

INTRODUCTION

This briefing note summarises key points to note in the items being presented to the Pension Fund Committee on 2 June 2023 (procedural items have not been included).

PART A

STANDING ITEMS

Employer changes – notes that Plus Dane Housing left the Fund on 31 July 2022 and paid an exit payment of £2,572,000 to the Fund on 31 March 2022.

Business Plan 23/24 – previously endorsed plan now updated with confirmed KPIs. Progress on delivery of quarter 1 actions is reported as “green” with no actions reported as undeliverable.

Regulatory update – items include items from the Spring Budget (LGPS Pooling, changes to Annual and Lifetime Allowances), the government’s response to the 2020 McCloud consultation (a further consultation is expected), and Pensions Dashboard (DWP have delayed the onboarding date).

Electronic Decision Notices – a new report summarising any decisions taken outside of formal Committee meetings.

DRAFT STATEMENT OF ACCOUNTS 2022-23

Key points from draft accounts: Contributions, benefit payments, and payments to members leaving before retirement have all increased; investment assets have decreased to £6.3bn from £7.0bn due to market value changes.

Pension Fund outturn: reported underspend of £350k, due to staff vacancies, net underspend on supplies and services, and unutilised contingency.

EXTERNAL AUDIT PLAN

Grant Thornton present the scope and timing of their audit work.

PART B - CONFIDENTIAL ITEMS

2022 VALUATION OUTCOMES – INITIAL ANALYSIS

Funding position at 31 March 2022 is a 113% funding level, improved from 97% in 2019. Liabilities have increased by £403m, and assets have increased by £1.39bn, driven by stronger than expected investment returns. The Fund Actuary will present some analysis of valuation results across LGPS Funds at the Committee meeting.

EMERGING EMPLOYER ISSUES

A paper outlining considerations for the Fund in relation to employers who are not mandated to offer membership of the LGPS (a diminishing group) seeking to exit as a result of improved funding levels. The Fund’s policies in relation to exiting employers are set out.

A key determinant of any payment due by the Fund to an exiting employer or vice versa is the yield on UK long dated Government Bonds, which has increased significantly since the 31 March 2022 valuation date. On balance this reduces liability values more than asset values.

Funding levels for employers have therefore improved, and this is expected to trigger some employers to request their exit from the LGPS – all have been considering this option previously.

The paper describes different outcomes depending on whether the exiting employer is in a deficit or surplus position. The report notes that any potential exit credits payable to an exiting employer are based on employers contributions rather than funding levels. The determination of exit credit

values is therefore separate to the calculation of a closing valuation – a surplus does not automatically lead to an exit credit payment.