

Staffordshire Pension Fund

Annual General Meeting

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Agenda



Valuation recap



What's happened since the last valuation



Looking ahead to 2025



Your role in the valuation

Valuation recap



How the Fund works



Collect money
(contributions)



Invest money
(its assets)



Pay money out
(benefits)

Main objective of the Fund is to ensure enough money to pay benefits

Getting the balance right

Liabilities

Assets

Benefits earned in future

Future investment returns

Future contributions

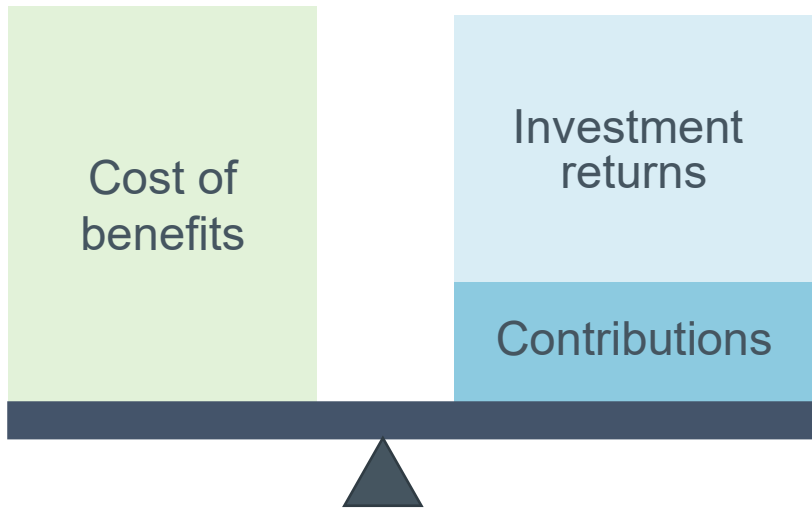
Where to draw the line?

Benefits earned to date

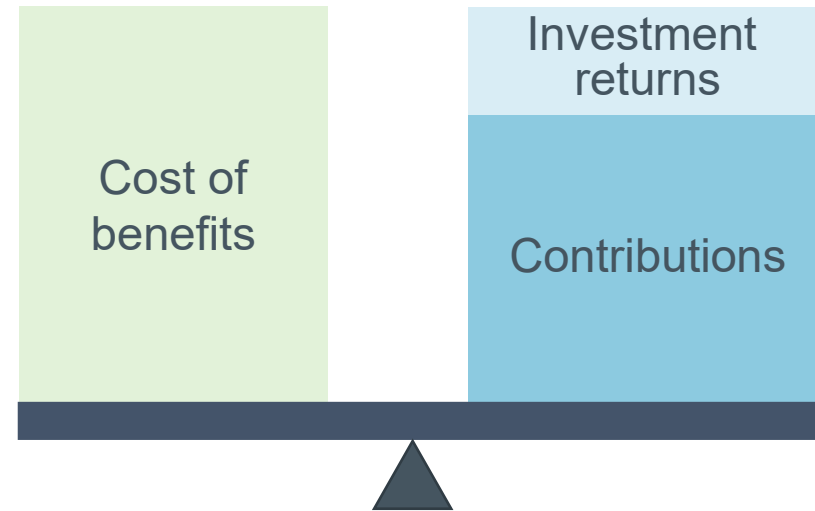
Assets today

Setting funding strategy is a balancing act

High risk funding strategy



Low risk funding strategy



Balance between affordability and security

Outputs of the valuation

Liabilities

Assets

Benefits earned in future

Future investment returns

Future contributions

Contribution rates

To pay for both future benefits and any shortfall in relation to accrued benefits
Strike a balance between investment returns and contribution rates

Benefits earned to date

Assets today

Funding level

Comparison of 'assets today' vs. 'benefits earned to date'
Balance sheet snapshot of Fund at valuation date

Why else we do a valuation?



Calculate employer contribution rates



Compliance with legislation



Analyse actual experience vs assumptions



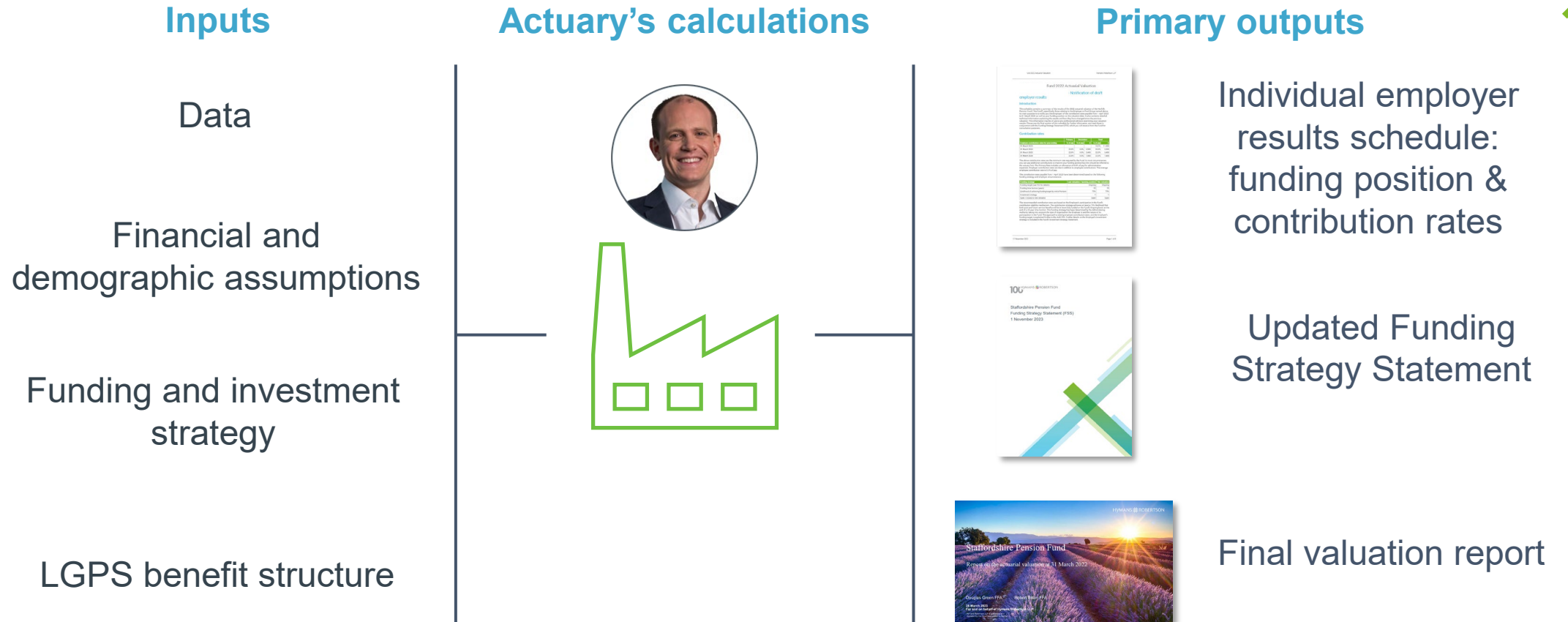
Review Funding Strategy Statement



Part of continual 'health check' on Fund solvency

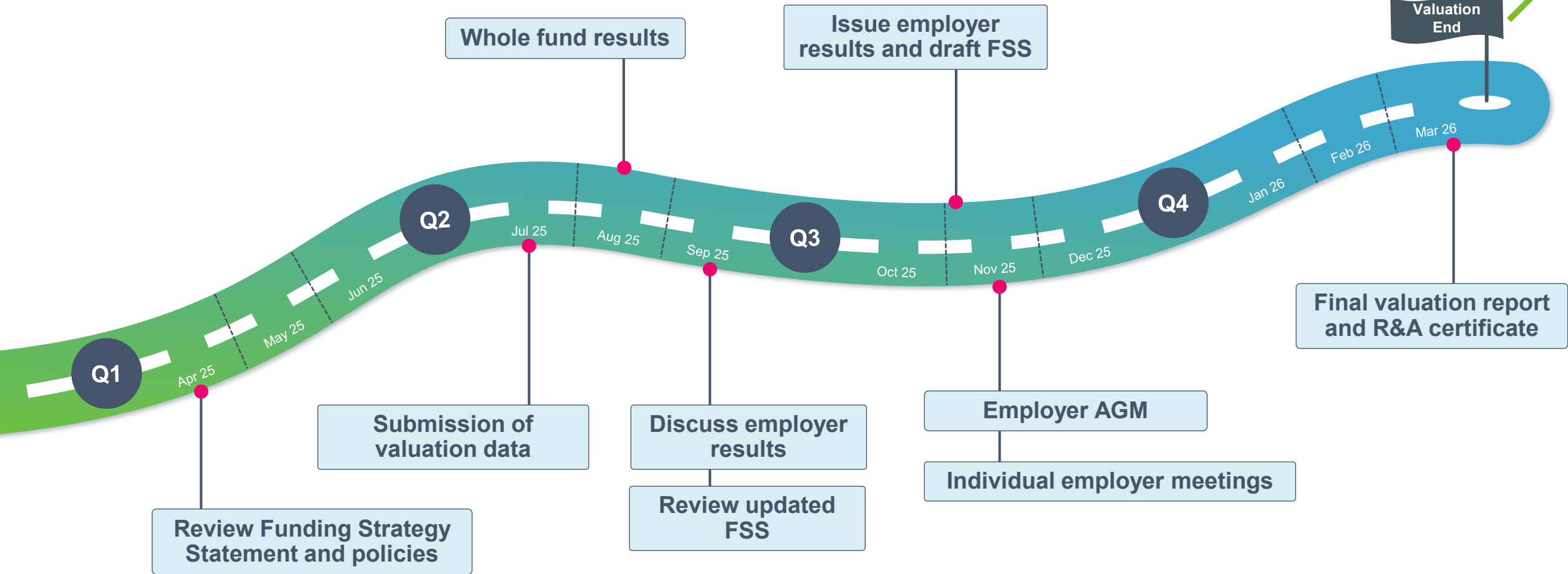
The triennial valuation is a key risk management exercise for the Fund

How the valuation is carried out



Significant exercise for the Fund which requires input from all stakeholders

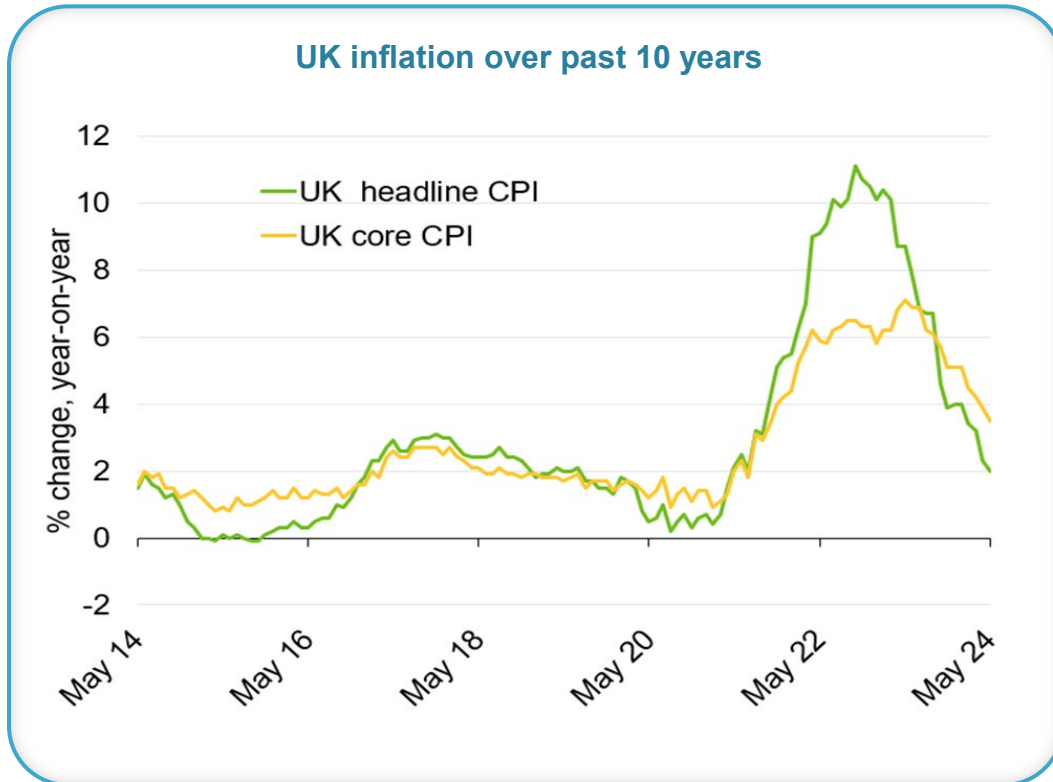
2025 valuation timeline



What's happened since the
last valuation

The background of the slide is a dark blue-grey color. It is decorated with several thick, diagonal lines in two colors: cyan and a vibrant green. The lines are scattered across the right side of the slide, creating a dynamic, abstract pattern.

High inflation



Source: DataStream

General insights



LGPS benefits are index-linked



Pension increases of 10.1% (2023) and 6.7% (2024)



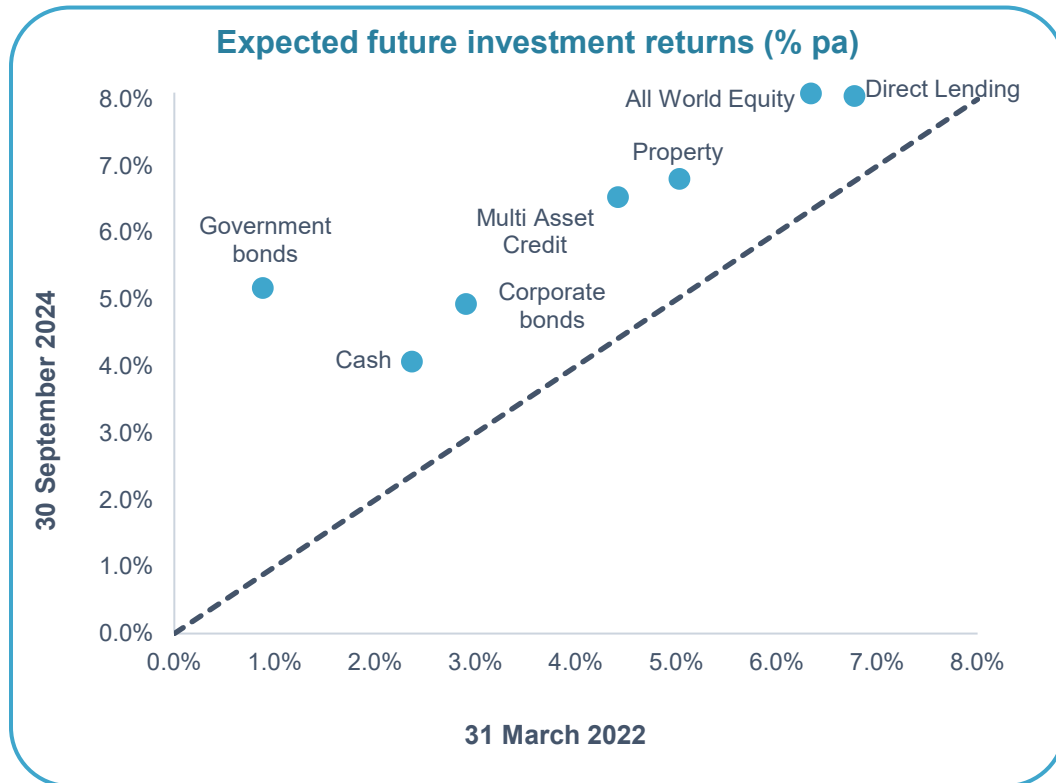
High inflation increases the cost of benefits



Future inflation remains uncertain

Inflation has been slightly higher than expectations at the 2022 valuation

Economic environment



Source: Hymans Robertson, ESS model. Annualised median 20 year return.

General insights



Expected returns are higher for all asset classes



Higher returns driven by increased interest rates



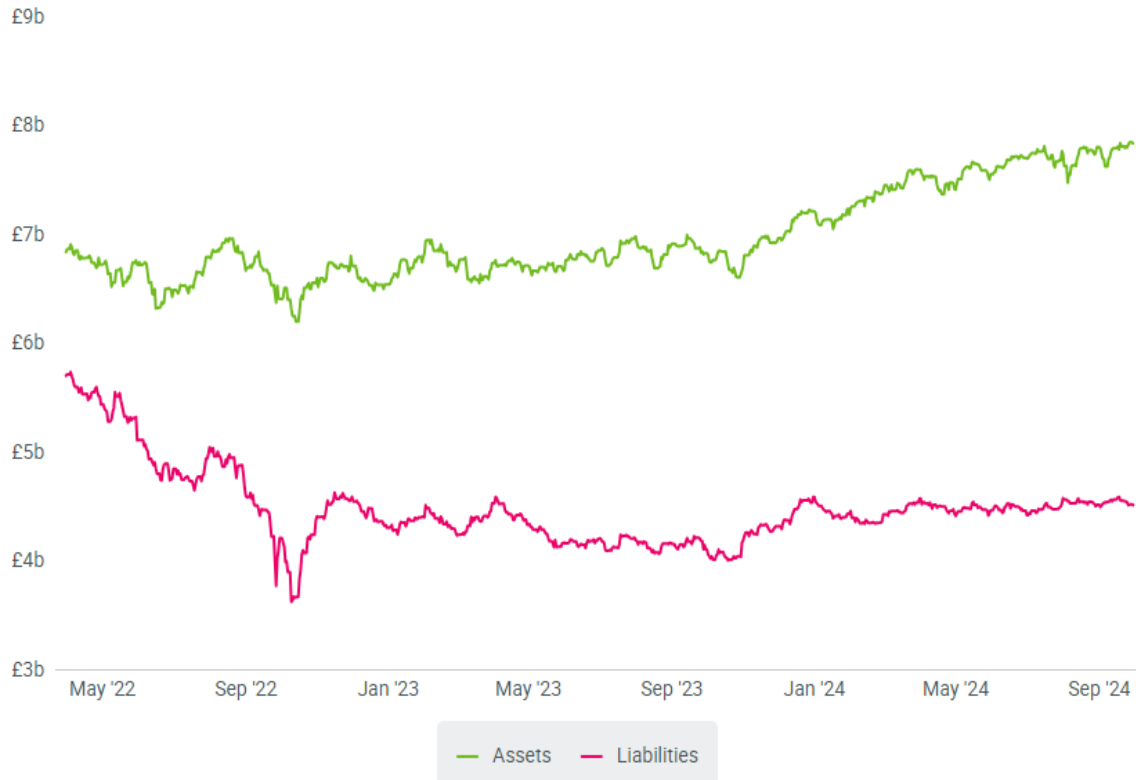
Leads to a lower value placed on Fund's liabilities



Caution required at 2025 valuation

Short, sharp change in economic environment since 2022 valuation

Impact on past service funding position



Funding level: **174%**

Funding level improvement driven by higher expected future investment returns

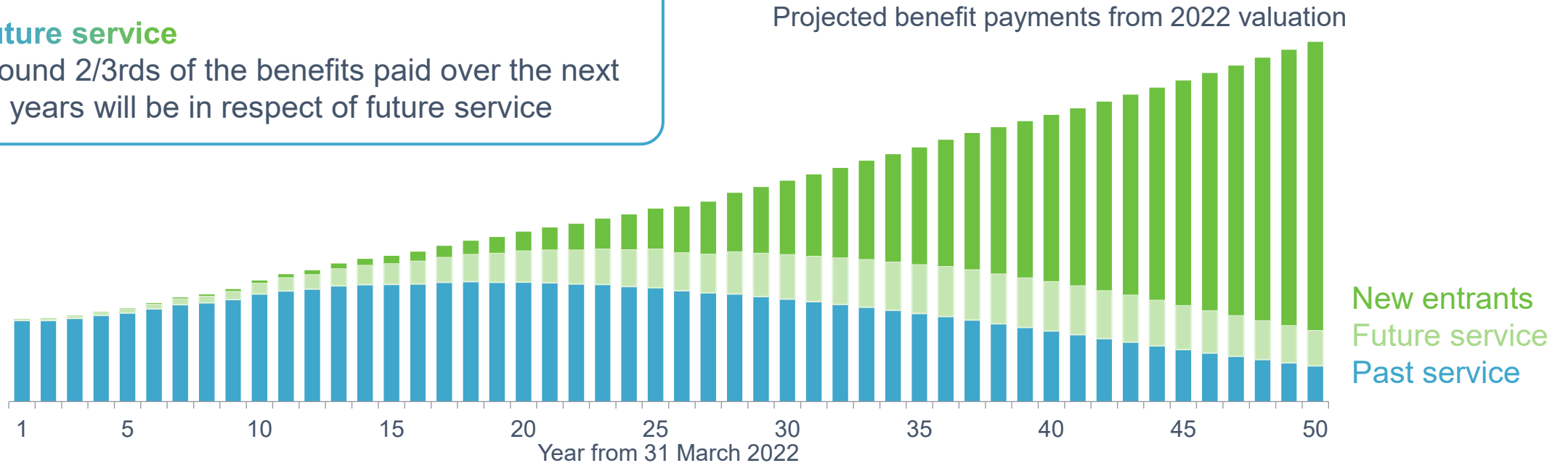
How important is it to be 100% funded?

Past service funding position:

Most employers likely to be “fully-funded” at 2025
- but this refers to past service only

Future service

Around 2/3rds of the benefits paid over the next 50 years will be in respect of future service



Important to consider both past service benefits and those that will be earned in the future

Looking ahead to 2025

The background features several thick, parallel diagonal lines in shades of cyan and green, extending from the top right towards the bottom left. The lines are arranged in a staggered pattern, creating a sense of movement and depth against the dark blue background.

Areas that need to be considered



Market risk

- Uncertain inflation
- Interest rates
- Market volatility



Cashflow risk

- Uncertain inflation
- Change in contributions
- Liquidity risks



Longevity risk

- Increased deaths
- Longevity trends
- Future improvements



Climate risk

- Inflation
- Investment returns
- Longevity



Covenant risk

- Economic environment
- Demographic changes
- Regulatory environment

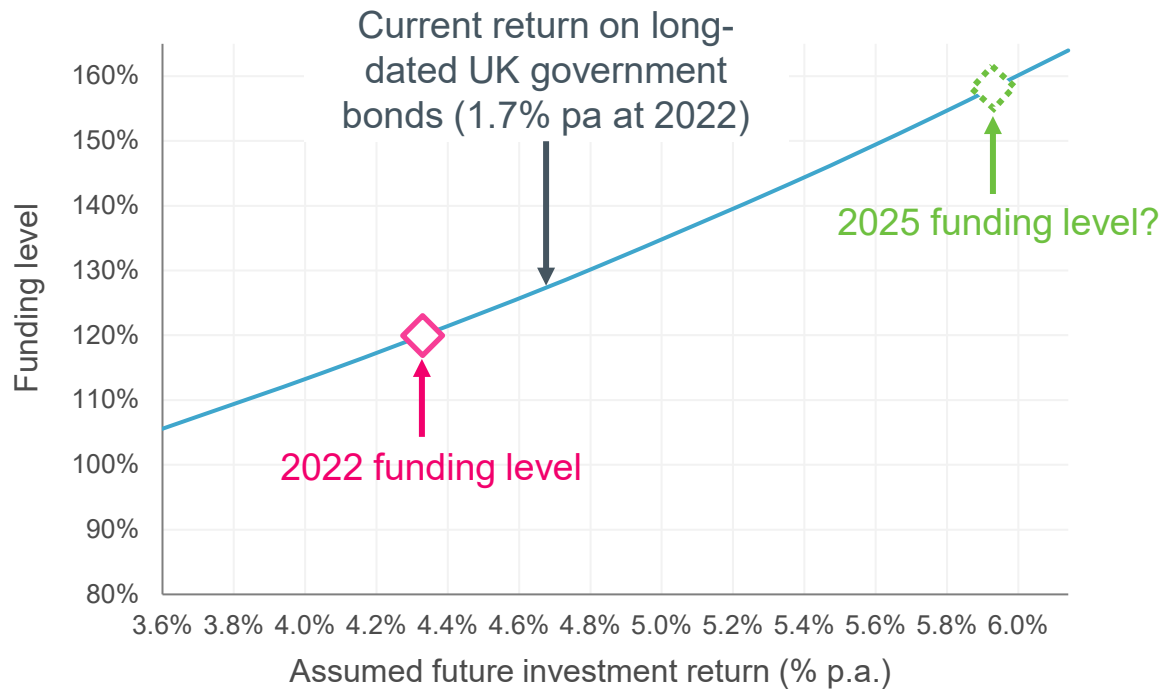
Usual areas of risk but different considerations (as always!)



A change in economic environment

A new environment

Potential impact



Employer contribution rates



Investment strategy



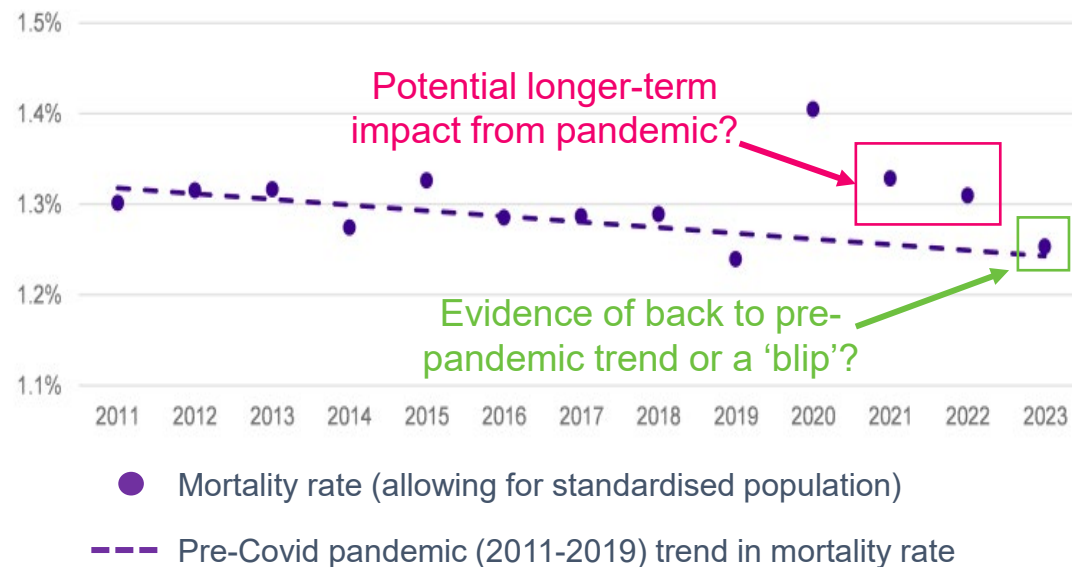
Prudence levels

A new environment may require new funding strategy considerations

Greater uncertainty about the future

Impact of Covid-19 pandemic

2011-23 mortality rates in England & Wales



Areas of uncertainty



Life expectancy: what will be the future trend?



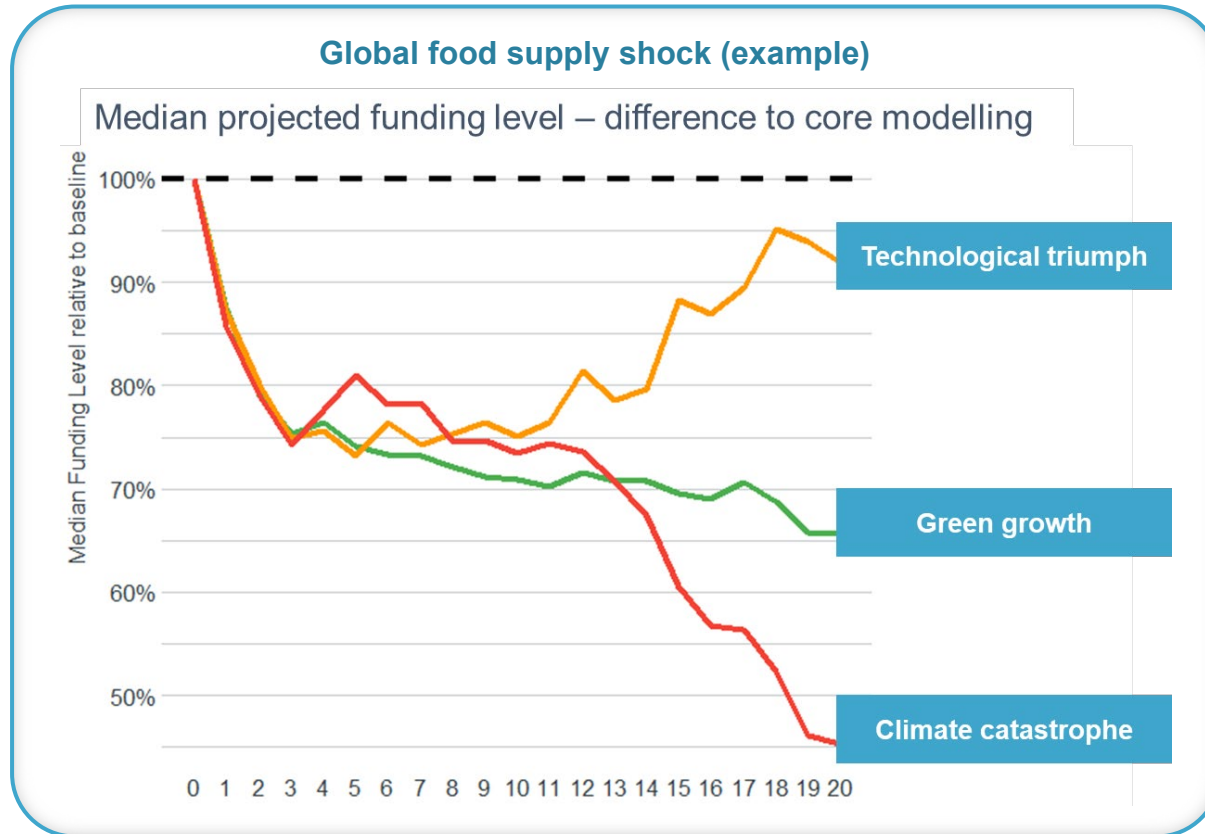
Climate change: what could its impact be on the Fund?



Inflation: back to 'normal' or risk of a rebound?

Review beliefs about the future and make sure they are reflected in assumptions

Climate risk



General insights



Climate damages could be extreme



Sectors have strong correlations under stress



Events can cascade through supply chains



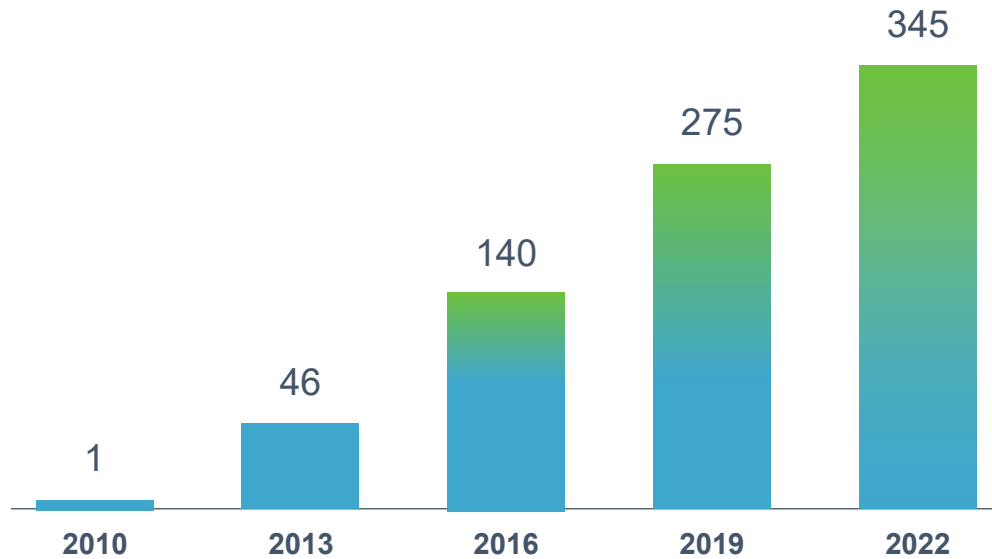
The low-carbon transition may be sudden

Understand impact of climate change on funding strategy

Increasing number of academy schools

15 years of academies

Focussing on



Number of academy schools at each valuation



Ensuring funding strategy is long-term, consistent and robust

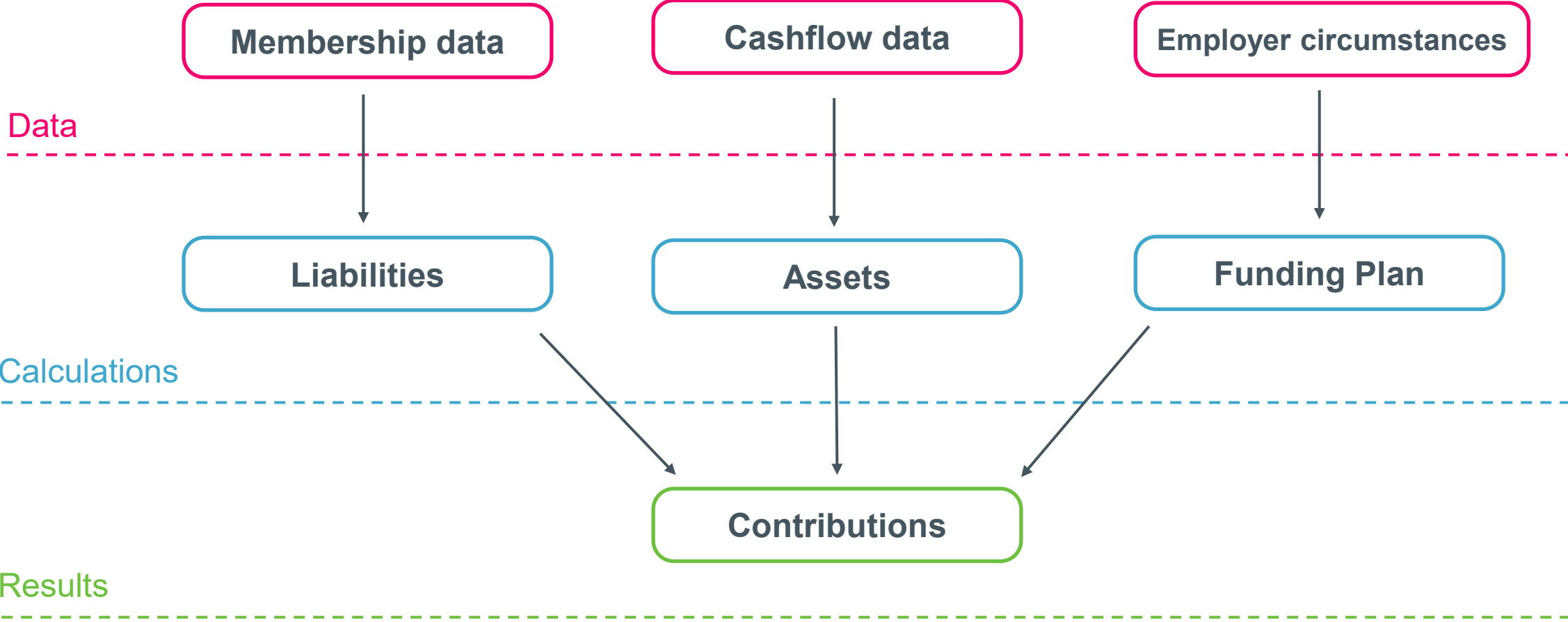


Simplify the management of academies (for both fund and academies)

Holistic review of approach which has developed since 2010

Your role in the valuation

How does my data impact on the valuation?



Impact of incorrect data

Full Time Equivalent Salary 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%!

Date of Birth Pensioner member

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

+51%!

How can you help now?

Data Timescales

- Review the data you hold and ensure it is up to date
- Submit monthly data on time
- Promptly reply to any queries from the SPF

Keeping informed

- Attend employer forums – information on the valuation, hot topics and trends
- Read valuation communications from the SPF

Engagement with the Fund

- Speak regularly to your local contact at the SPF
- Ask questions – especially if this is your first valuation
- Communicate any changes in your circumstances

Summary



Preparations for the 2025 valuation are underway



Key themes for the 2025 valuation are change in economic environment and uncertainty



Funding positions are improved, impact on contribution rates is being explored



Engage with the SPF throughout the valuation

Thank you

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