



Local Government
Pension Scheme



Welcome to the

Norfolk Pension Fund

Employer Forum

Glenn Cossey
Director of the Norfolk Pension Fund

26 November 2024

Housekeeping



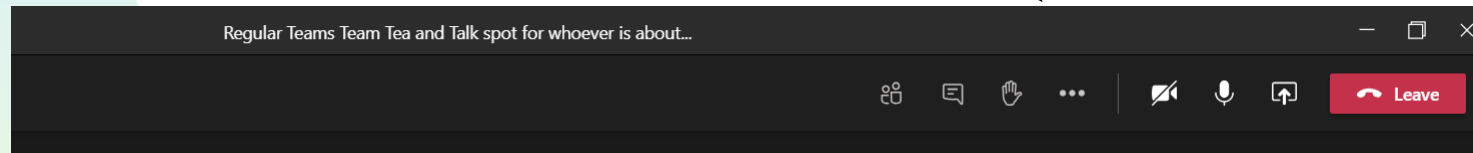
- The webinar is being recorded on MS Teams – a link to the recording will be emailed next week
- You should have already received today's presentation slides, but we will send them again with the recording link
- For those joining virtually, please turn off your microphone and camera
- For those in the room, in the event of a fire alarm, please leave through the Fire Exit (the door you entered through), and turn left out of the building. Please assemble on the grass area at the front the building, outside Main Reception
- We will be having a 20 minute coffee break at about 11.00am.

We aim to finish at about 12.30pm with a buffet lunch for guests here at The Horizon Centre

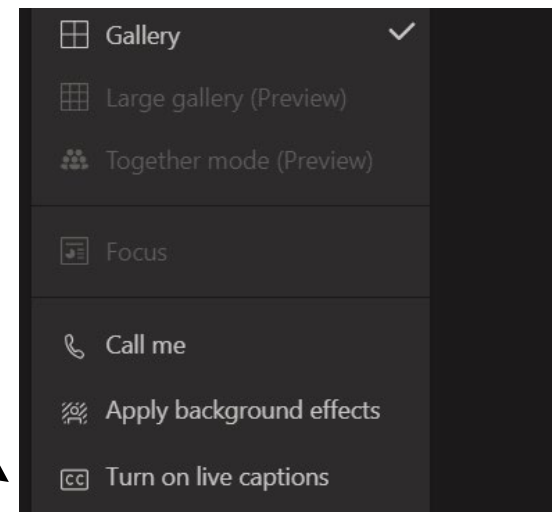
Accessibility



- To use Live Captions:
- Select the 3 dots on your control bar



- Then select 'Turn on live captions'



Questions



- Virtual - please submit your questions using the 'Meeting chat' facility
- We'll do our best to answer your question during the Forum
- However, if we're unable to address your question today, we'll provide an answer in the email to be circulated with the webinar recording link



Agenda



- **Triennial Valuation update**
Julie Baillie, Hymans Robertson

BREAK

- **LGPS Fit for the Future**
Alex Younger, Head of Funding & Investment
- **ACCESS investment pooling**
Kevin McDonald, Director of the ACCESS Support Unit
- **Ask the Panel Q&A session**

*The team is available for 1:1s after the session
To arrange a call or virtual meeting please email
pensions@norfolk.gov.uk*



Pensions Oversight Board (POB) vacancy



Chair

Brian Wigg

Employer Representatives

Julie Brown - levying/precepting employers

Sally Albrow - Norfolk County Council

Vacancy - Non levying/precepting employers

Scheme Member Representatives

Frances Crum - active/deferred members

Peter Baker - retired members

Robin Konieczny - trade union

EMPLOYERS



Norfolk Pension Fund

Employer forum November 2024

Julie Baillie FFA C.Act

26 November 2024



Agenda



What's happened since the last valuation?



Looking ahead to 2025



Your role in the valuation

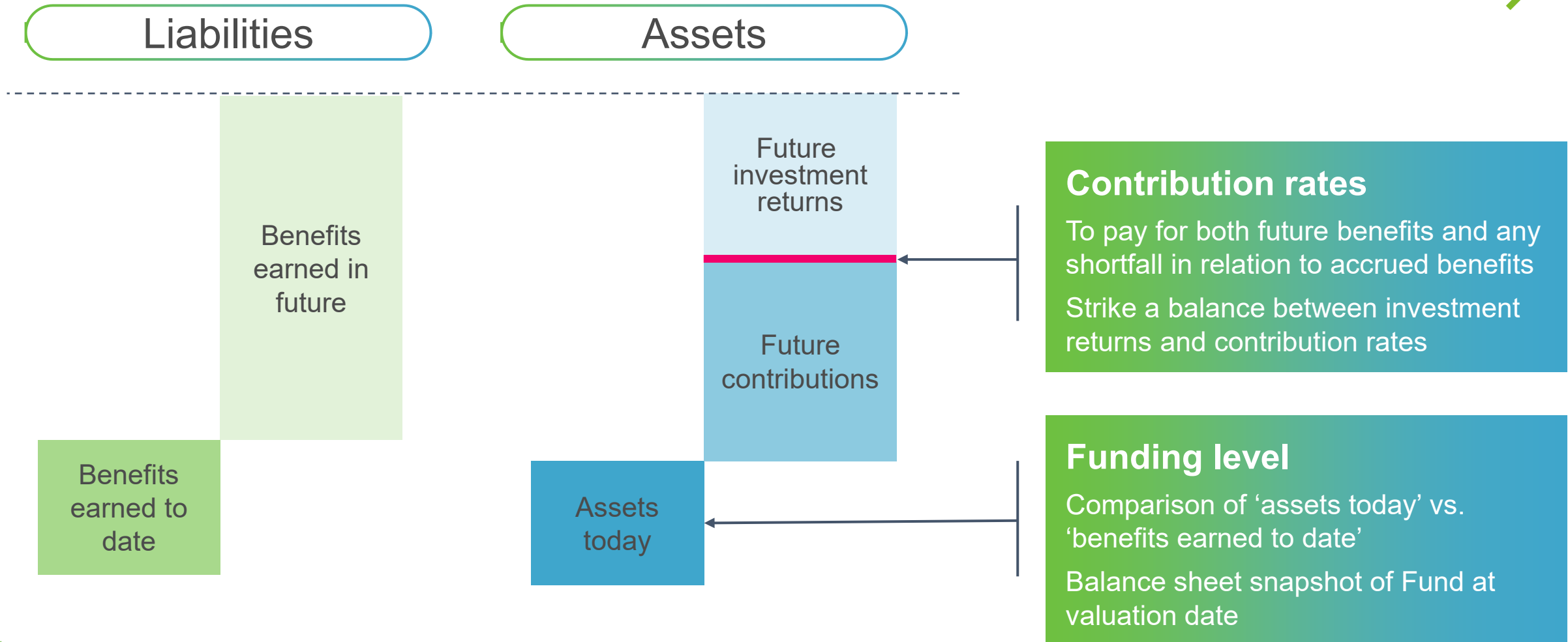


News and developments

Valuation recap

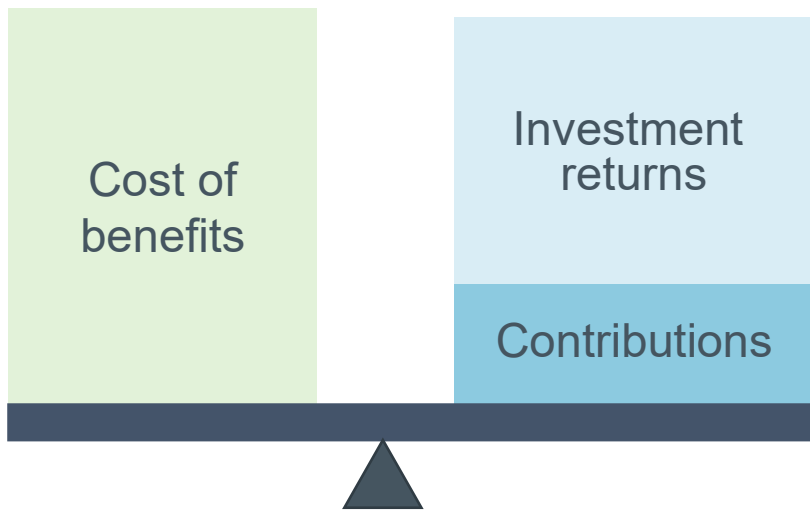


Outputs of the valuation

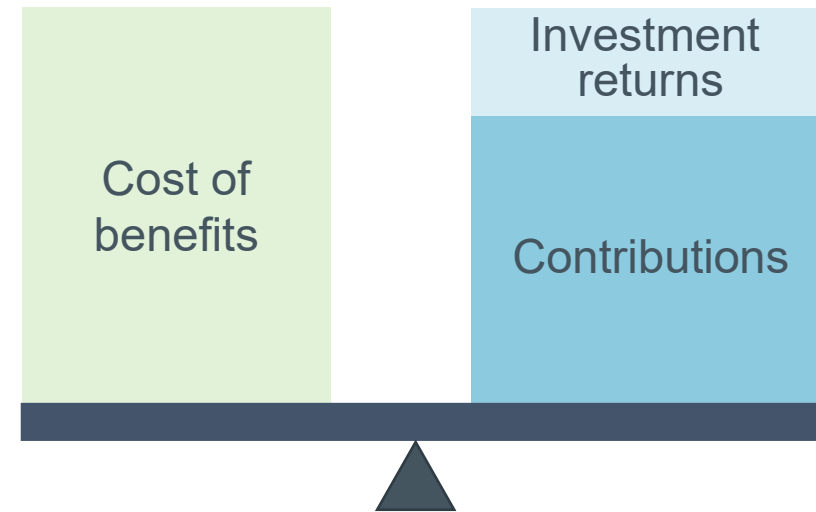


Setting funding strategy is a balancing act

High risk funding strategy



Low risk funding strategy






Balance between affordability and security

What's happened since 2022?



Source: Hymans Robertson, Norfolk Pension Fund estimated progression

General insights

-  Funding level has improved since 2022 (was 106%)
-  Assets returns were lower than expected up to September 2023 but have since improved
-  High inflation leading to significant pension increases
-  Higher expected return on the Fund's assets

The estimated funding level has risen to 149% at 30 September 2024

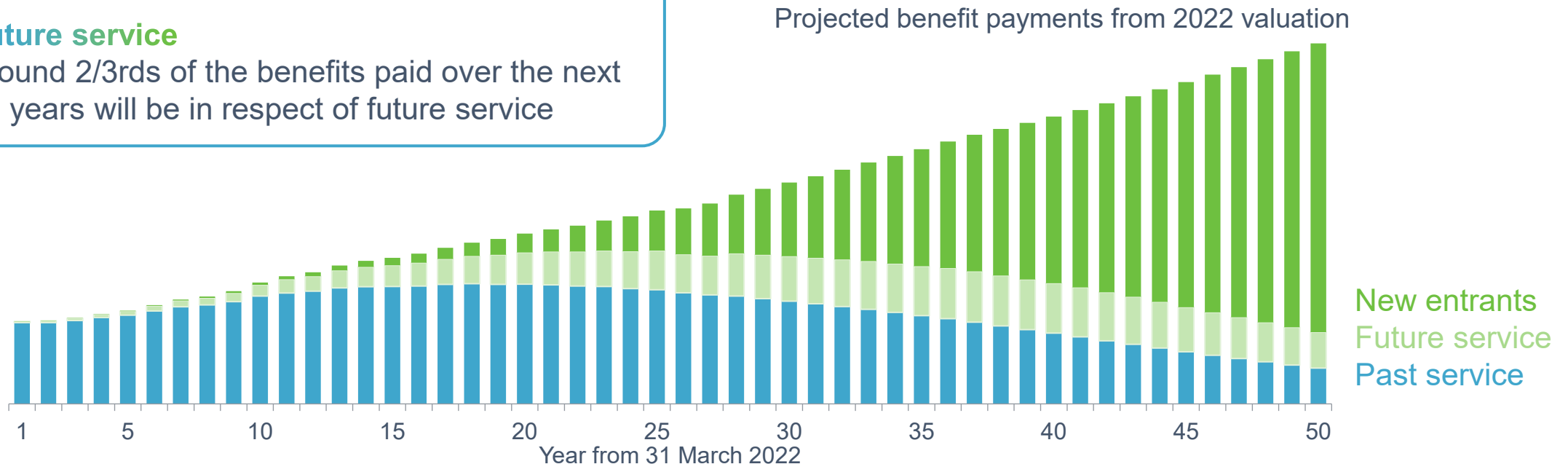
How important is it to be 100% funded?

Past service funding position:

Most employers likely to be “fully-funded” at 2025
- but this refers to past service only

Future service

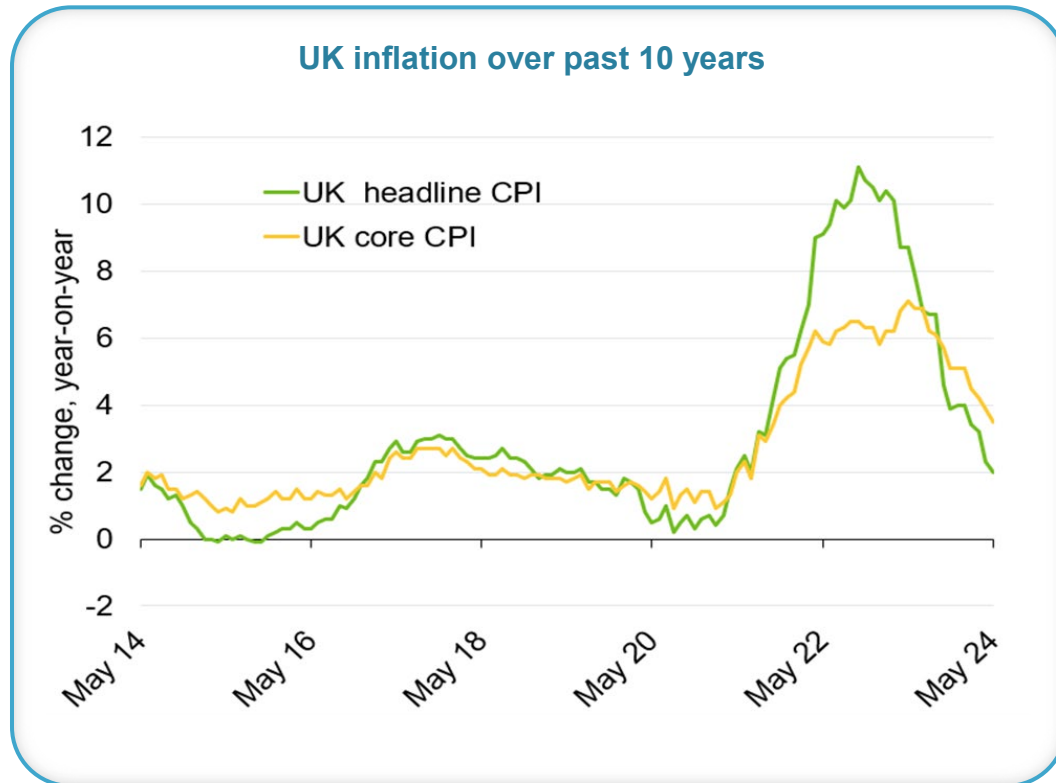
Around 2/3rds of the benefits paid over the next 50 years will be in respect of future service



Important to consider both past service benefits and those that will be earned in the future

What's happened since the
last valuation

High inflation



Source: Market information from Datastream

General insights



LGPS benefits are “index-linked” so inflation increases members’ benefits



Pension increases of 10.1% (2023) and 6.7% (2024), slightly higher than expected at 2022 valuation



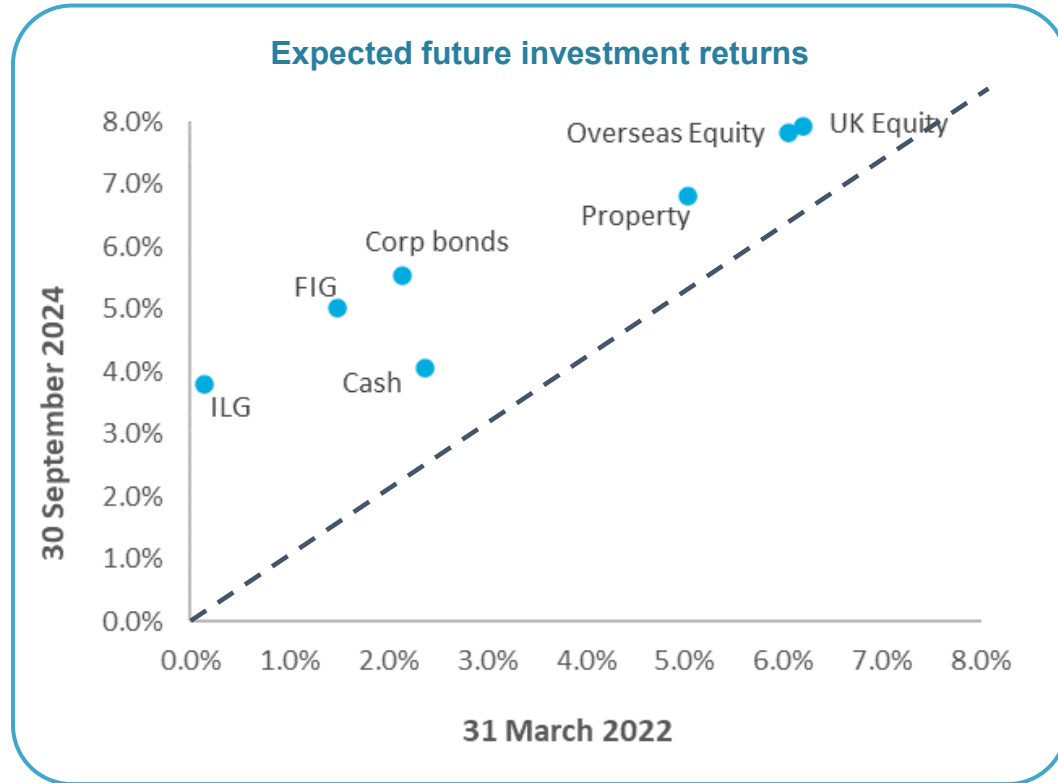
Immediate impact on Fund’s net cashflow position and slight increase in expected cost of benefits



Future inflation remains uncertain, but pension increase in April 2025 *likely* to be 1.7%

Inflation has been slightly higher than expectations at the 2022 valuation

Investment outlook



Source: Hymans Robertson, ESS model. Annualised 20-year median return

General insights



Expected returns are higher for all asset classes



Higher returns driven by change in economic environment eg increased interest rates



Leads to a lower value placed on Fund's liabilities



Careful consideration required at 2025 valuation

The improvement in funding level is being driven by higher expected *future* investment returns

Looking ahead to 2025

A decorative graphic consisting of several diagonal lines of varying lengths and colors (cyan and green) scattered across the right side of the slide.

Areas that need to be considered



Market risk

- Uncertain inflation
- Interest rates
- Market volatility
- Geopolitical risks



Cashflow risk

- Uncertain inflation
- Change in contributions
- Liquidity risks



Longevity risk

- Increased deaths
- Longevity trends
- Future improvements



Climate risk

- Inflation
- Investment returns
- Longevity



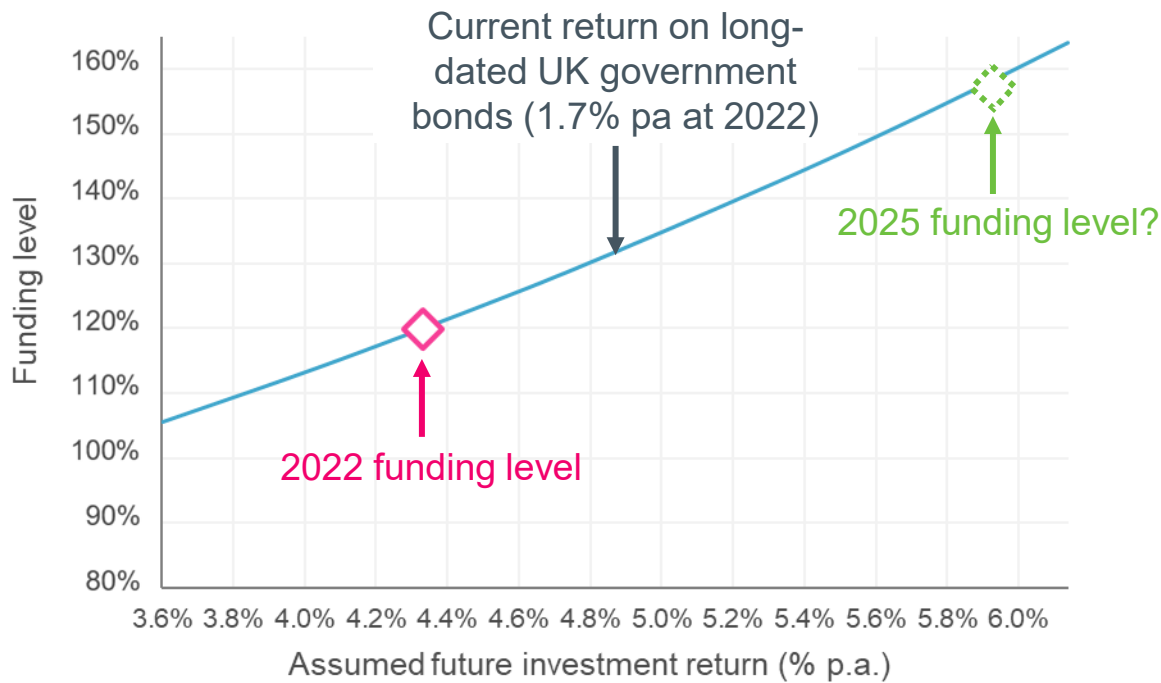
Covenant risk

- Economic environment
- Demographic changes
- Regulatory environment

Usual areas of risk but different considerations (as always!)

A change in economic environment

A new environment



Potential impact



Employer contribution rates



Investment strategy



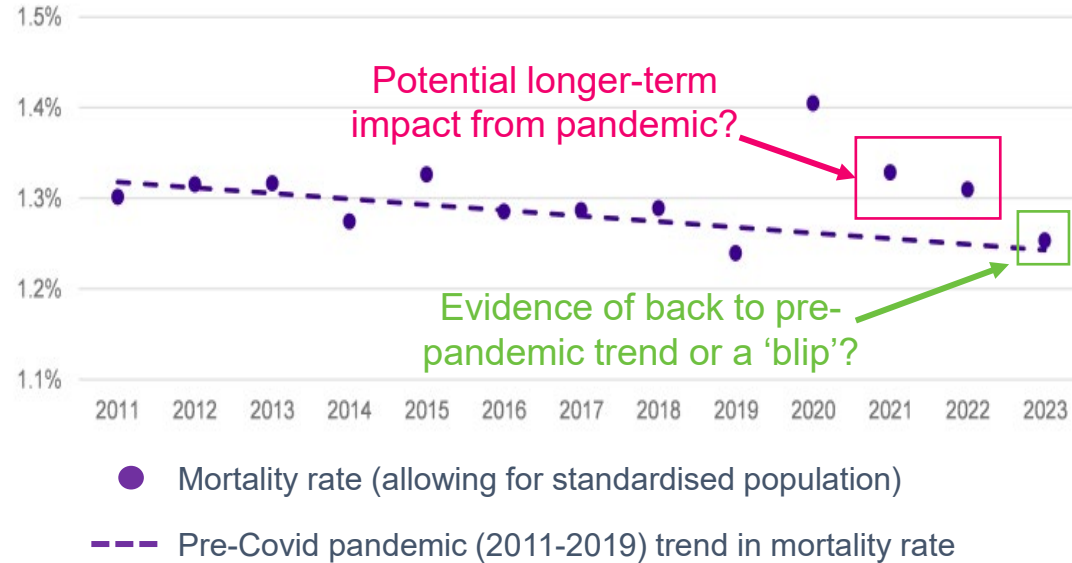
Prudence levels

A new environment may require new funding strategy considerations

Greater uncertainty about the future

Impact of Covid-19 pandemic

2011-23 mortality rates in England & Wales



Areas of uncertainty



Life expectancy: what will be the future trend?



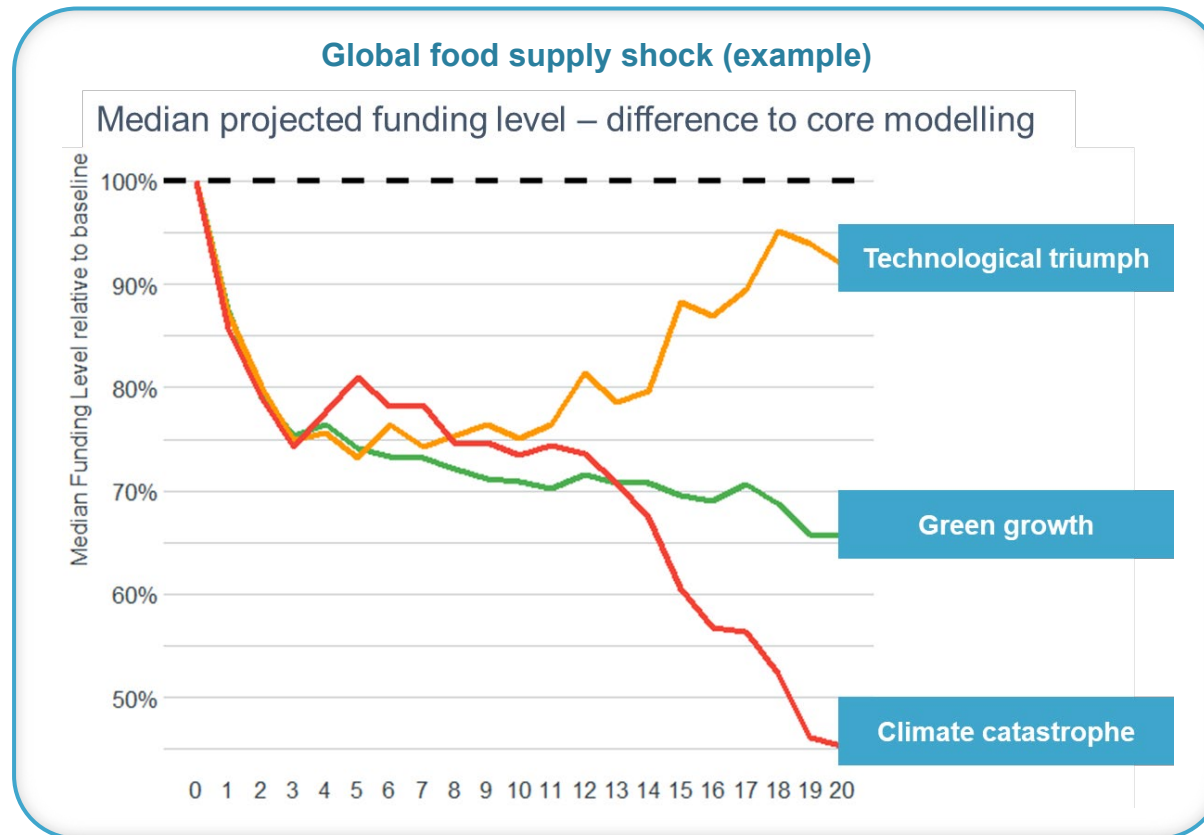
Climate change: what could its impact be on the Fund?



Inflation: back to 'normal' or risk of a rebound?

Review beliefs about the future and make sure they are reflected in assumptions

Climate risk



General insights



Climate damages could be extreme



Sectors have strong correlations under stress



Events can cascade through supply chains

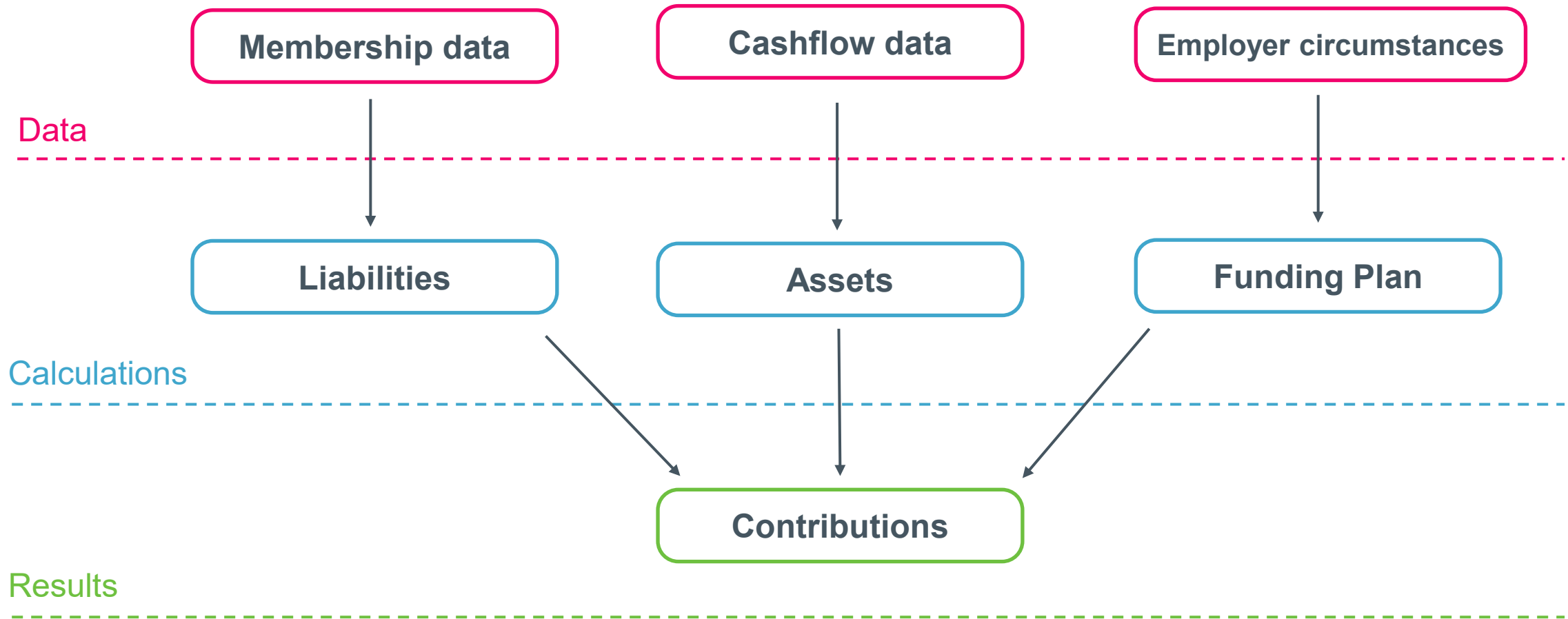


The low-carbon transition may be sudden

Understand impact of climate change on funding strategy

Your role in the valuation

How does my data impact on the valuation?



Results

Impact of incorrect data

Full Time Equivalent Salary Active member

Sex	DOB	Start Date	FTE Salary £	Liability £	Annual CARE £
M	01/01/1954	01/01/1998	10,500	50,667	214
M	01/01/1954	01/01/1998	15,000	76,000	306

+50%!

Date of Birth Pensioner member

Sex	DOB	Pension (£)	Liability (£)
F	01/01/1956	1,000	15,600
F	01/01/1965	1,000	23,500

+51%!

How can you help now?

Data Timescales

- Review the data you hold and ensure it is up to date
- Submit monthly data on time
- Promptly **reply to any queries** from the NPF

Keeping informed

- Attend employer forums – information on the valuation, hot topics and trends
- Read valuation communications from the NPF

Engagement with the Fund

- Speak regularly to your local contact at the NPF
- Ask questions – especially if this is your first valuation
- Communicate any changes in your circumstances

Data accuracy remains your responsibility, even if you have a 3rd party payroll provider

News & Developments

News & developments



Virgin Media legal case

- Section 37 certificates cannot all be located
- Retrospective certificates have been requested for LGPS scheme changes



Education & Skills
Funding Agency

College guarantee

- Guarantee now offered in respect of certain colleges
- Significant change in covenant for affected employers



Mansion House speech

- No immediate employer impact
- No change to member benefits
- No change to security of LGPS



Institute
and Faculty
of Actuaries

Chartered actuary status

- For example, *Julie Baillie FFA C. Act*
- May be of interest to auditors, but no change to level of qualification or competence



Government
Actuary's
Department

Gender pension gap (GPeG)

- GAD gender pension gap analysis report in 2023
- Pension review to look at GPeG in phase 2
- SAB working group

Summary



Preparations for the 2025 valuation are underway



Key themes for the 2025 valuation are change in economic environment and uncertainty



Funding positions are improved, impact on contribution rates is being explored



Engage with the NPF throughout the valuation

Thank you

The material and charts included herewith are provided as background information for illustration purposes only. This PowerPoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This PowerPoint presentation contains confidential information belonging to Hymans Robertson LLP (HR) and should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.
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Break





Local Government
Pension Scheme



Norfolk Pension Fund

Local Government Pension Scheme (England & Wales) Fit for the Future

Alex Younger
Head of Funding & Investment

Mansion Houses, Economists and Megafunds...



What is in the consultation and what isn't there?



What's in?

1. Structure of LGPS Pooling & Investment
2. Local Investment
3. Good Governance

What's not?

1. Benefit Structure
2. Relationship with local employers

What's grey?



The (Short!) Timetable from here

	Timetable
Consultation Response Deadline	16 January 2025
Pools to provide a report setting out how they intend to deliver the new pooling model and complete the transfer of all assets by the revised deadline.	1 March 2025
Pension Schemes Bill 2025 before Parliament	Summer/Autumn 2025
New pooling model in place and transfer of assets completed.	31 March 2026



What are we thinking about?



- Our response to the consultation
- Working with our ACCESS partners to best meet the future requirement on the structure of pooling.
- The 2025 Valuation, Pension Dash Boards, Servicing our member and employers...

Thank you

Any questions?

[Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)



Norfolk Pension Fund Employer Forum

26 November 2024

Kevin McDonald

Director, ACCESS Support Unit

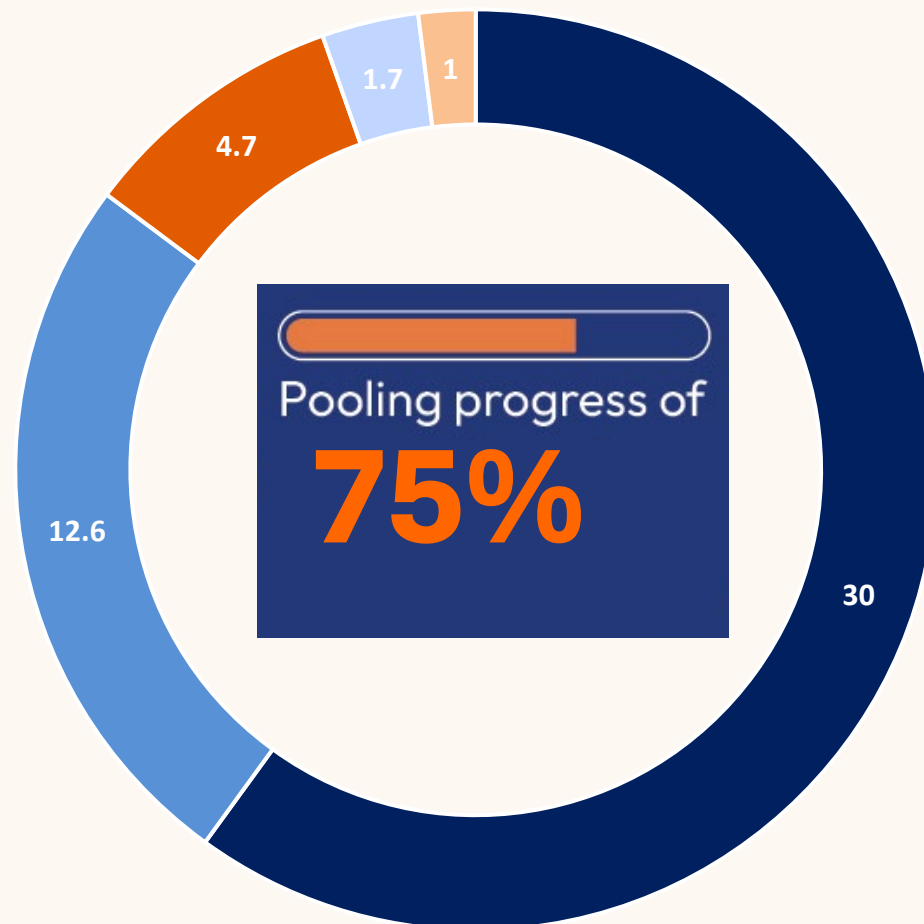


A Collaboration of Central, Eastern and Southern Shires





Asset overview £50bn

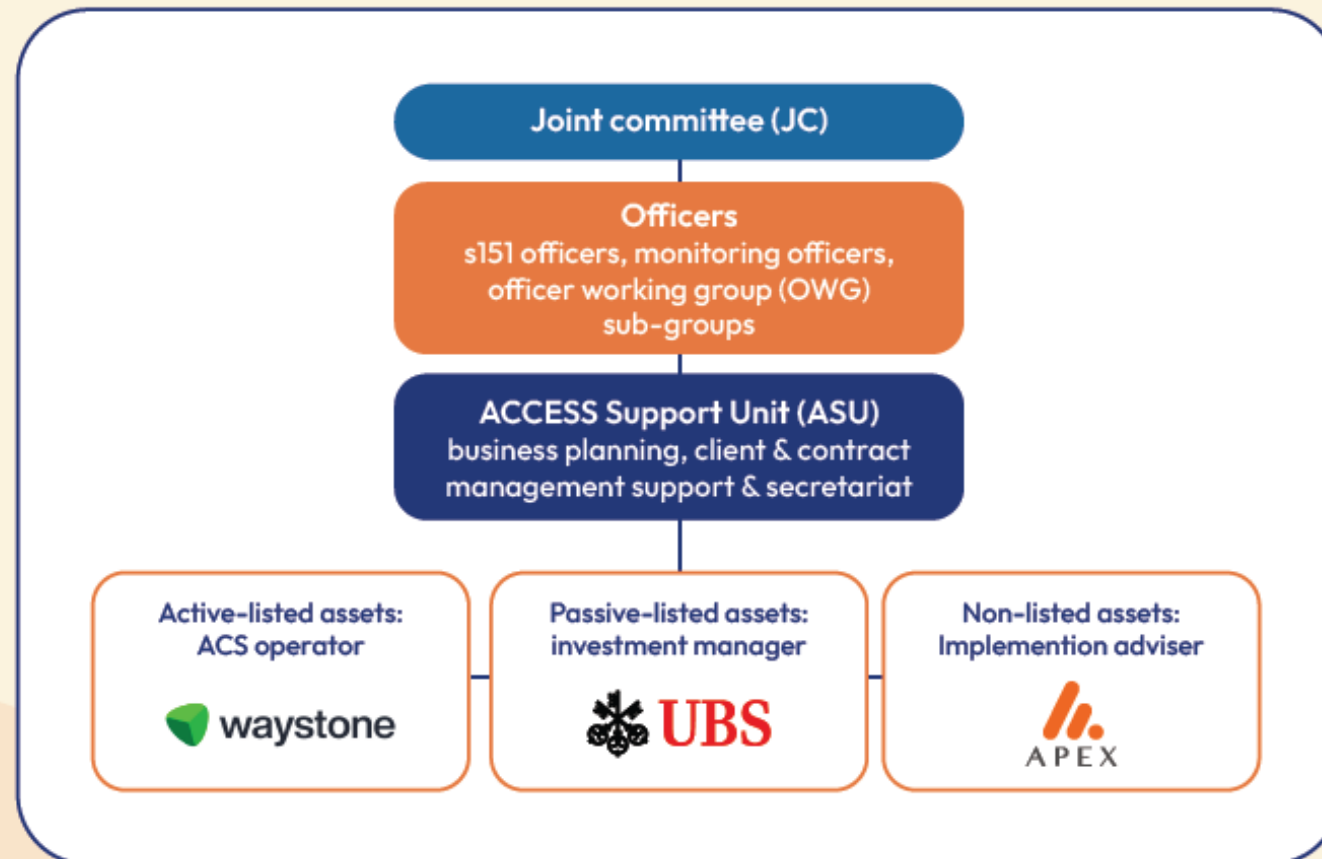


PUBLIC
Incl. 1.2m Scheme Members

GOVERNMENT
MHCLG, Treasury, Cabinet Office

REGULATORS
Primarily FCA, also TPR

11 Administering
Authorities



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11 Administering
Authorities



ACCESS

Effective • Collective • Investment

Joint committee (JC)

Officers

s151 officers, monitoring officers,
officer working group (OWG)
sub-groups

ACCESS Support Unit (ASU)

business planning, client & contract
management support & secretariat

Fully
outsourced
model

Active-listed assets:
ACS operator



Passive-listed assets:
investment manager



Non-listed assets:
Implementation adviser



ACCESS

Effective • Collective • Investment

Government Pensions Review

Rachel Reeves plans pension 'megafunds' to free billions for investment

Pensions megafunds will need good investment options to succeed

Rachel Reeves plans to use £350bn council pension pot to boost UK economy

Government Pensions Review

14 November:

Chancellor's Mansion House speech, followed by LGPS *"fit for the future"* consultation

Key points:

- All Pools to be FCA regulated Investment Management Companies
 - (i.e. not fully outsourced model)
- Pools to principal source of investment advice to Funds
 - (i.e. not advisers appointed by each LGPS Fund)
- Pools to implement entire investment strategies
 - (i.e. LGPS Funds only determine Strategic Asset Allocation)

Government Pensions Review

16 January 2025:

Deadline for consultation responses

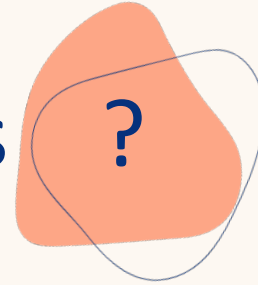
28 February 2025:

Deadline for each Pool submissions on implementing Govt aims

March 2026:

Government expectation re: Pool Investment Management Companies

Any Questions ?



kevin.mcdonald@accesspool.co.uk

Ask the Panel



- Thank you to all today's presenters
- Apologies if we haven't addressed your question, but we will provide an answer when we email you the recording link
- To arrange a 1:1 call or virtual meeting with us today, please email **pensions@norfolk.gov.uk**
- For those joining virtually, please complete the online survey – a link to the survey will be in your Inbox soon!
For those in the room, please complete the paper survey.



Local Government
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Norfolk Pension Fund

**Thank you for
joining us today!**

*Merry Christmas and
very best wishes for
2025!*

