

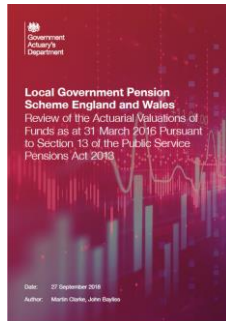
West Sussex County Council Pension Fund

Panel Meeting

- Steven Law
- 1 November 2018

What are going to cover?

LGPS Hot Topics



GAD Section 13

Public service pensions -
the employer cost cap



**Cost Sharing
Valuations**



**Quadrennial
Valuations**

GAD Section 13



GAD Section 13 valuation

“Section 13 to provide for an independent review (by GAD) of the valuation and employer contribution rates to check that they are appropriate and requires remedial action to be taken where that review identifies a problem.”

Compliance

- Have valuations been completed in accordance with the Regulations?

Consistency

- Has a Fund's valuation been completed on a basis “not inconsistent” with other Funds?

Solvency

- Will certified contributions accumulate enough assets to meet liabilities over an “appropriate” period?
- Would the Councils core spending be detrimentally impacted if the Fund's growth assets fell significantly?

Long term cost efficiency

- Are certified rates “enough”?
- Are employers kicking the contribution can down the road?

Section 13 and West Sussex

Solvency

Would the Councils core spending be detrimentally impacted if the Fund's growth assets fell significantly?



Initial findings



Hymans lobbying of
GAD and HMT



Final report

A hurdle overcome

Other notes

- Like for Like funding level - #1 Local Authority
 - Environment Agency Active Fund & South Yorkshire Transit Fund higher
- Key recommendations
 - Further work on ‘consistency of reporting’
 - Further work on ‘scheme specific assumptions’
 - Consistency of academies treatment on conversion

Cost Cap Valuations



LGPS Cost Measurements

1



HM Treasury

- Based on model fund
- Takes precedent over SAB measure
- Accepted SAB changes may be incorporated into cost calculation
- Breaches trigger changes in scheme benefits
- Excludes long-term salary assumption, changes in CPI, movement away from projected unit method

Both measures exclude:

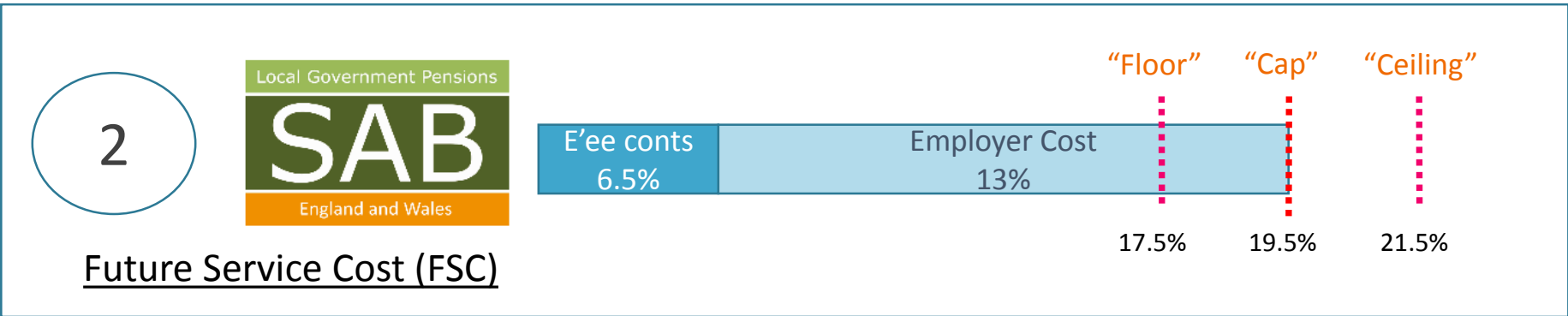
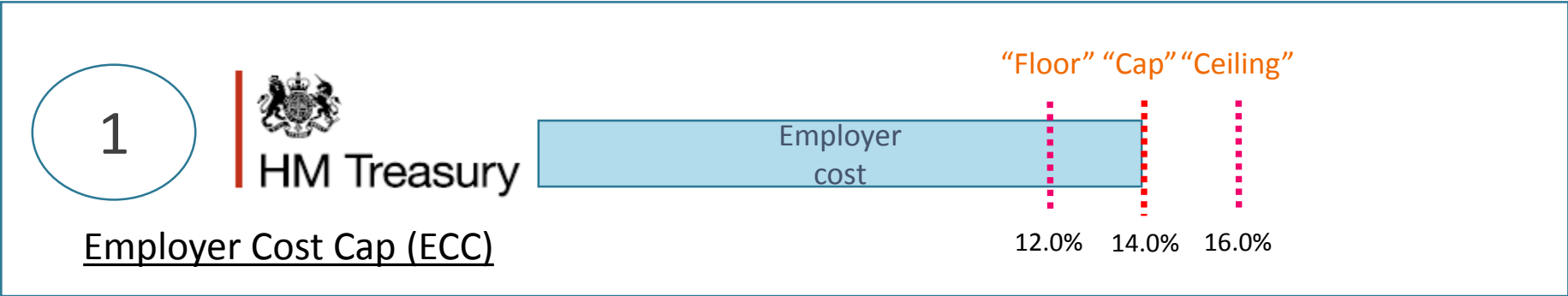
- Past service
- Change in financial assumptions
- Risks associated with investment performance

2



- Based on model fund
- Aims to provide greater control of what contributions actually paid (e.g allows for 50/50 option)
- Breaches result in recommended changes to scheme benefits to restore cost to target

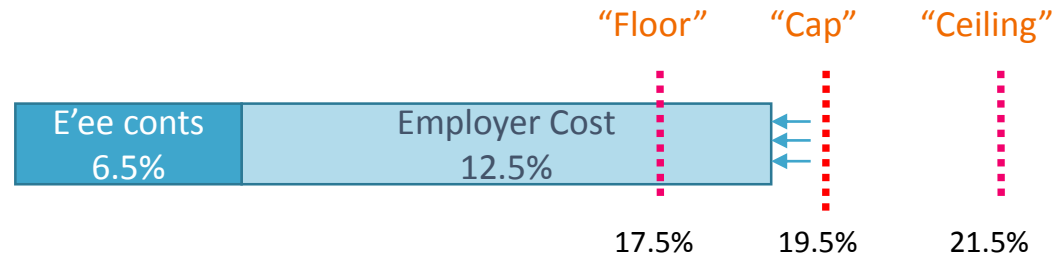
LGPS Cost Measurements



Managing the cost of the LGPS



Actual scenario



- Total cost of scheme under SAB measurement 19.0%
- SAB to agree package of benefit changes to restore cost to target of 19.5%
- HMT likely to accept and incorporate changes into the scheme
- Will ECC breach floor/cap?

Increases to Employer's cost of new benefits from 2020

Quadrennial Valuations



How will it work?


Bring LGPS funding valuations into line with National Scheme valuations



Significant changes to FSS may be required

Thank you





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