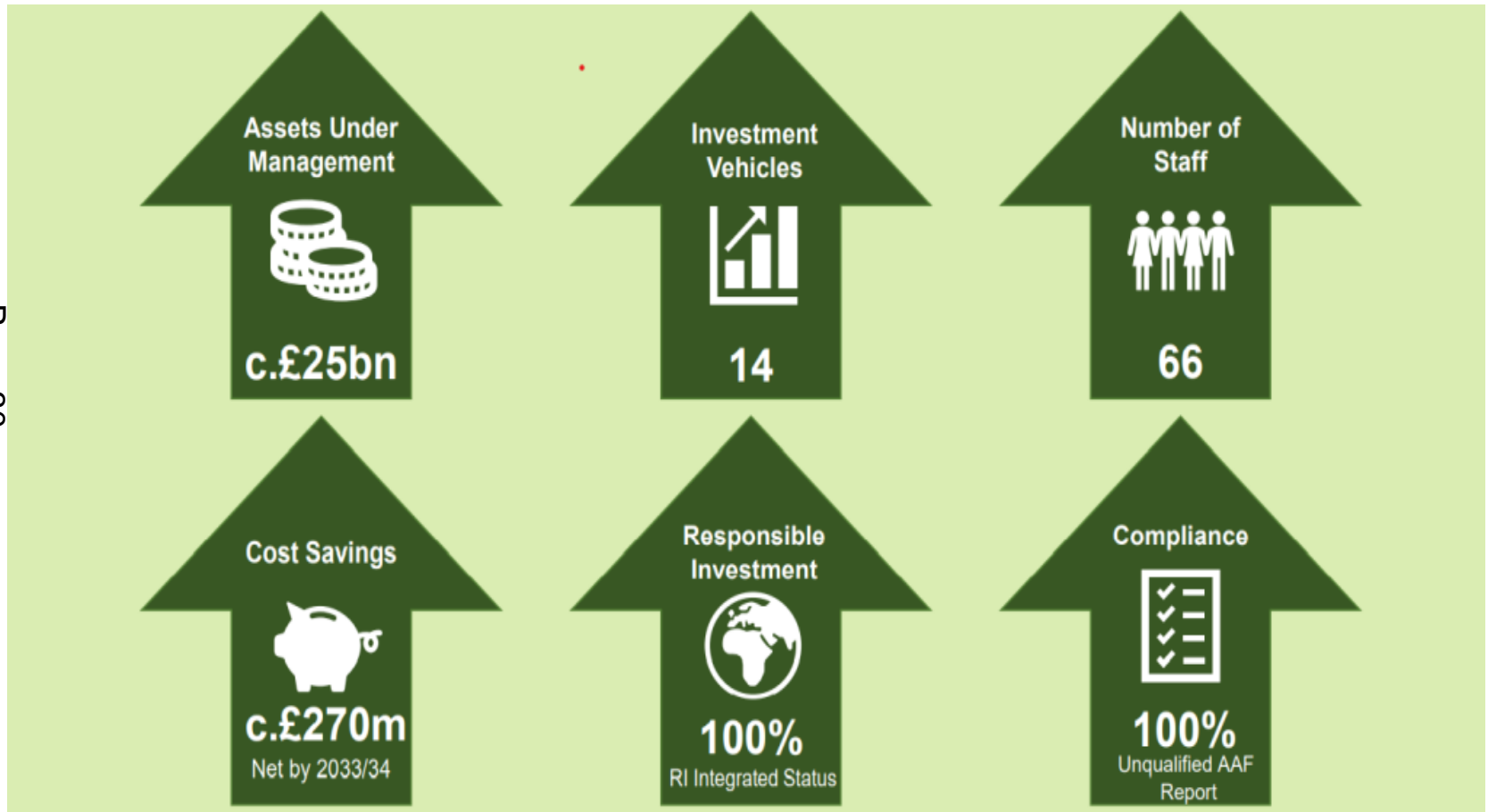
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2. LGPS Central Ltd since 1 April 2018 launch



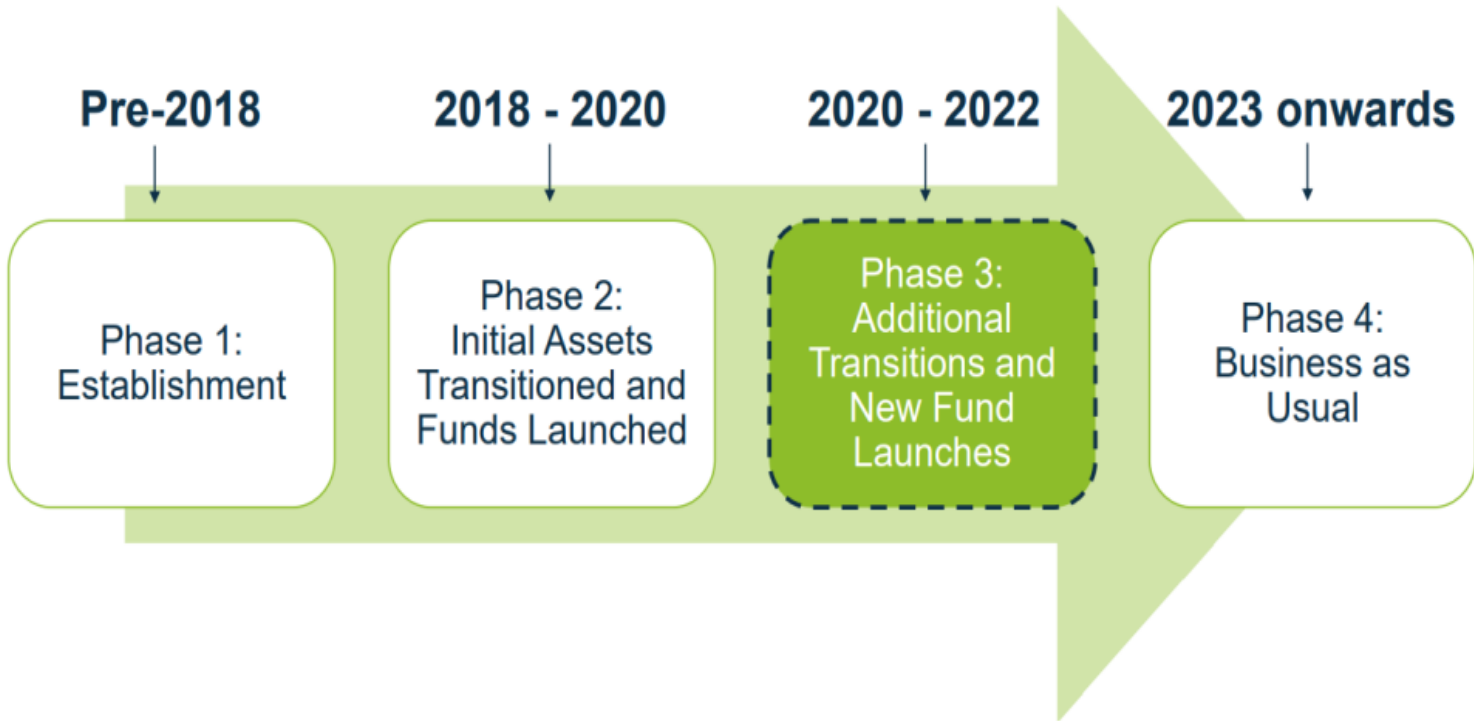
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2. LGPS Central Ltd The future...

MOVING OUT OF START UP TOWARDS BUSINESS AS USUAL

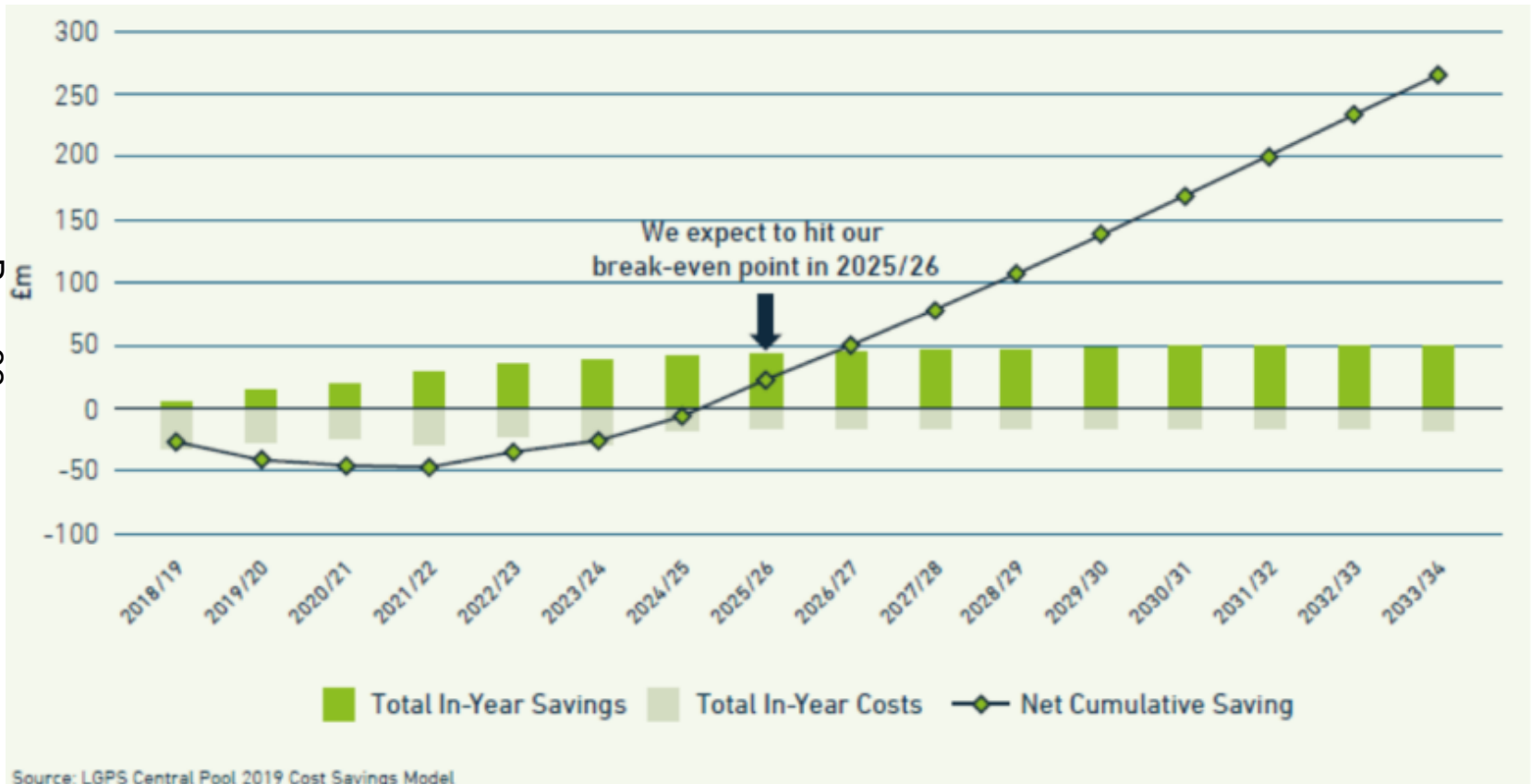
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3. Cost Savings LGPS Central pool progress to break-even...



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4. Infrastructure

- Staffordshire Pension Fund has a short-term target allocation to Infrastructure of 2% with a longer-term target allocation of 5% (Strategic Asset Allocation review pending)
- Commitments of c£100m made to date with <1% drawn down (reflects long lead in time to invest)
- Further commitments of c£200m being progressed
- LGPS Central Partner Funds have an average longer term target allocation to Infrastructure of just under 10%

What do LGPS Central Limited currently do for Staffordshire Pension Fund?



Staffordshire Assets under Management with LGPS Central Limited	As at 30/09/21 £m
LGPS Central Limited Global Equity Active Multi Manager Fund	741.2
LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund	430.6
LGPS Central Limited Private Equity Primary Partnership 2018 LP	10.0
LGPS Central Limited Global Multi Factor Equity Index Fund	235.1
LGPS Central Limited Private Debt Partnership 2021	45.0
Total	1,461.9

What else might LGPS Central Limited do for Staffordshire Pension Fund in 2021 and 2022?



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Staffordshire Potential new allocations to LGPS Central Limited in 2021 and 2022	Approx.. £m
LGPS Central Limited Global Multi Factor Equity Index Fund	c90.0
Global Sustainable Active Equity Fund	c100.0
LGPS Central Limited Global Multi Asset Credit Fund	??
LGPS Central Limited Private Debt Partnership 2021	c45.0
LGPS Central Limited Private Equity Partnership 2021	c30.0
LGPS Central Limited Infrastructure Partnership 2021	c60.0
Total	c325.0



Our pooling journey continues.....

Any questions?



Staffordshire Pension Fund Administration Update

Simon Jackson & John Wiggins
(Strategic Pensions Managers)



Last 12 months & looking forward

- Majority of Pensions Team continue to work from home
- Move to less paper continues to be embedded in working practices
 - e.g. scanned documents now accepted and retirement packs being sent electronically)
- Service Standards maintained at 90% plus target for the majority of our key areas of activity

Employer Engagement continues to be a key initiative for us

- Employer Focus Newsletter (monthly)
- Employer Focus Peer Group (quarterly)
- Targeted Employer Training
 - Ill Health and IDRP's
 - Estimates, Early Leavers and Retirements
 - Planned future training - Understanding your ABS / Member Webinars
- Website – Employer Section (ongoing development and latest news)
- Administration Strategy (details Employer Roles and Responsibilities)
- My Pensions Portal (ongoing assistance from Employers to promote)

Exit Payment Cap (£95k) Update

- £95k cap 'paused' on 12 February 2021
- The then MHCLG wrote to Chief Finance Officers in May 2021 requesting historical exit payments data (back to 2014/15)
- Deadline to submit response was 30 June 2021
- The data provided will be used to inform delivery of the Government's policy to end 'excessively high' exit payments in the public sector
- No changes to pensions or compensation regulations without a further consultation exercise

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Watch this space !!

McCloud Update

- 13 May 2021 Luke Hall (Minister for Regional Growth & Local Government) provided a written statement on McCloud and the LGPS
- Statement confirms key changes to be made to LGPS regulations to remove unlawful age discrimination
 - Age requirement for underpin will be removed
 - Scheme members will not need to leave with immediate payment entitlement to benefits to qualify for underpin protection
 - Remedy period will end 31 March 2022
 - Underpin calculation based on final pay at the underpin date even when this is after 31 March 2022
 - Regulations retrospective to 1 April 2014
- Department for Levelling Up, Housing & Communities (DLUHC) expected to issue a full response to the consultation together with draft regulations early next year
- Regulations not expected until April 2023 (or later)

Our McCloud Project Update

- Internal project team created which meets monthly to review progress
- Requested key point of contact from each Employer for McCloud project enquiries
- Historically our Fund made the decision not to collect and record hour changes and service breaks from 1 April 2014

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Initially requested hours/service breaks for the period 1 April 2014 – 31 March 2021 for several ‘test’ Employers

- Now aiming to request data from all Employers by the end of November 2021, setting a deadline for returned data as 3 months from date of request.
- Dedicated mailbox created for Employer data responses

McCloud – the practicalities (1)

- **Data** – we need your help to collect back data on hours / service breaks for Employees since 1 April 2014 (a data collection template and details of a revised process going forward, will be issued)
- **Assumptions** – where we do not have the data, we will have to make certain assumptions; these will need to be consistently applied and be in favour of the Member
- **Technology** – we need the software providers to update systems to prevent us having to do manual calculations
- **Communications** – these will be key for both Employees and Employers, so clarity will be important
- **Key Contact** – please provide us with yours

McCloud – the practicalities (2)

- **Priorities** – we need to understand if benefits in payment now are more important to recalculate than deferred benefits due
- **Timeframe** - we need to understand how long we have to complete 10 years ‘backlog’?
- **Resources** – with c30,000 cases in scope, where pensions benefits will need to be recalculated in line with the underpin there will be a need for several more pensions staff (recruitment ongoing) – all at an increased service cost
- **Website** - <https://www.staffspf.org.uk/Employers/McCloud-judgement.aspx>

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We are going to need your help to do this and providing the data in a timely manner will be an

Employer responsibility

Please engage with us, please provide us with feedback and please continue to help us to help you

Thank you.

Any questions?

Staffordshire Pension Fund

Employers Forum: 2022 Actuarial Valuation

Laura McInroy FFA

Adrian Loughlin

2 November 2021

Agenda

Introduction to the actuarial valuation

Outlook for 2022

Wider environment

How can you help?

Looking ahead



Laura McInroy

laura.mcinroy@hymans.co.uk



Adrian Loughlin

adrian.loughlin@hymans.co.uk

Introduction to the actuarial valuation



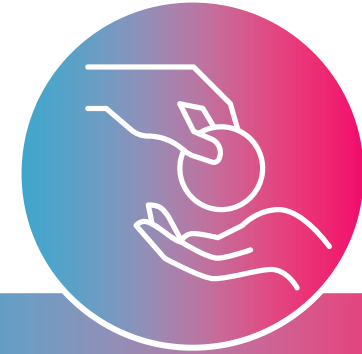
How the Fund works




Collect money
(contributions)



Invest money
(its assets)



Pay money out
(benefits)



But what is “the Fund” anyway?

- Collective noun for all the employers
- Each employer tends its own “field” within the Fund
- You are only being asked to fund the benefits of your own membership (current & ex-)

Why we do a valuation



Calculate employer contribution rates



Compliance with legislation



Analyse actual experience vs assumptions



Review Funding Strategy Statement

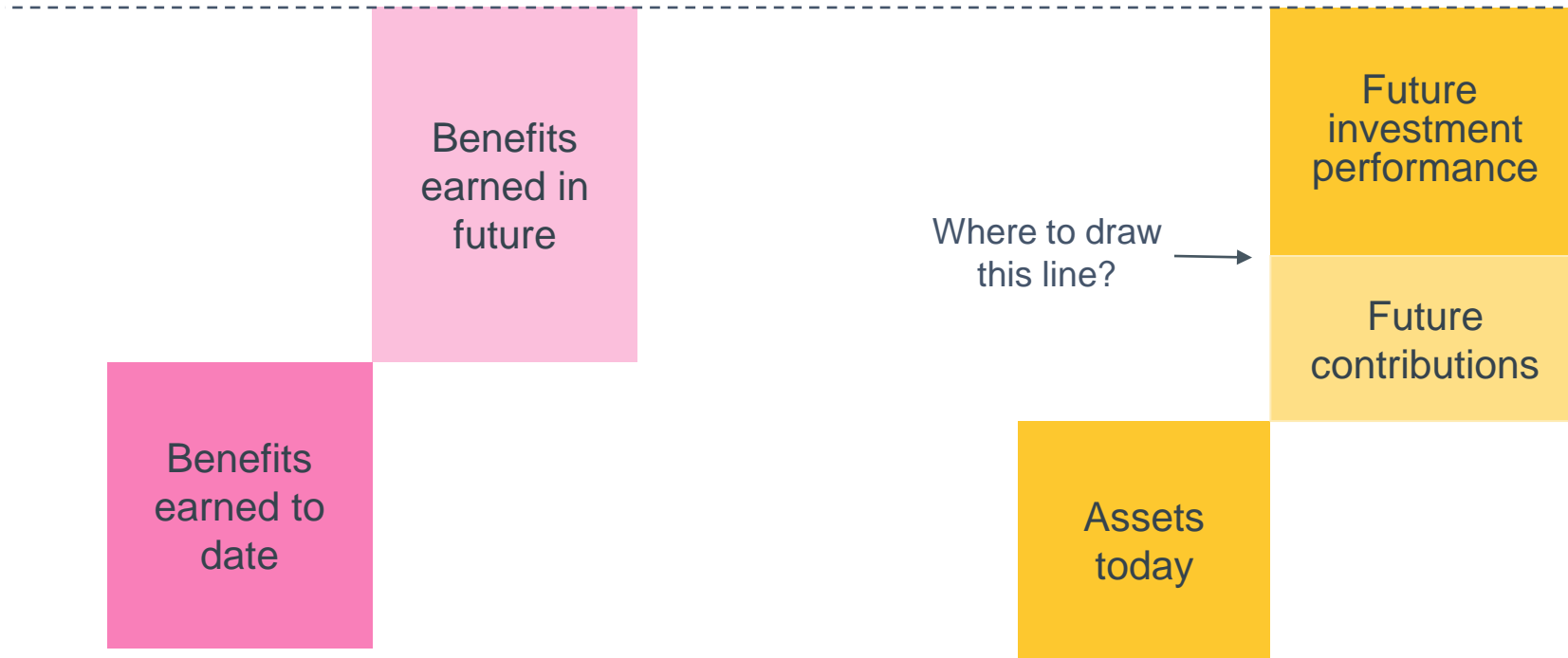


Part of continual 'health check' on fund solvency

The triennial valuation is a key risk management exercise for the Fund

How to fund benefits

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The key valuation decision is the balance of contributions and future investment performance

Two outputs from the valuation*

Funding position

Contribution rate

Benefits
earned to
date

vs

Assets
today

= surplus / (deficit)

Benefits
earned in
future

Primary contribution rate

+

Secondary contributions

***Carried out for each employer**

Outlook for 2022 valuation



What's happened since 2019...

Asset value progression (31 March 2019 = 100)



Strong asset returns since 2019 – more than recovering from March 2020

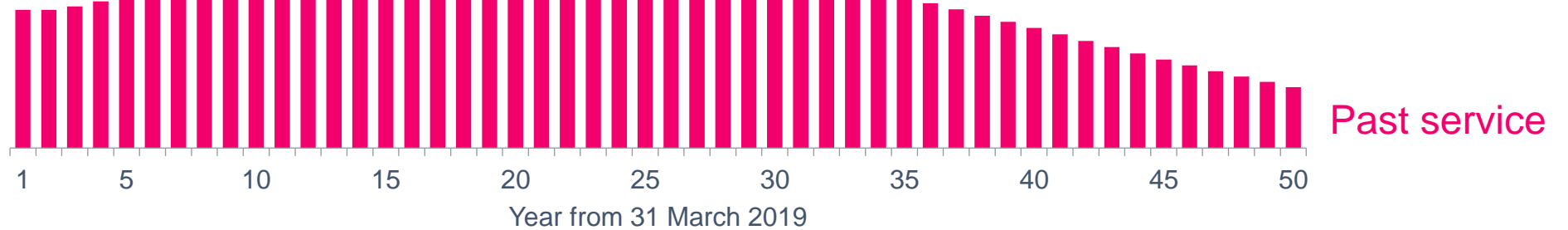
...and how much does it matter?

Projected benefit payments from 2019 valuation

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Many employers will be “fully-funded” (or better)

– but this refers to past service only



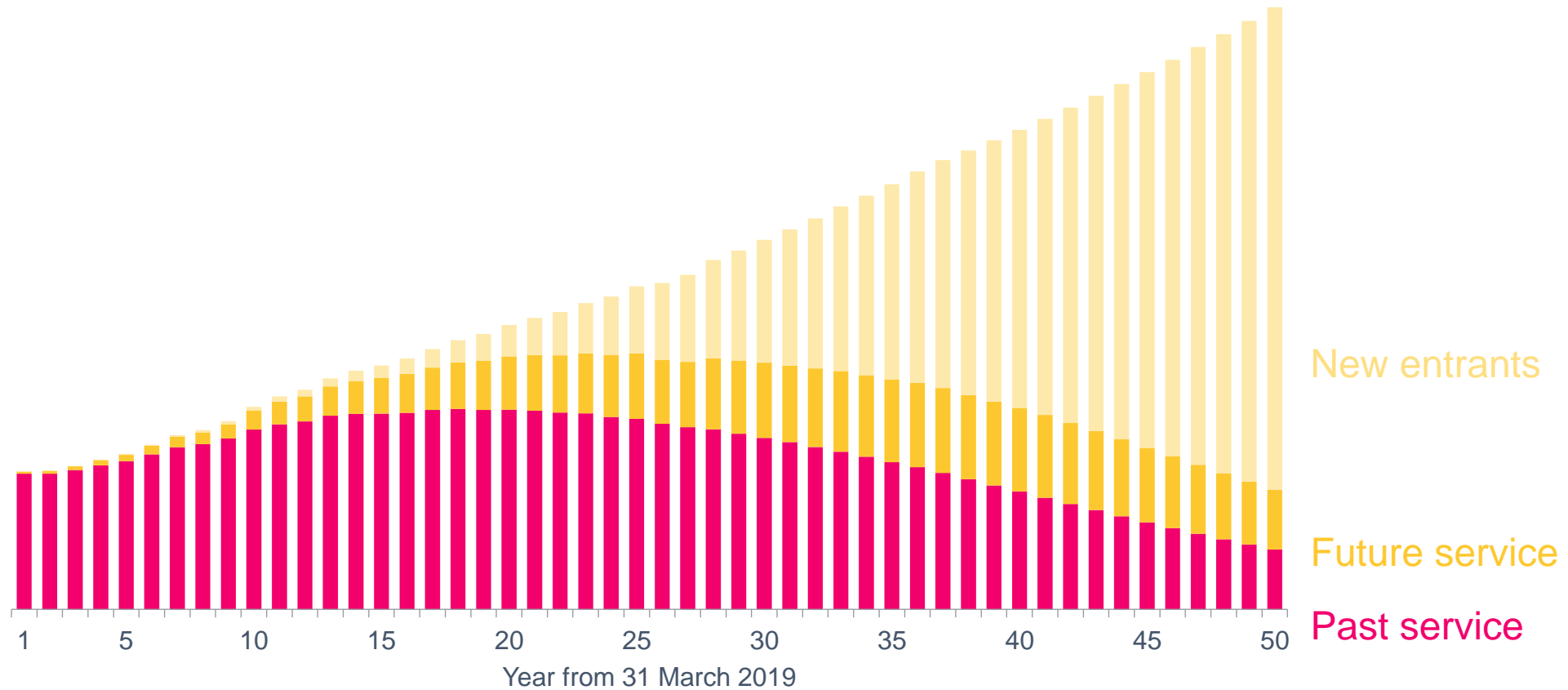
...and how much does it matter?

Projected benefit payments from 2019 valuation

Page 58

Many employers will be “fully-funded” (or better)

– but this refers to past service only



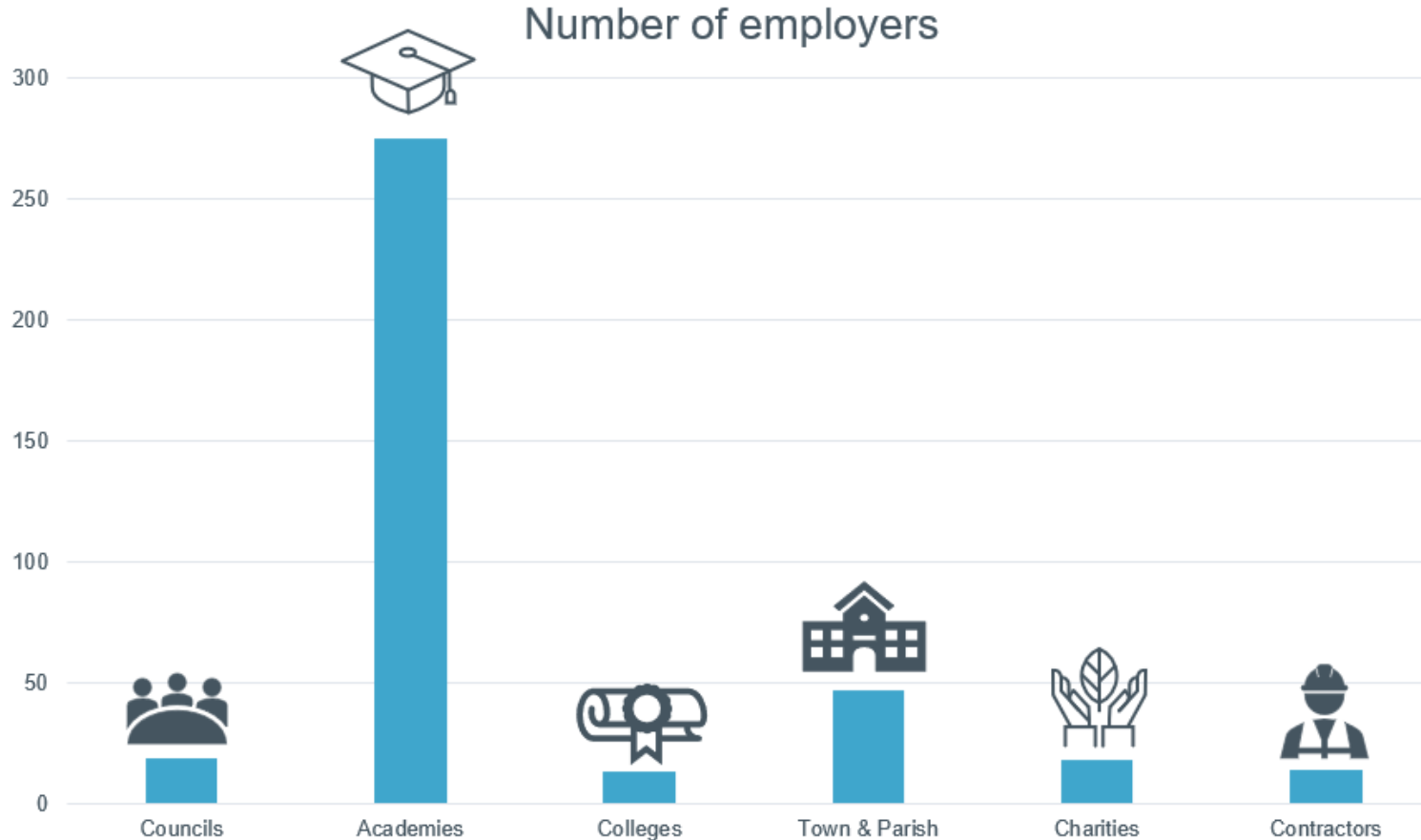
Past service is only a small part of the long term objective



Remember ...

- Each employer tends its own “field” within the Fund
- You are only being asked to fund the benefits of your own membership (current & ex-)

Who makes up the Fund?

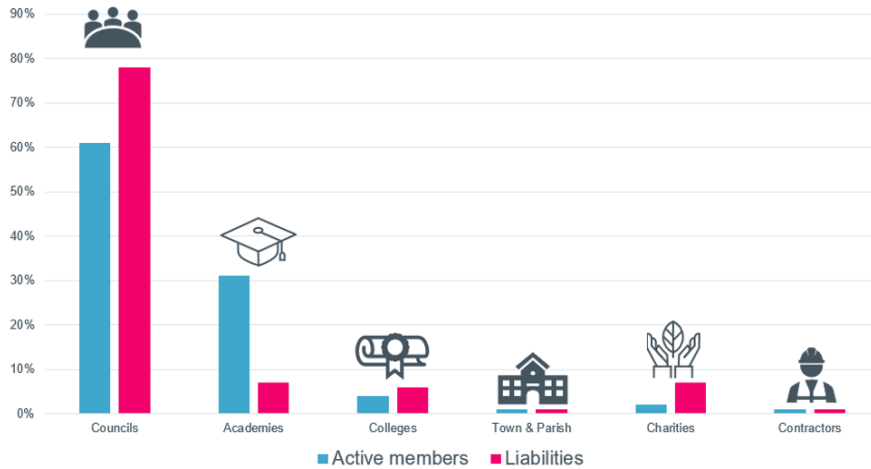


Source: Staffordshire Pension Fund at 31 March 2019 valuation

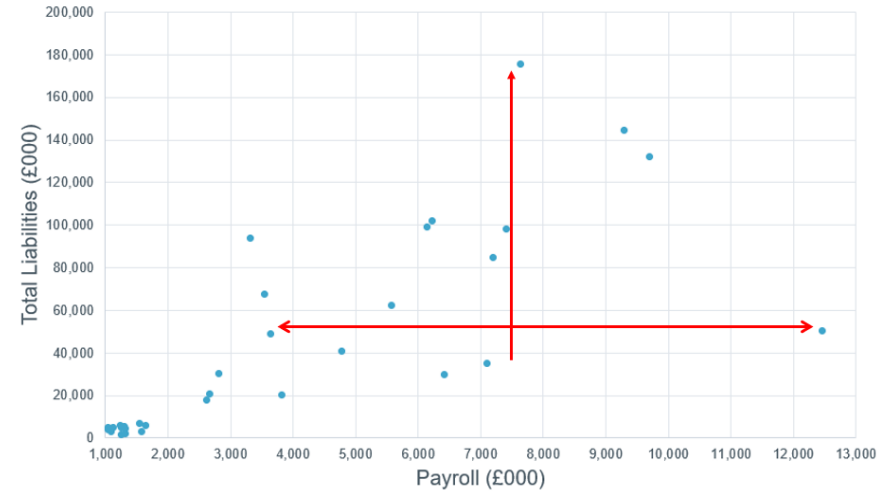
What sets you apart?

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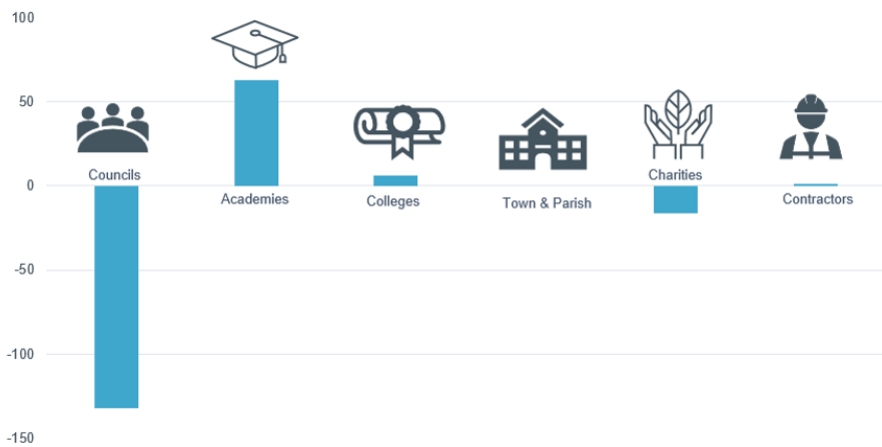
Membership numbers vs liability value



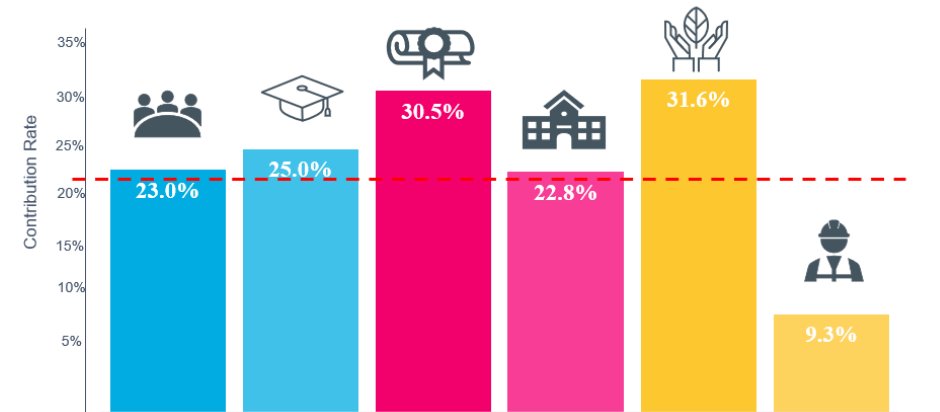
Liabilities vs payroll



Net cashflow position



Contribution rate in payment

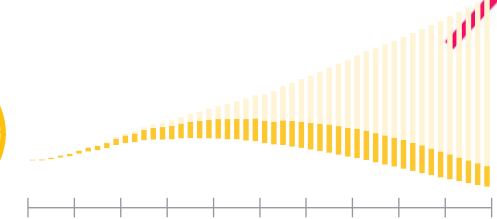


Outlook for 2022 valuation results

Funding position + secondary contributions



Primary contributions



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Change from 2019

Assets

Liabilities

Likely see an improvement in funding position and lower secondary contributions...

Assets

Liabilities

...but primary rates don't benefit from asset performance and may see upward pressure

Net impact will vary by employer

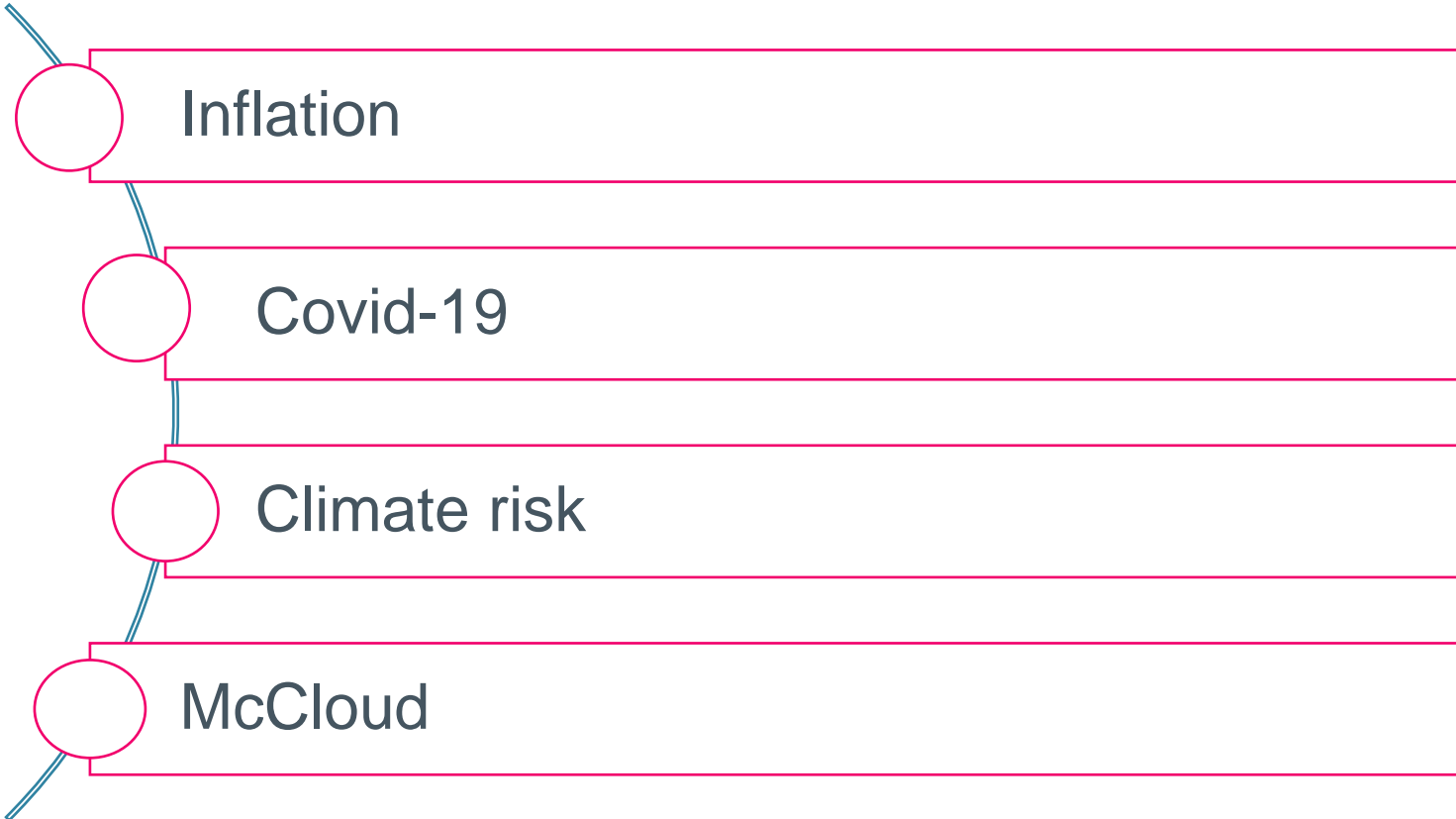
Wider environment



Issues affecting 2022 valuation results



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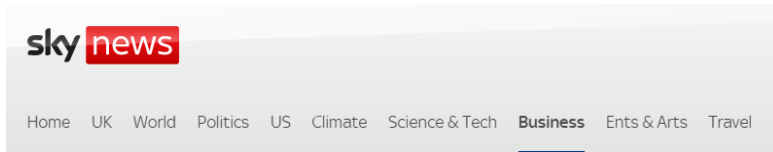
Higher future inflation?



Money Markets Project Syndicate B2B Retail

UK inflation could soar above 4% this year, thinktank warns

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COVID-19: 'Cost inflation hits record high' for services firms but recovery 'in full swing'

Bloomberg

Economics

Business Worries About U.K. Inflation Reach Highest Level in a Decade



Bank governor warns against overreaction to higher inflation

Higher inflation would increase pension costs, but no certainty if it will be a long-term trend or short-term blip

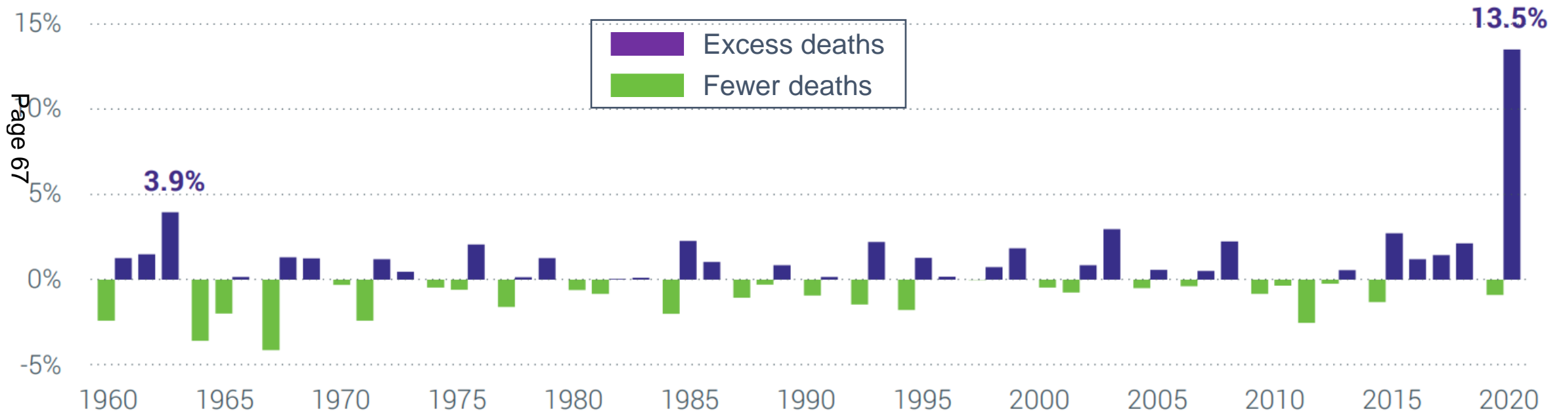
We need to talk about Covid-19 ...

“All of the team at Club Vita wish to extend our condolences to anyone who has personally been touched by bereavement in recent months. We know that these deaths leave behind people who are missing loved ones.”

www.clubvita.co.uk/news-and-insights

Immediate impact on mortality

ENGLAND & WALES: EXCESS DEATHS VERSUS UNDERLYING TREND

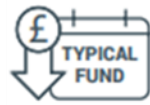


Significant level of excess deaths in 2020

Longer term impact on pension funding?



Bump in the road



-0.9% LIABILITIES | -1 MONTH DURATION



Innovation in adversity



+2.1% LIABILITIES | +4 MONTHS DURATION



Long road to recovery



-2.5% LIABILITIES | -3 MONTHS DURATION

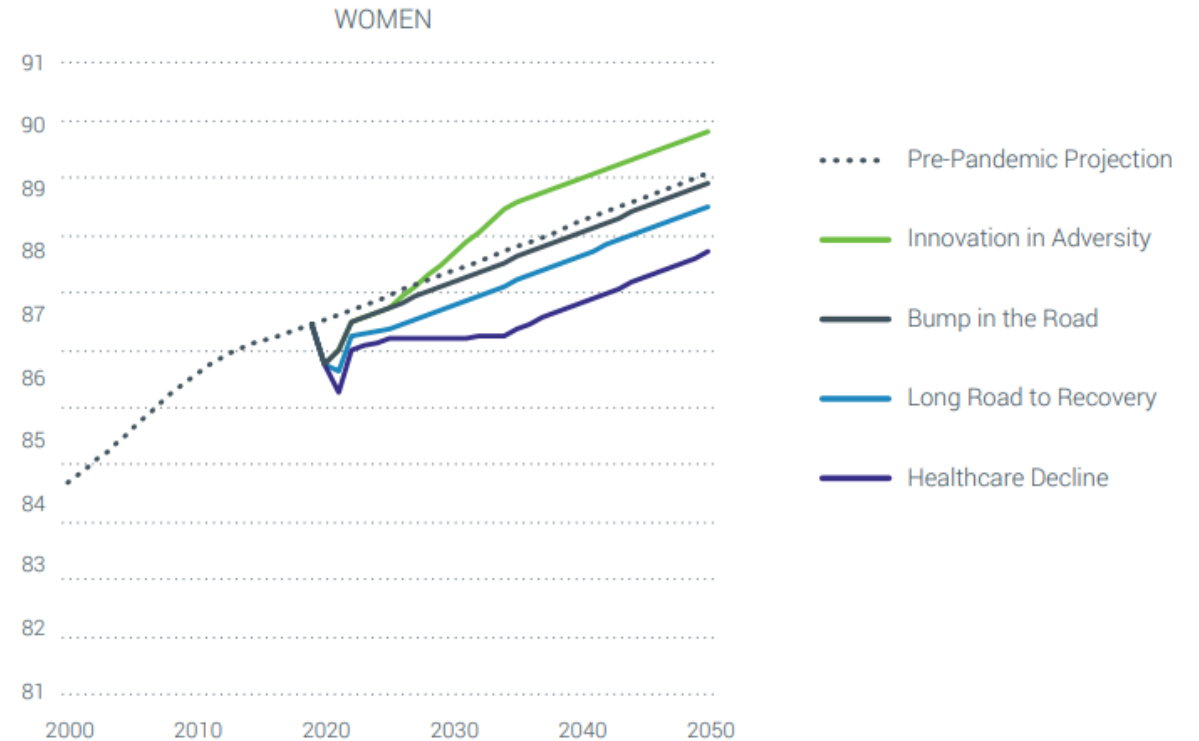


Healthcare decline



-5.3% LIABILITIES | -7 MONTHS DURATION

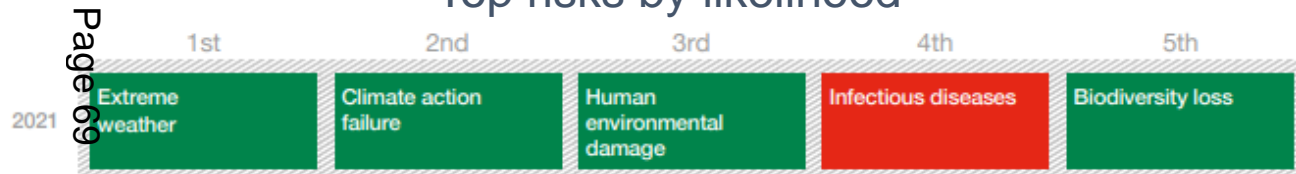
Life expectancy from age 65



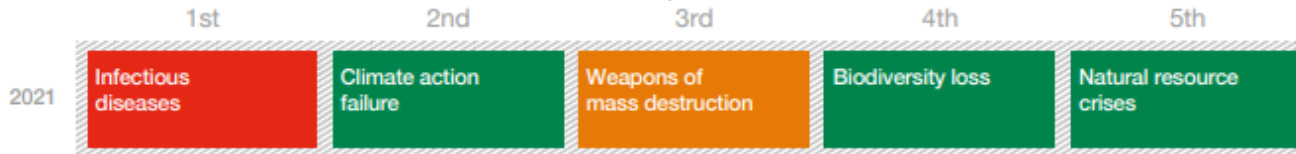
Climate change: no greater challenge



Top risks by likelihood



Top risks by impact



“We don’t need an army of actuaries to tell us that **the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors** – imposing a cost on future generations that the current generation has no direct incentive to fix.”



Mark Carney,
United Nations Special Envoy for Climate
Action and Finance, United Nations

Climate outcomes

Green revolution

- Concerted policy action starting now
 - Public and private spending on green solutions
- Improved disclosures => market prices shift quickly

Delayed transition

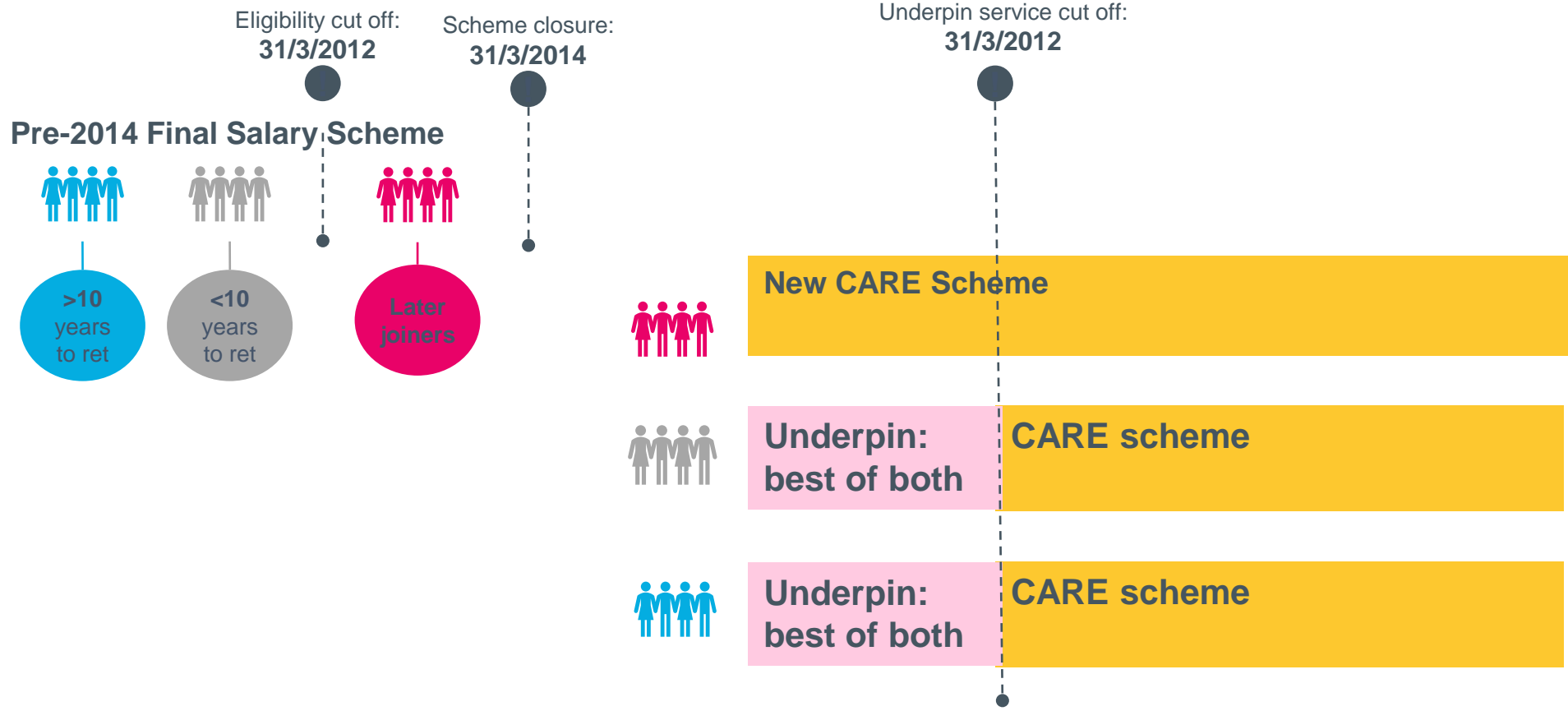
- Delayed reaction (stronger when it does happen)
- Greater (but delayed) transition risks
- Similar long-term physical risks

Head in the sand

- No or little policy action for many years
- Growing fears => market uncertainty
- Ineffective and piecemeal action => price adjustments

Climate change is a source of risk
which we will consider as part of the 2022 valuation

LGPS after McCloud



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An estimate will be calculated as part of employer liabilities at 2022 valuation
Will once again be factored into contribution rate setting

How can you help?



What data do Employers need to provide?

Leavers

Joiners

Year-end data

Changes in salaries

Any employee information updates

How does data impact on the valuation?

Membership data



Liabilities

Cashflow data



Assets

Employer circumstances



Funding plan



Your future contributions

Impact of incorrect data Pensionable Pay:

Example (Active Member)

Sex	DOB	Start Date	FTE Salary £	Liability £	Annual CARE £
M	01/01/1954	01/01/1998	10,500	50,667	214
M	01/01/1954	01/01/1998	15,000	76,000	306

+50%!

Please note – all figures and calculations contained herein are based on a number of assumptions and are therefore for illustrative purposes only.

Impact of incorrect data

Date of Birth:

Example (Pensioner)

Sex	DOB	Pension £	Liability £
F	01/01/1956	1,000	15,600
F	01/01/1965	1,000	23,500

+51%!

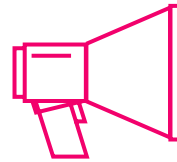
Please note – all figures and calculations contained herein are based on a number of assumptions and are therefore for illustrative purposes only.

What can you do to help?

Timely submission
of data



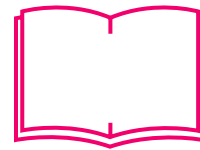
Active engagement
with Officers



Respond to any queries that
may impact on your results



Read all communications
shared by the Fund



The Fund may pass on any costs involved with revisions to valuation results caused by incorrect or missing employer data

Looking ahead



What lies ahead?

Q4 2021

Pre-valuation work:

- Planning
- Data cleansing
- Reviewing assumptions

July – August 2022

Data cleansed and submitted to actuary

November - December 2022

Initial Employer Results prepared

Q1 2023

Employer Forum/surgeries

Q1 2022

Stabilised rates signed off for Authority employers

April 2022

Final monthly iConnect data submission by employers

September – October 2022

Actuarial calculations processed

January 2023

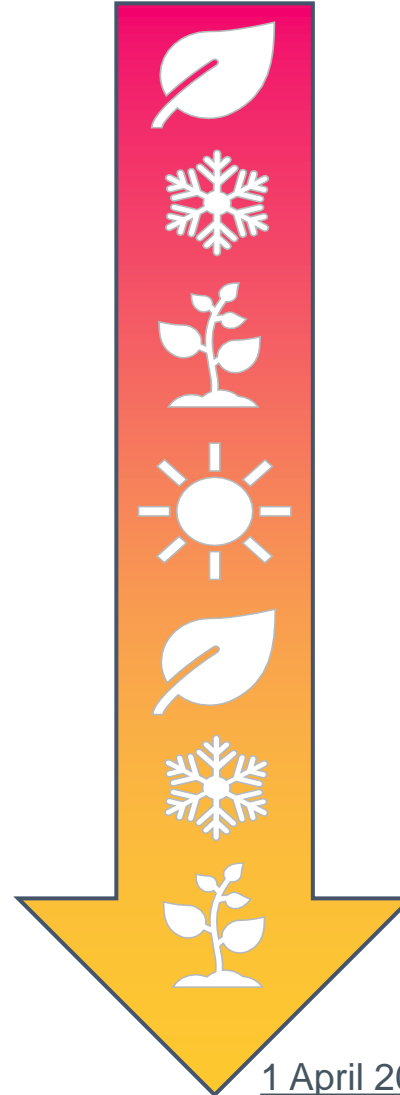
Employer results issued
Funding Strategy Statement consultation

March 2023

Final valuation report signed off by 31 March 2023

1 April 2023

New employer contributions start to be paid



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Thank you

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