



West Northamptonshire Council

Local Pension Board

27/04/2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund – Valuation Update
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Contributors/Checkers/Approvers

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List of Appendices

Appendix A: Final Valuation Report

Appendix B: Draft Funding Strategy Statement

1. Purpose of Report

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- 1.1. To provide the Local Pension Board with an update on the completion of Pension Fund valuation.

2. Executive Summary

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- 2.1 This report provides the Local Pension Board with an update on the completion of the valuation as the project comes to a close.
- 2.2 Employer contribution rates have now been certified for all employers and the valuation report with the rates and adjustments certificate, certified by the Fund Actuary, as required by the Local Government Pension Scheme Regulations 2013 (the Regulations) is included with this report for the Board to note. The Actuary delivered a summary of the valuation report to the Committee at its March meeting.
- 2.3 The Committee also approved the draft Funding Strategy Statement following consultation with employers. No comments were received from the employer consultation, but some minor changes were made to the previous draft to explain how the McCloud ruling has been allowed for within the liability calculations and a change to one of the figures within appendix 4 related to “other demographic assumptions”.

3. Recommendations

- 3.1 The Board is asked to note the valuation update.

4. Report Background

- 4.1 This report builds on previous updates to the Board and provides a final update on the valuation of the Pension Fund.
- 4.2 The Pension Committee previously approved the draft Funding Strategy Statement for consultation with employers and has now approved the final draft for publication.
- 4.3 Paragraph 62 of the Regulations requires that the administering authority must obtain an actuarial valuation of the assets and liabilities as at the 31 March on each third year after 31 March 2016. This must include a report by an actuary in respect of the valuation and a rates and adjustments certificate prepared by an actuary. Each document must be obtained by 31 March following the year of valuation (31 March 2023).

5. Issues and Choices

Valuation Update

- 5.1 All required valuation activities were complete by the deadline of 31 March 2023. All employers that require a valuation have received their results schedule and contribution rates from 1 April 2023 to 31 March 2026.
- 5.2 The consultation period closed on 31 January. All employer discussions have been completed and the final rates have been confirmed to all employers following the end of the consultation period.
- 5.3 Some employers, those participating in the Fund under a pass-through admission agreement or those pooled with another Scheme employer, are not subject to the formal valuation themselves but need to have new contribution rates confirmed. Those notifications were also issued.
- 5.4 The final valuation report has been obtained from the Fund Actuary and published on the Fund's website. A copy of the report is included with this report as appendix A. This includes the rates and adjustments certificate satisfying the requirements of the Regulations.

Valuation Report

- 5.5 The valuation report records the high-level outcomes of the valuation and is prepared by the Fund Actuary. Publication of this document, containing the rates and adjustments certificate represents the completion of the valuation process.
- 5.6 The report provides the following information, some of which was summarised by the Actuary via a verbal update at the Committee meeting in March:

- The approach taken to carry out the valuation.
- The assumptions and data used when calculating results
- The Funding level of the Whole Fund
- Summary of the movement in the Funding position between the last and current valuation
- The Whole Fund contributions rates
- Sensitivity and risk analysis
- Related issues to be considered alongside the report.
- Section 13 dashboard
- Rates and Adjustments certificate

5.7 The rates and adjustments certificate is the official document certifying the minimum contribution rates that each employer should pay in each of the next three years and can be found at the back of the valuation report.

5.8 The Valuation report also provides the whole Fund contribution rates which are the weighted average of the underlying individual employer results. The following table shows the whole Fund rates for this valuation compared to the last valuation.

	This valuation (31 March 2022)		Last valuation (31 March 2019)	
Primary rate		20.5% of pay		19.0% of pay
Secondary rate	2023/24	£9,458,000	2020/21	£20,339,000
	2024/25	£9,091,000	2021/22	£20,463,000
	2025/26	£8,663,000	2022/23	£20,696,000

5.9 The following table shows the assumed monetary value of the primary contribution rate based on projected payroll. This figure is highly sensitive to the actual value of the payroll in each year but allows for cash flow planning.

Year	Projected payroll	Primary Rate
2023/24	£422,808,364	£86,675,715
2024/25	£436,437,803	£89,469,750
2025/26	£450,506,594	£92,353,852

Funding Strategy Statement

5.10 The draft Funding Strategy Statement (FSS) was previously approved by the Committee for consultation with Scheme employers. The consultation period ended on 2 December 2022 and no responses were received.

5.11 There have been two minor changes made to the draft FSS previously approved.

- Section 4.2 – some wording has been added to explain how McCloud has been allowed for within our liability calculations
- Appendix 2 (page 27) – in Table 19: Sample rates of male demographic assumptions, the Withdrawals PT figure for age 20 has been updated – this figure has now been capped at 1000.00 given that the

figures shown in the table are per 1,000 people. The figure is shown on the 1st line, 5th column in the sample table below:

Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.17	505.38	1,000.00	0.00	0.00	0.00	0.00
25	117	0.17	333.83	832.39	0.00	0.00	0.00	0.00
30	131	0.20	236.86	590.51	0.00	0.00	0.00	0.00
35	144	0.24	185.06	461.32	0.10	0.07	0.02	0.01
40	150	0.41	148.99	371.3	0.16	0.12	0.03	0.02
45	157	0.68	139.95	348.69	0.35	0.27	0.07	0.05
50	162	1.09	115.37	287.10	0.90	0.68	0.23	0.17
55	162	1.70	90.85	226.2	3.54	2.65	0.51	0.38
60	162	3.06	80.97	201.53	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.10	440.53	724.43	0.00	0.00	0.00	0.00
25	117	0.10	296.42	487.38	0.10	0.07	0.02	0.01
30	131	0.14	248.48	408.49	0.13	0.10	0.03	0.02
35	144	0.24	214.46	352.44	0.26	0.19	0.05	0.04
40	150	0.38	178.49	293.22	0.39	0.29	0.08	0.06
45	157	0.62	166.56	273.59	0.52	0.39	0.10	0.08
50	162	0.90	140.43	230.41	0.97	0.73	0.24	0.18
55	162	1.19	104.78	172.10	3.59	2.69	0.52	0.39
60	162	1.52	84.44	138.52	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

5.12 The Committee approved the final draft for publication at its March meeting.

6 Implications (including financial implications)

6.1 Resources and Financial

6.1.1 There are no additional resource of financial implications

6.2 Legal

6.2.1 There are no legal implications arising from the proposals.

6.3 Risk

6.3.1 The mitigated risks associated with this report have been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Failure to respond to changes in economic conditions.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Green
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

The Fund's full risk register can be found on the Fund's website at the following link:
[Northamptonshire Risk Register](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

6.5 Consultation

6.5.1 Consultation with the Fund's actuarial adviser was undertaken for this report.

6.5.2 Employers were consulted on the draft FSS.