

OPEN

Finance Sub Committee

25 June 2024

Local Government Pension Scheme and Cheshire Pension Fund update June 2024

Report of: Adele Taylor, Interim Director of Finance and Customer Services, Section 151 Officer

Report Reference No: FSC/11/24-25

Ward(s) Affected: All Wards

Purpose of Report

- 1 The purpose of this report is to update the Finance Sub-Committee in respect of matters relating to the local government pension scheme and how they relate to our current and future medium term financial planning and reporting
- 2 The Finance Sub-Committee received an initial report on 7th June 2023 [Agenda for Finance Sub-Committee on Wednesday, 7th June, 2023, 3.30 pm | Cheshire East Council](#) and this has been included at Appendix A as a reminder of the information that was shared at that time.
- 3 It was agreed at that meeting to receive briefing papers throughout each financial year in respect of matters considered at the Cheshire Pension Fund Committee; the latest briefing paper as of March 2024 is attached at Appendix B. There was due to be a further update available dated June 2024 but this has since been delayed until July 2024. It will therefore be included in the next update report.

Executive Summary

- 4 This report contains an update on how the pension scheme fits with the current MTFS and budgeting forecasts for the next MTFS, and also an

update on the position of the pensions scheme that will be included in the Statement of Accounts for 2023/24.

RECOMMENDATIONS

The Finance Sub Committee is recommended to:

1. Note how pensions matters feature in the Council's ongoing financial planning and reporting arrangements, particularly the pensions-related financial assumptions that will be included in the next review of the Medium-Term Financial Strategy.
2. Consider the briefing paper summarising the key points in the items presented to the Cheshire Pension Fund Committee on 8 March 2024.

Background

- 5 The Finance Sub-Committee on 7 June 2023 received a report: 'Local Government Pension Scheme and Cheshire Pension Fund'. This report has been included at Appendix A as a reminder of the background information provided at that time.
- 6 The purpose of the report was to inform the Sub-Committee about the Local Government Pension Scheme (LGPS), its importance in respect of the Council's financial planning and reporting, and to introduce the first in a series of briefing notes in respect of items presented to the Cheshire Pension Fund Committee. This report is the latest briefing paper including updated information relating to the current and future MTFS since that time.
- 7 The Cheshire Pension Fund (the Fund) undertook the formal triennial actuarial valuation in March 2022. The valuation is a statutory requirement of the LGPS Regulations and provides a health check of the Fund against an appropriate funding target and a review of its funding plan.
- 8 Funding positions for all the councils in the Fund have improved since 31 March 2019 and Cheshire East's funding position has improved to 98%. Triennial reviews take a very long-term view; whereas the annual IAS19 year-end report reflects asset and liability valuations at a snapshot point in time, for accounts as at 31 March.

- 9 Given the improvement in the funding position since 2019, the modelling done by the Pension Fund confirmed that contribution rates could be reduced at this valuation in line with the existing stabilisation parameters.
- 10 The modelling conducted by the Pension Fund has identified the target rate for each council as 20% of pay. This rate is similar to the primary rate calculated at the 2019 valuation and the modelling confirmed that this remains an appropriate long-term rate to fund the cost of future LGPS benefits and no open, long-term employer should pay less than this rate.
- 11 The table below summarises the impact of keeping the stabilising parameters as per the current Funding Strategy Statement and reducing contribution rates in line with the existing stabilisation parameters (step down by 1.5% of pay per annum) to a target rate of 20.0% of pay:

	2023/24 (actual)	2024/25 (actual)	2025/26 (forecast as per valuation report)
Contribution rates	26.7%	25.2%	23.7%

- 12 The rate of 23.7% is currently forecast in the February 2024 MTFS for 2025/26 as per the last valuation report. The next triannual valuation will take place in March 2025 which will set the contribution rates for 2026/27 to 2028/29.
- 13 It is expected that the rate will continue to fall towards the target rate of 20% but reduced forecasts have not yet been factored into the current MTFS for 2026/27 and onwards for prudence purposes. This position will be assessed during the budget setting for the 2026/27 financial year to see if a reduction in contribution rates can confidently be included at that time.
- 14 As per the initial report included at Appendix A, further information may be found in the Statement of Accounts for each financial year published on the Council's website:

https://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance/statement_of_accounts/statement_of_accounts.aspx

- 15 To inform the related financial content for the Council's annual Statement of Accounts, each year the appointed actuary produces a report on the position of the fund.
- 16 The latest IAS19 actuarial report for 2023/24 and associated accounting covering report is included at Appendix C1 and Appendix C2. Sections of the results report contain details on the following:
- Section 1: Data (including employer membership statistics)
 - Section 2: Assumptions (including financial increase rates and demographic estimates)
 - Section 3: Balance sheet, Profit and Loss, Other Comprehensive Income disclosures as at 31 March 2024
 - Section 4: Assets
 - Section 5: Projected defined benefit cost for the period to 31 March 2024
 - Section 6: Sensitivity Analysis
- 17 Appendix D shows the calculation for the asset ceiling adjustment, required by the code, to reflect in the final accounts the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan.

Consultation and Engagement

- 18 No consultation or engagement is required directly in relation to this report.

Reasons for Recommendations

- 19 This report is the latest briefing paper on matters considered at the Cheshire Pension Fund Committee. It supports the Corporate Plan priority of being an open and enabling organisation; particularly with regard to ensuring transparency in decision making and supporting a sustainable financial future for the Council.

Other Options Considered

- 20 Not applicable.

Implications and Comments

Monitoring Officer/Legal

- 21 There are no legal implications of this report.

Section 151 Officer/Finance

22 As covered in the report.

Policy

23 There are no policy implications identified.

An open and enabling organisation
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Equality, Diversity and Inclusion

24 There are no equality, diversity and inclusion implications identified.

Human Resources

25 There are no human resources implications identified.

Risk Management

26 There are no risk management implications identified.

Rural Communities

27 There are no direct implications to rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

28 There are no direct implications for children and young people.

Public Health

29 There are no direct implications to public health.

Climate Change

30 There are no direct implications to climate change.

Access to Information	
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Appendices:	<p>Appendix A – Local Government Pension Scheme and Cheshire Pension Fund report received by the Finance Sub Committee on 7 June 2023</p> <p>Appendix B - Briefing Paper on Cheshire Pension Fund Committee Meeting – March 2024</p> <p>Appendix C1 – LGPS Accounting Covering Report 2023/24</p> <p>Appendix C2 – Hyman Robertson IAS19 Actuarial report – Schedule of Results 2023/24</p> <p>Appendix D – Asset Ceiling Calculation for 2023/24</p>
Background Papers:	<p>Medium Term Financial Strategy 2024/25-2028/29</p> <p>Draft Statement of Accounts 2022/23</p>