



2019 Actuarial Valuation

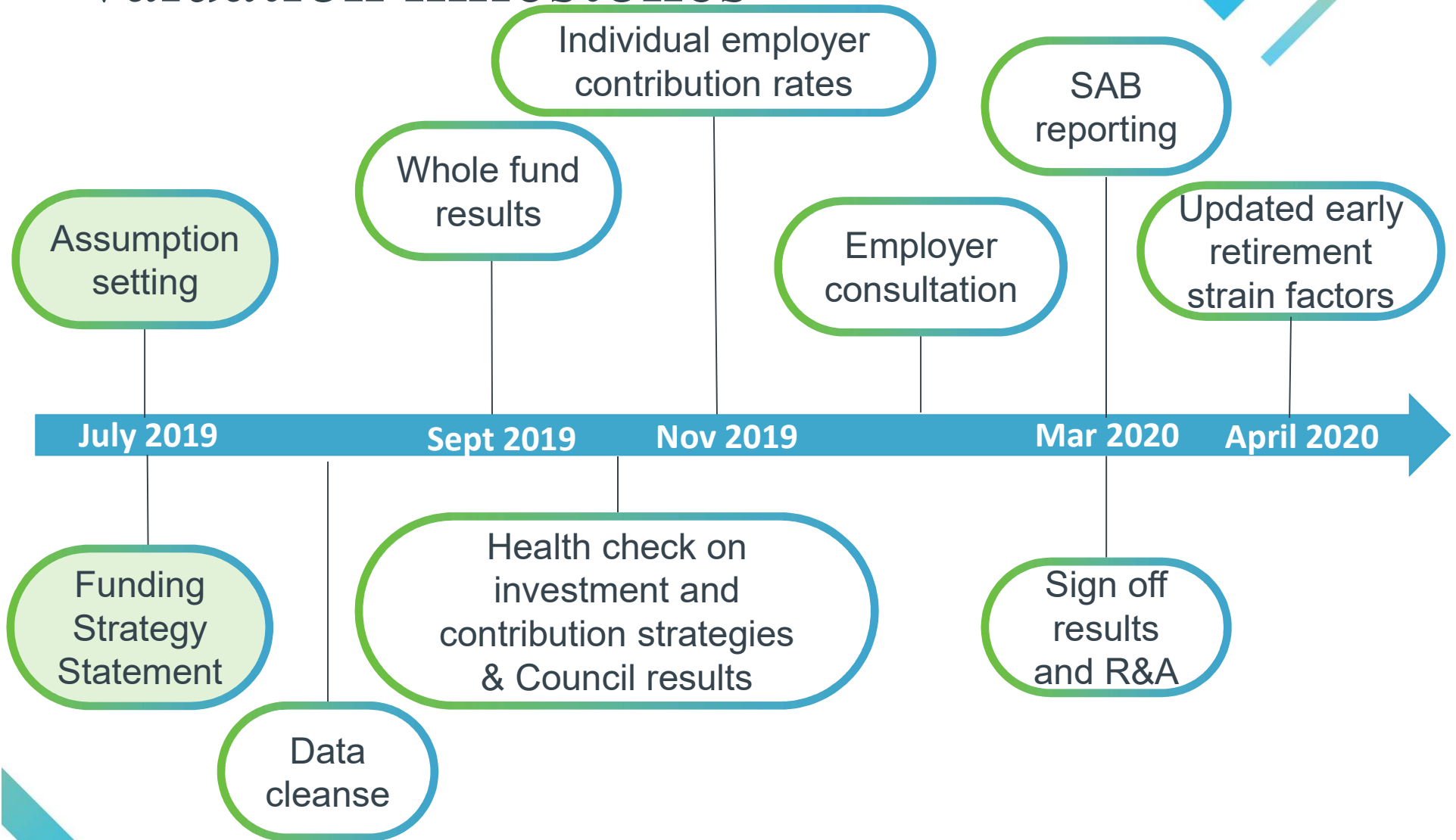
July 2019 Panel

West Sussex County Council Pension Fund

Steven Law FFA

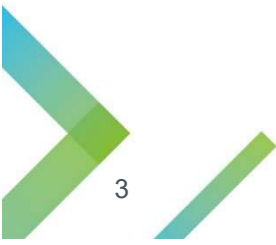
24 July 2019

Valuation milestones



Projected results

Funding level



Actuarial assumptions

Financial assumptions

- Investment return
- Benefit increases
- Salary increases

Consider:
Economic outlook
Actual scheme assets
Historical pay growth



Demographic assumptions

- Life expectancy
- Retirement age and cause
 - Withdrawals
- Marriage Statistics

Consider:
Population trends
Members' social status
Past scheme experience



Under review..

Projected funding level results



- Funding levels have improved – driven by positive investment returns
- There are unknowns though (fresh membership data, McCloud, GMP)
- Final assumptions still to be agreed
- **Expected funding level between 100% and 110%**

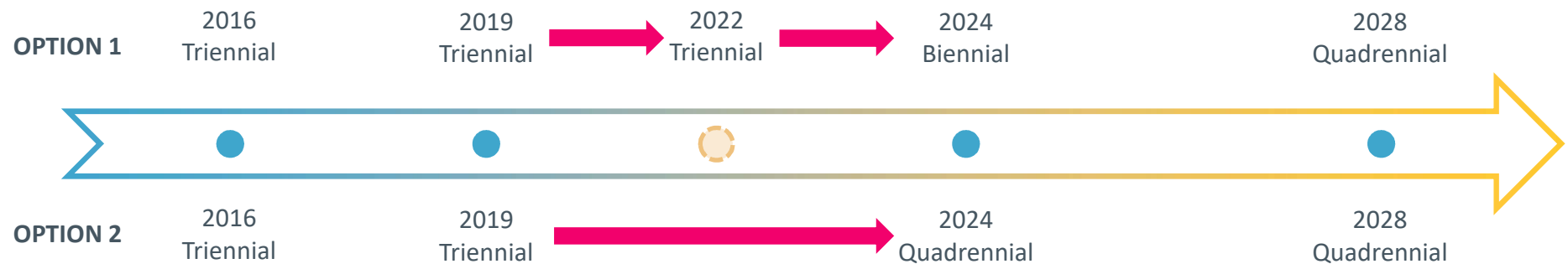
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Projected results

Contributions

Unknown - Valuation cycle

- MHCLG published consultation on 8 May 2019



How long are we setting rates for?

Unknown - Cost sharing

1



- 19.5% cost envelope
- Includes employee contributions

1. 1% change – may make recommendations
2. 2% change – should make recommendations
3. 2%+ change – must make recommendations

2



- 14.6% cost envelope
- Excludes employee contributions

1. 2%+ change – benefits must change from 1 April 2019

Unknown - McCloud



Administrator will calculate:

- Pension based current benefit structure
- Pension based on 60th's benefit structure

Member gets the better of the two

Benefits earned since 2014 are uncertain



Projected employer contributions

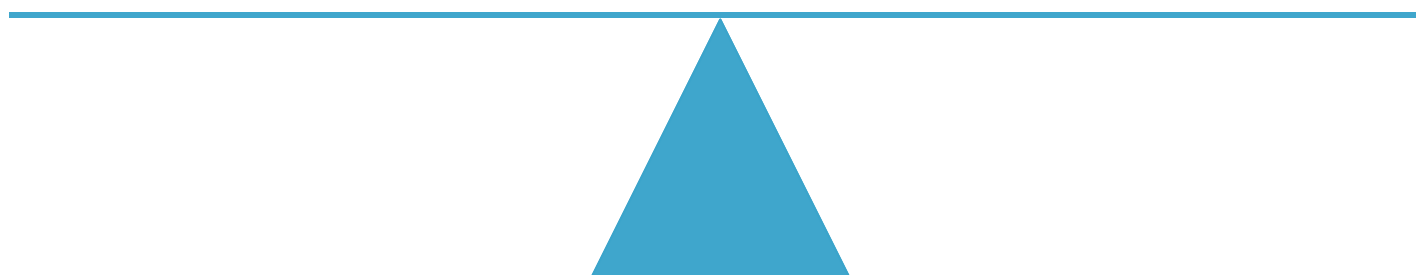


Primary Rates

- Lower expected future returns increases cost of benefits
- McCloud / Cost Sharing puts upward pressure on rates

Secondary Rates

- Improved funding levels will lower secondary rates



Offsetting affects should give stable rates



Projected results

Progress on long term objectives

Fund objectives


MHCLG	<ul style="list-style-type: none"> • Maintain stable employer rates • Take a prudent long term view
Section 13	<ul style="list-style-type: none"> • Compliance, consistency, solvency, cost efficiency
Funding Strategy	<ul style="list-style-type: none"> • Balance affordability and stability of rates • Take a prudent long term view • Transparency of process
Investment Strategy	<ul style="list-style-type: none"> • Reduce risks of deficits emerging • Sufficient returns to manage cost of benefits • Identify sources of income to manage cashflow



Building blocks

40%  Growth assets – drive affordability

20%  Income assets – drive income to manage cashflow

40%  Protection assets – drive stability

- Maintain a better than 2/3rd's chance of full funding over 20 years
- Target sustainable rate of 18% of pay for secure, long term employers

- WSCC
- Police
- Crawley
- Chichester
- Horsham
- Adur Worthing JC*

- Arun
- Mid Sussex

- Adur
- Worthing



Questions....

- Can we move towards our long term target of 18% of pay without materially altering our long term chances of remaining fully funded?
- Depending on the outcomes of McCloud / Cost-sharing, can we 'absorb' the increased cost by letting out some prudence?
- Can we do these while avoiding any flags from Section 13?
- Do the employer groups remain appropriate and does the above ambition work for all?
- Does the investment strategy remain appropriate (health check)?
- Does the 85% re-risking trigger remain appropriate?
- Should there be a downside risk measure in our overall objectives?

Sustainability will be key outcome

Better futures
aren't down
to chance





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This report summarises the advice contained in separate papers covering the long and shorter term expected returns (discount rate), VITA analysis and summaries of discussions in respect of salary increases. Further reports will be issued in respect of final financial assumptions and the other demographic assumptions when the data becomes available. The totality of my advice complies with TAS100 and 300.



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