

# 2019 Valuation Results

West Sussex County Council Pension Fund

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# Background & Assumptions

# Why we do a valuation



Compliance



Analyse experience



Solvency check



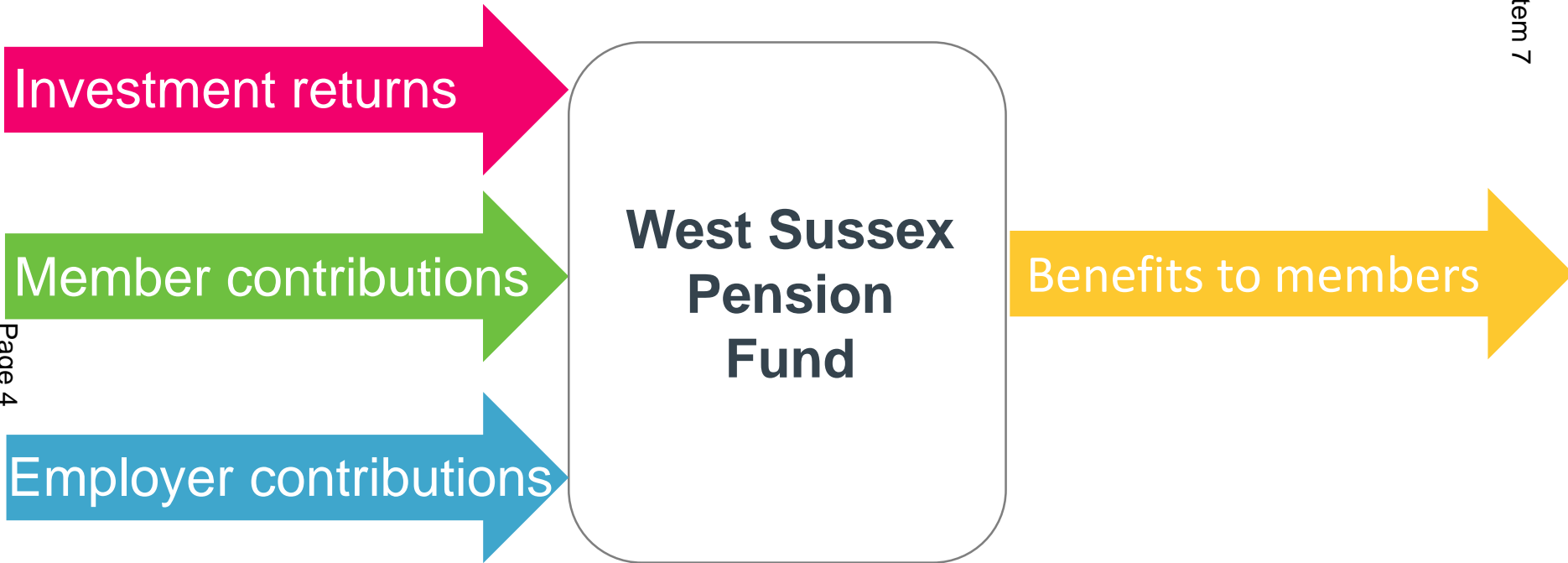
Contributions



Set strategies

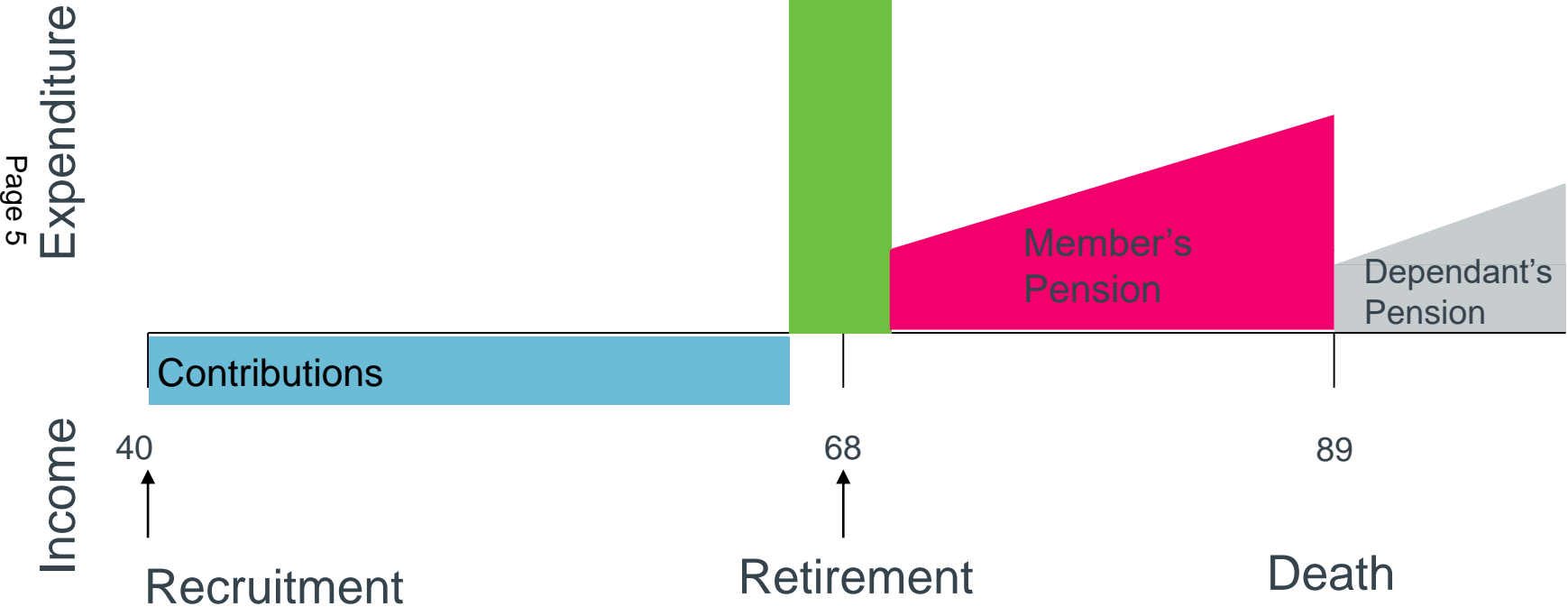


# How the Fund works...



- Investment Strategy Statement (ISS) and manager performance
- Set by Government
- Funding Strategy Statement (ISS)

# Valuations begin at member level

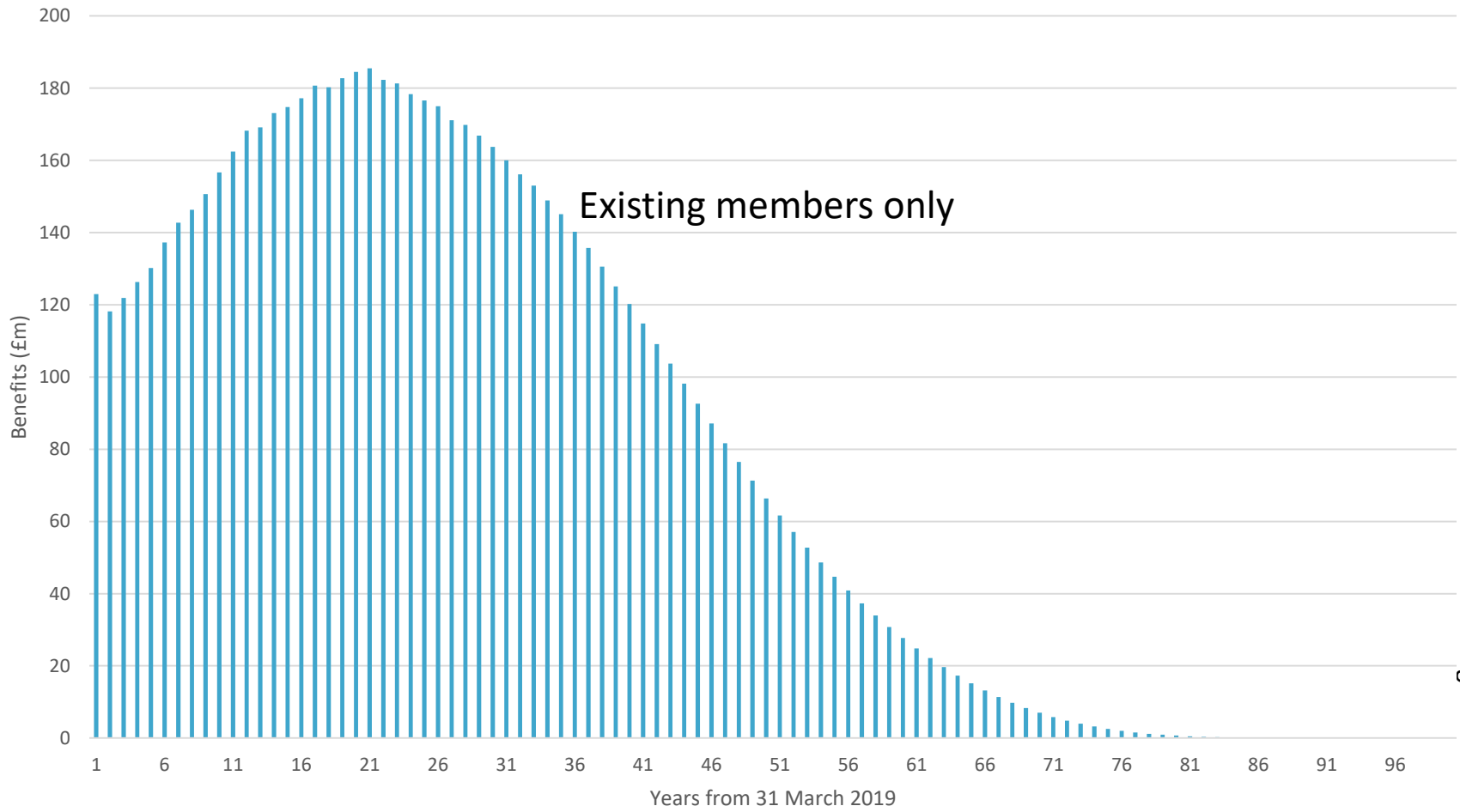


# Assumptions

Assumption	2016 valuation	2019 valuation	Reason
Pension increases	RPI less 1%	RPI less 1%	No significant change observed
CARE revaluation rate	RPI less 1%	RPI less 1%	No significant change observed
Salary increases	CPI + 0.8%	CPI + 0.5%	Continued budgetary pressure
Life expectancy - Baseline - Future improvements	VitaCurves CMI model	VitaCurves CMI model	Market leading approach Reflect latest experience and trend
Other demographic assumptions	Observed national experience	Observed national experience	Updated to reflect latest national trends
50:50 take up	1%	1%	Low take up rates persist

**All the above assumptions are best estimate**

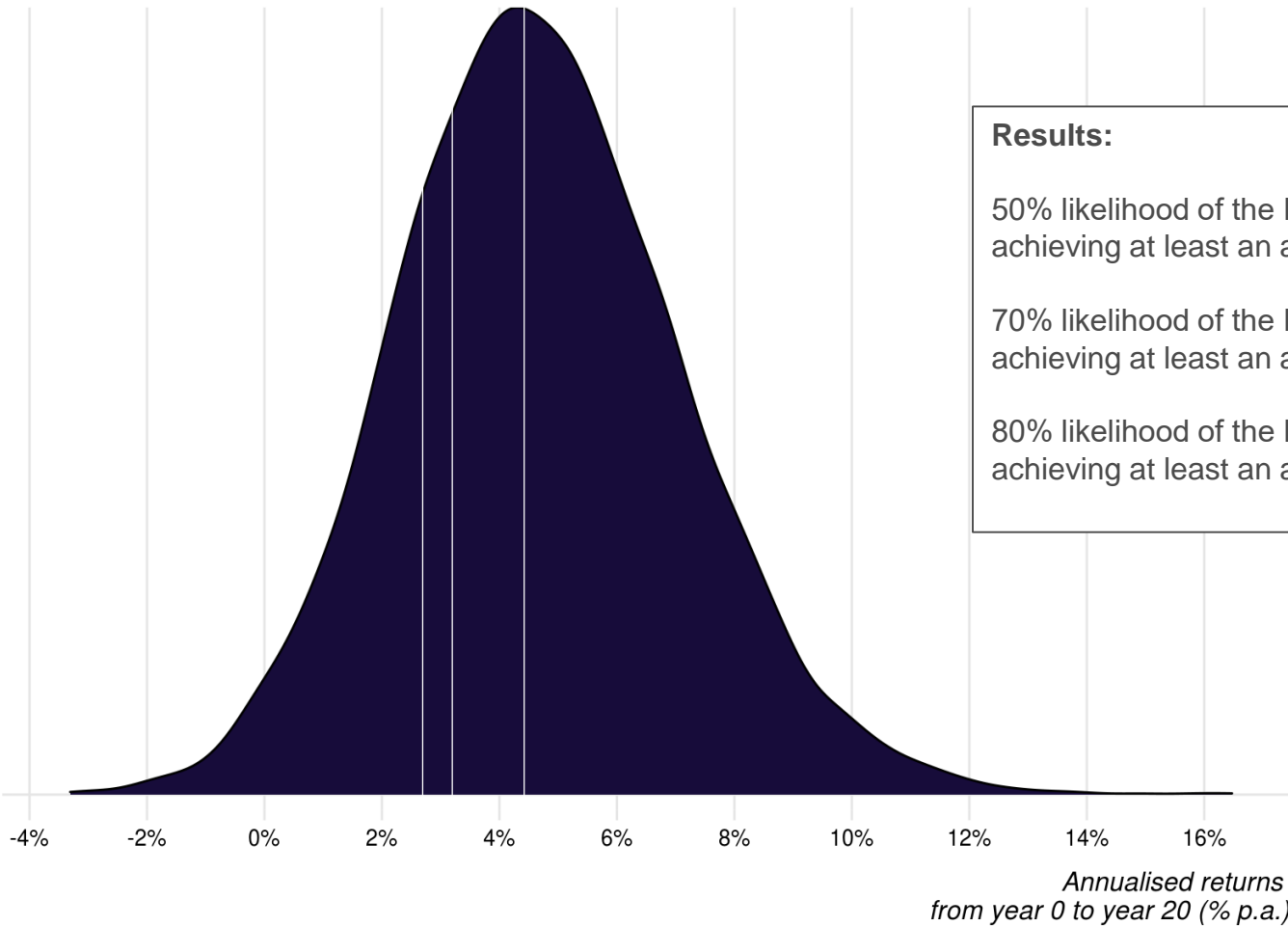
# Expected benefit payments



Existing members only

Agenda Item 7

# Future assumed investment returns



## Results:

50% likelihood of the Fund's investments achieving at least an annual return of 4.6% p.a.

70% likelihood of the Fund's investments achieving at least an annual return of 3.5% p.a.

80% likelihood of the Fund's investments achieving at least an annual return of 2.8% p.a.

**Making informed decisions about the future**



# Proposed assumptions



Material Assumptions	2016	2019
Anticipated Future Returns	3.80%	3.10%
Benefit Increases (CPI)	2.10%	2.30%
Salary Increases	2.90%	2.80%
Demographics	Updated for latest experience	

- All prudence reserved within the discount rate
- Set in a consistent manner to 2016
- 75%+ chance portfolio will achieve 3.1% over 20 years
- Reserves flexibility in future for:
  - McCloud
  - Cost Sharing
  - Data uncertainty

# Whole fund funding position

Results	2016 £m	2019 £m
Liabilities		
Active	1,099	1,277
Deferred	620	971
Pensioner	1,425	1,672
Total Liabilities	3,144	3,919
Assets	2,986	4,374
Surplus / (Deficit)	(158)	455
Funding Level	95%	<b>112%</b>

# What's changed since 2016?

Assets		2016 £m	2019 £m	Liabilities
2016 Valuation		2,986	3,144	2016 Valuation
Contributions		377	384	Accrual of Benefits
Benefits Paid		(326)	(326)	Benefits Paid
Other		16	31	Other
Investment Return		1,321	381	Anticipated Return
			(83)	Membership Experience
			(7)	Demographic
			(168)	Longevity
			(9)	Salary Increases
			102	Benefit Increases
			470	Anticipated Returns
2019 Valuation		4,374	3,919	2019 Valuation

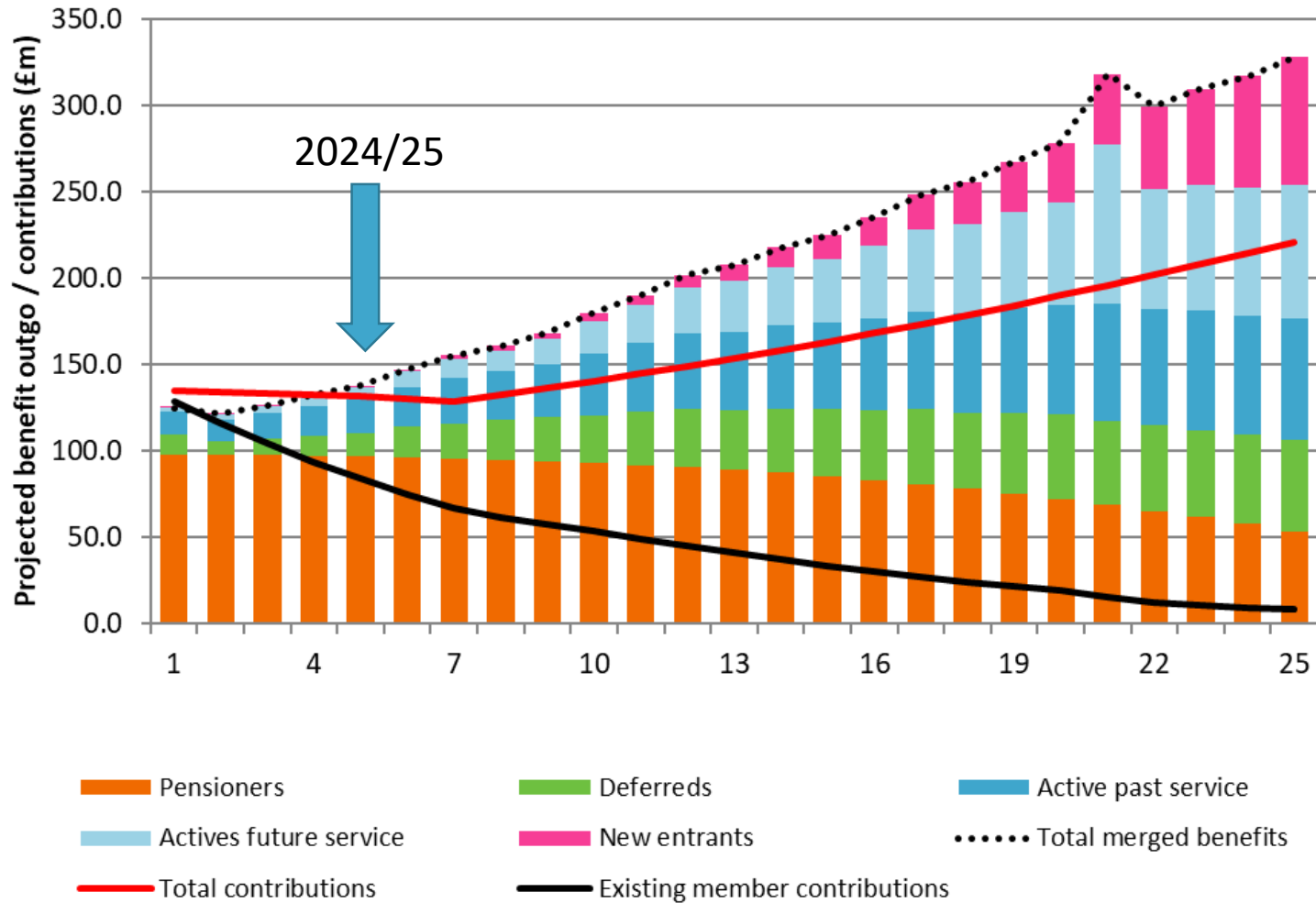
# Council & Police Contribution Rates

# Recommended rates

Employer	Contribution Rate			
	2019/20	2020/21	2021/22	2022/23
West Sussex CC	24.7%	23.7%	22.7%	21.7%
Police Pool	23.9%	22.9%	21.9%	20.9%
Arun DC*	17.8% plus £1,549,000	17.8% plus £1,449,000	17.8% plus £1,346,000	17.8% plus £1,240,000
Adur Worthing JC	21.1%	20.1%	19.1%	18.1%
Chichester DC	21.4%	20.4%	19.4%	18.4%
Crawley BC	22.1%	21.1%	20.1%	19.1%
Horsham DC	20.5%	19.5%	18.5%	18.0%
Mid Sussex DC*	18.6% plus £1,133,000	18.6% plus £1,045,000	18.6% plus £954,000	18.6% plus £861,000
Adur	17.9% plus £1,166,000	23.4% plus £1,024,000	23.4% plus £973,000	23.4% plus £920,000
Worthing	17.0% plus £1,808,000	22.1% plus £1,670,000	22.1% plus £1,619,000	22.1% plus £1,567,000

\* Balance between primary and secondary may change

# Cashflow considerations



# Next steps

## Valuation

- Complete results for other employers
- Communications exercise
- Final approval of FSS
- Final approval of formal report

## Investment Strategy

- Consider whether current target strategy remains appropriate
- Consider whether the transition to ACCESS offers any opportunities to fine tune
- Re-evaluation the re-risking trigger
- Consider climate risk and how Government policy may affect the Fund in future

## Other

- Urgent – CMA outcomes
- Prepare for point the Fund will turn cashflow negative
  - Liquidity ladder
  - Rebalancing policy

Thank you



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