



## West Northamptonshire Council

### Pension Committee

24 July 2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Northamptonshire Pension Fund – Review of Employer Contribution Rates Policy</b>
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#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	
<b>S151</b>	James Smith on behalf of Martin Henry	07/07/2023
<b>Head of Pensions</b>	Mark Whitby	26/06/2023

#### List of Appendices

#### Appendix A – Review of Employer Contribution Rates Policy

##### 1. Purpose of Report

1.1. To present and seek approval of the Review of Employer Contribution Rates policy

##### 2. Executive Summary

- 2.1 This report seeks approval of the draft policy on the circumstances under which the Fund may review employer contribution rates between triennial valuations.
- 2.2 The policy was previously approved as part of the 2019 Funding Strategy Statement.
- 2.3 The Committee was previously advised that when reviewing the Funding Strategy Statement for the 2023 valuation the policy had been slimmed down to a set of core policies related to the valuation and that other supplemental policies would be turned into stand alone policy documents.
- 2.4 The policy has been lifted directly from the Funding Strategy Statement. There are some minor changes to make the policy work as a standalone document and remove out of date references but the substance and effect of the policy has not been changed.

### 3. Recommendations

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- 3.1 The Pension Committee is asked to approve the Review of Employer Contribution Rates policy.

### 4. Report Background

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- 4.1 In September 2020 the LGPS Regulations 2013 were amended to allow the Fund to recalculate employer contribution rates outside of the formal triennial valuation.
- 4.2 In March 2021 the Pension Fund Committee approved an update to the 2019 Funding Strategy Statement to include a policy on the review of employer contribution rates.
- 4.3 Following the review of the Funding Strategy Statement as part of the 2022 valuation it was decided to focus on core valuation related policies in that document and to separate other policies such as this and the Fund's Cessation policy into stand alone documents.

### 5. Issues and Choices

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- 5.1 In general the policy states that the Fund will only consider an amendment to contribution rates between valuations as a result of significant changes to the liabilities or covenant of an employer. It also confirms that the Fund will consider requests from employers to review their contribution rates but only where there is a material change in the strength of covenant and/or the ability of the employer to pay their contributions or where there is a significant restructure which impacts their membership and consequently liabilities in the Fund.
- 5.2 The policy has not been materially changed from what was previously agreed by the Committee. There are some minor changes to restructure the policy and add additional sections so the policy works as a stand-alone document. There are also some minor changes to remove an out of date reference to the unknown impact of McCloud policy and removal of a sentence that does not fully reflect statutory guidance.
- 5.3 The text in **bold** has been removed from the fourth bullet point under section 3.1 of the policy as this is no longer relevant. The anticipated impact of McCloud has been accounted for as part of the 2022 valuation.

*there are changes to the benefit structure set out in the LGPS Regulations **including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time)** which have not been allowed for at the last valuation;*

- 5.4 The following text has been removed from section 3.4 of the policy as this does not fully reflect statutory guidance that changes in markets and asset values should not be considered when reviewing contribution rates between valuations.

*However, if a contribution change is proposed, this may take account of changes in markets and asset values since the last formal valuation.*

- 5.5 The following wording has also been added under section 3.2 of the policy to provide instructions to employers regarding the information that would need to be provided alongside a request to review their contribution rates.

*The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:*

- *a copy of the latest accounts;*
- *details of any additional security being offered (which may include insurance certificates);*
- *budget forecasts;*
- *and/or information relating to sources of funding*

5.6 The following section has been added to section 3.5 of the policy to confirm what documentation the Fund will provide following a review of an employer's contribution rate.

**3.5 Documentation**

*Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:*

*Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.*

*A note of the new contribution rates and effective date of these.*

*Date of next review.*

*Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.*

*The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.*

**6 Implications (including financial implications)**

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**6.1 Resources and Financial**

6.1.1 There are no resources or financial implications arising from the proposals.

**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 has 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	Amber
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 -

- 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.
- 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.
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- Ensure appropriate exit strategies are put in place in both the lead up to and termination of a scheme employer.

## **6.5 Consultation**

6.5.1 Not applicable.