



Local Government
Pension Scheme



Norfolk Pension Fund

Welcome to the

Norfolk Pension Fund Employer Forum

Glenn Cossey
Director of the Norfolk Pension Fund

10 July 2024

Housekeeping

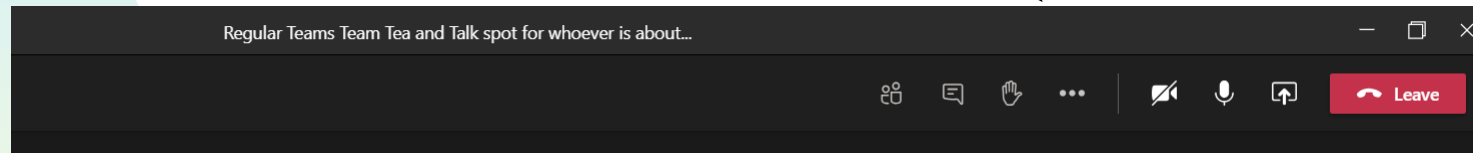


- The webinar is being recorded on MS Teams – a link to the recording will be emailed next week
- You should have already received today's presentation slides, but we will send them again with the recording link
- For those joining virtually, please turn off your microphone and camera
- For those in the room, in the event of a fire alarm, please leave through the Fire Exit situated to the right of the projection screen
The Fire Assembly point is in the front car park
- 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 Space

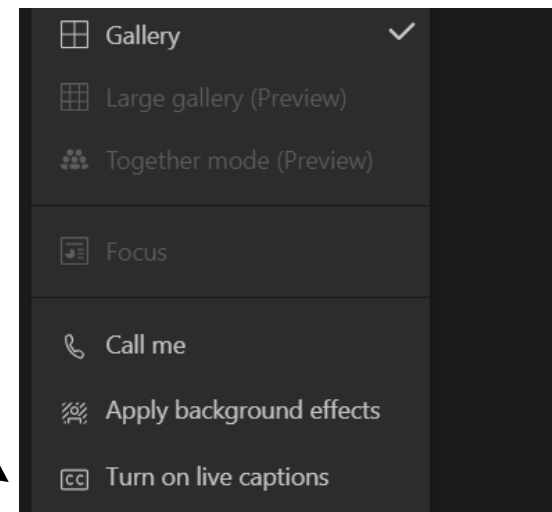
Accessibility



- 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



- Update from the Fund Actuary, Hymans Robertson

BREAK

- LGPS Administration
i-Connect and Pensions Dashboards
- TUPE
- 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*



Norfolk key stats



	2023-24* £000s	2022-23 £000s	Change %
Net assets	£5,318,592	£4,879,621	9.0%
Contributions & income	£207,955	£196,584	5.8%
Benefits & payments	£201,870	£167,657	20.4%
Employers	434	429	1.2%
Total members	102,204	99,134	3.1%
Pensioners	30,849	29,762	3.7%

** Unaudited figures*

A valuable benefit



- **Norfolk Pension Fund**
Average pension – May 2024
 - Pension in own right**
 - £5,689 a year
 - Dependants pension**
 - £3,436 a year
 - Average pension**
 - £5,436 a year
- **Full Basic State Pension 2023-24**
 - £11,502 a year

PLSA Retirement Living Standards as at July 2024

MINIMUM

Single person - £14,400

Couple - £22,400

MODERATE

Single person - £31,300

Couple - £43,100

COMFORTABLE

Single person - £43,100

Couple - £59,000

Excludes mortgage, rent and social care costs
and any tax on pension income

Efficiency and value for money



- **Own budget**
 - No cross subsidy
 - Savings remain in the Fund
- **CIPFA Benchmarking Club 2022-23**
 - ***Cost per member***
£21.08 Norfolk Pension Fund
£24.56 Club average
 - ***Administration***
Norfolk Pension Fund outperforms Club average in some key areas

CIPFA Benchmarking Club 2022-23

Task	Target	Norfolk	Club average
Letter detailing transfer in quote	10 days	95.2%	85.2%
Letter detailing transfer out quote	10 days	93.9%	88.4%
Process and pay refund	10 days	99.9%	91.7%
Initial letter acknowledging death of member	5 days	94.5%	91.5%
Calculate and notify deferred benefits	30 days	93.6%	70.6%

Pensions Oversight Board (POB) vacancy

Chairman

Brian Wigg

Employer Representatives

Liz Marsham - 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

Vacancy - Trade Union

EMPLOYERS



Norfolk Pension Fund Employer Forum

Julie Baillie FFA
Fund Actuary

10 July 2024

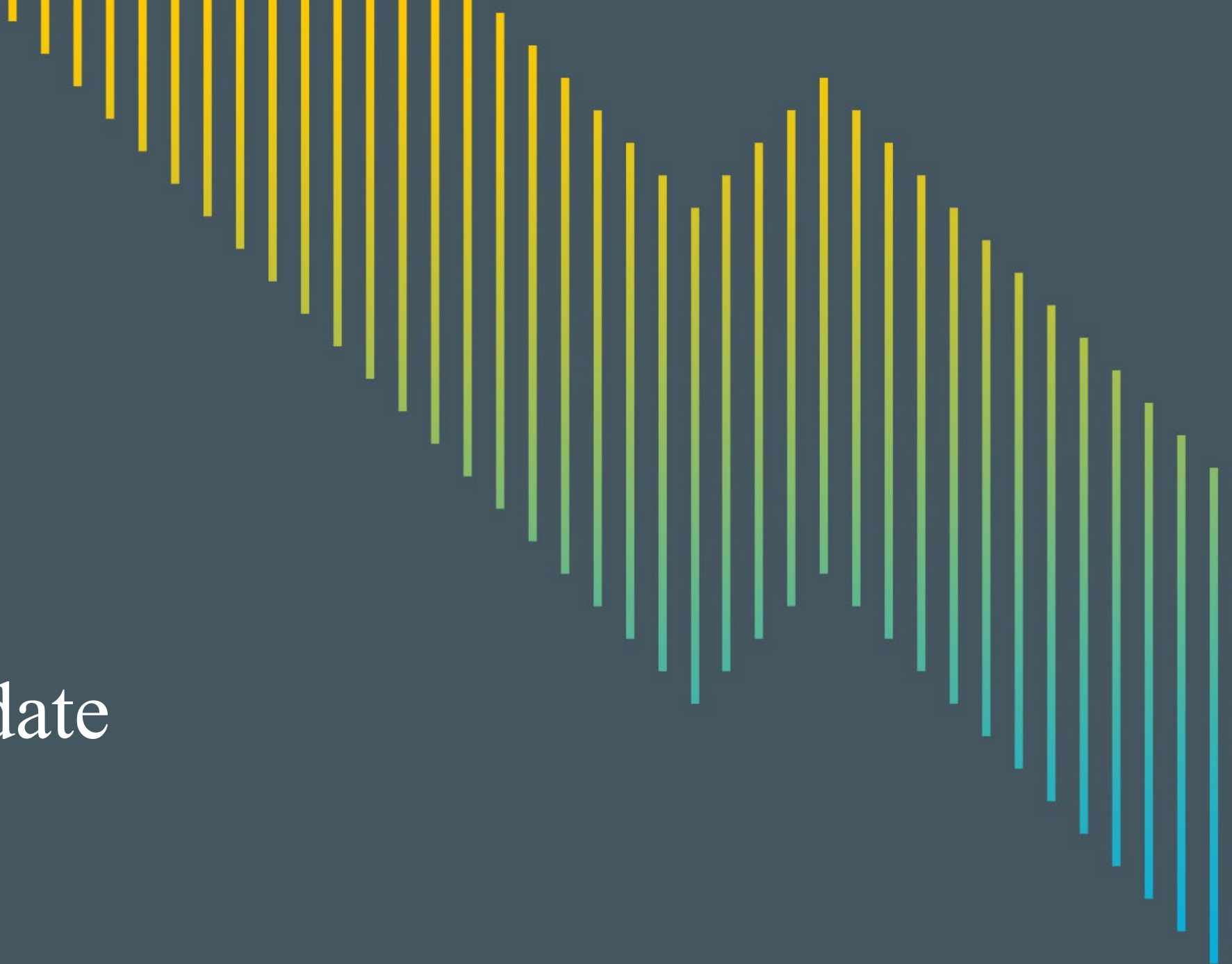
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Agenda

- Actuarial update
 - Current position & future outlook
 - 2025 valuation planning
 - Funding strategy change - salary strain mechanism review
- Focus on: Joining the Fund through TUPE transfer
 - How are employers and employees eligible to join the Fund?
 - Employer costs
 - Risks: what is/not transferred? What does pass-through mean?
- Focus on: Early retirement strain
 - What is early retirement?
 - How does early retirement strain arise?
 - Who pays for early retirement strain?
 - How/when is it paid for?
- Questions?

Actuarial Update



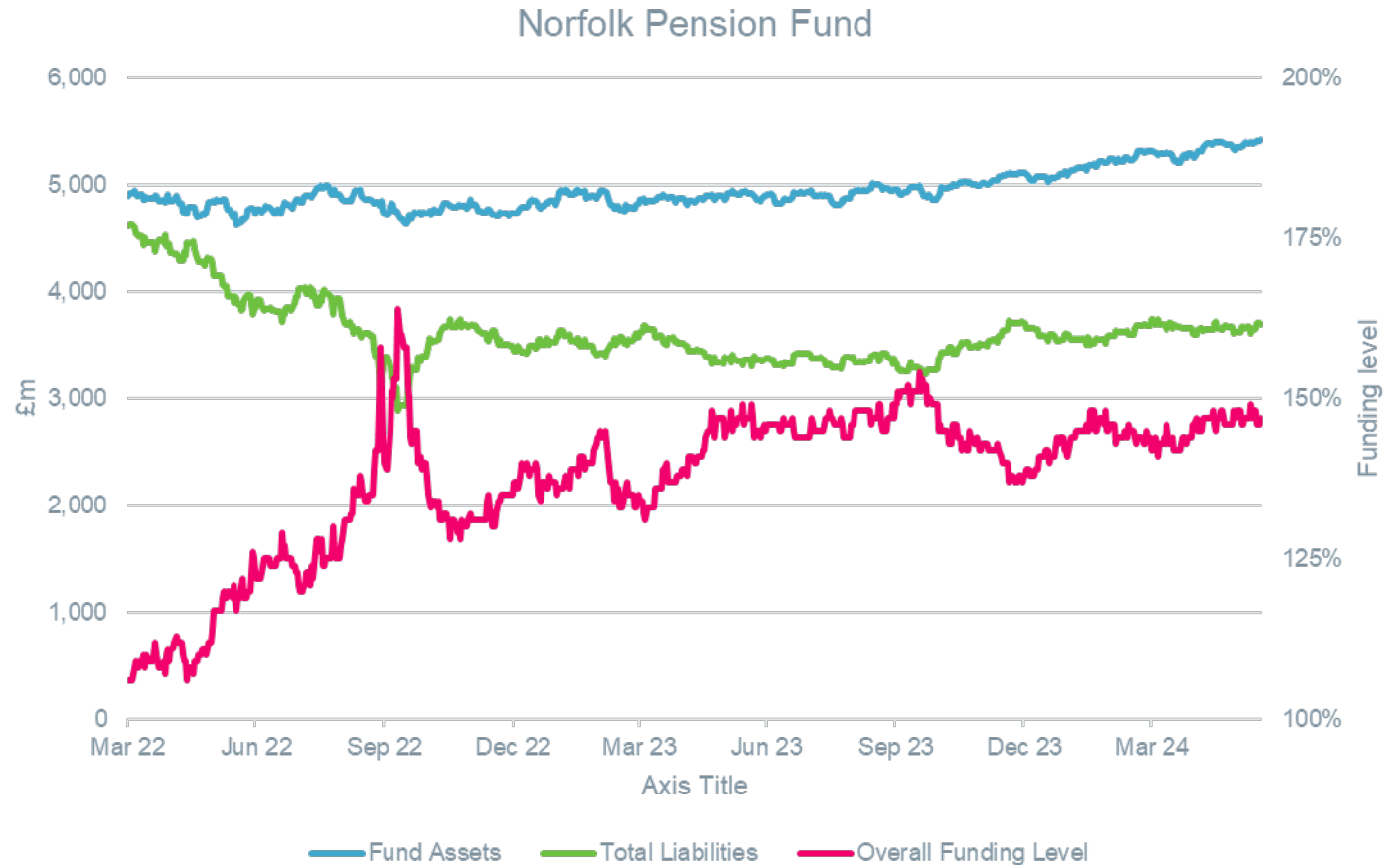
Current economic environment

- Investment returns have been ahead of assumption at 2022
- Outlook now for market returns is better than at 2022
- Actual inflation starting to come down
- Future inflation starting to come down
- 2025 PI based on market conditions at September 2024
- Still in period of wider uncertainty and higher risks eg economic, climate, political change, global events

	31 March 2022	30 June 2024
Discount rate	4.3%	6.4%
Salary increase	3.4%	3.0%
Pension Increase	2.7%	2.3%

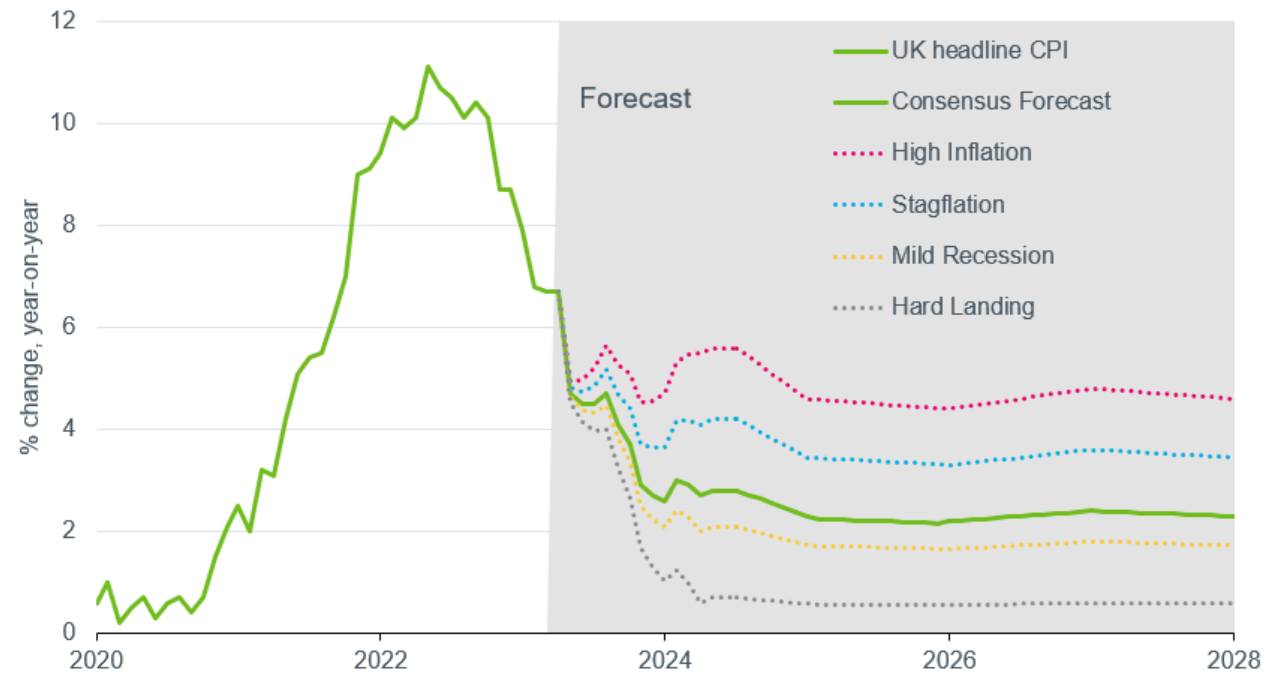
Fund's current position

- Funding level has improved since 2022
- Main driver is in liabilities
- Assets are similar to 2022
- Funding surplus can come and go...
- Employers will see variation based on their own circumstances
- Employers' current funding plans remain unaffected by current funding position

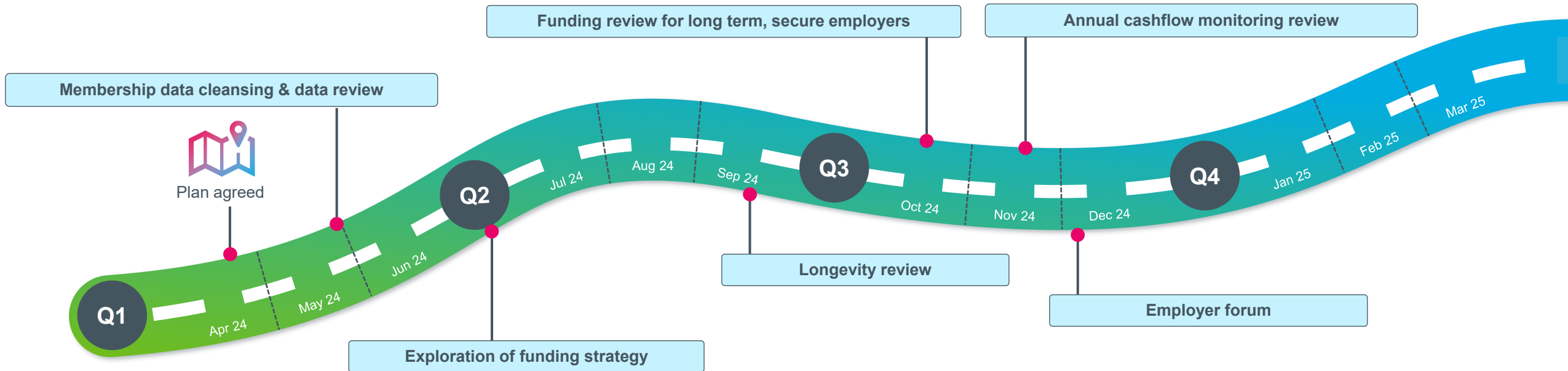


Future outlook for employers

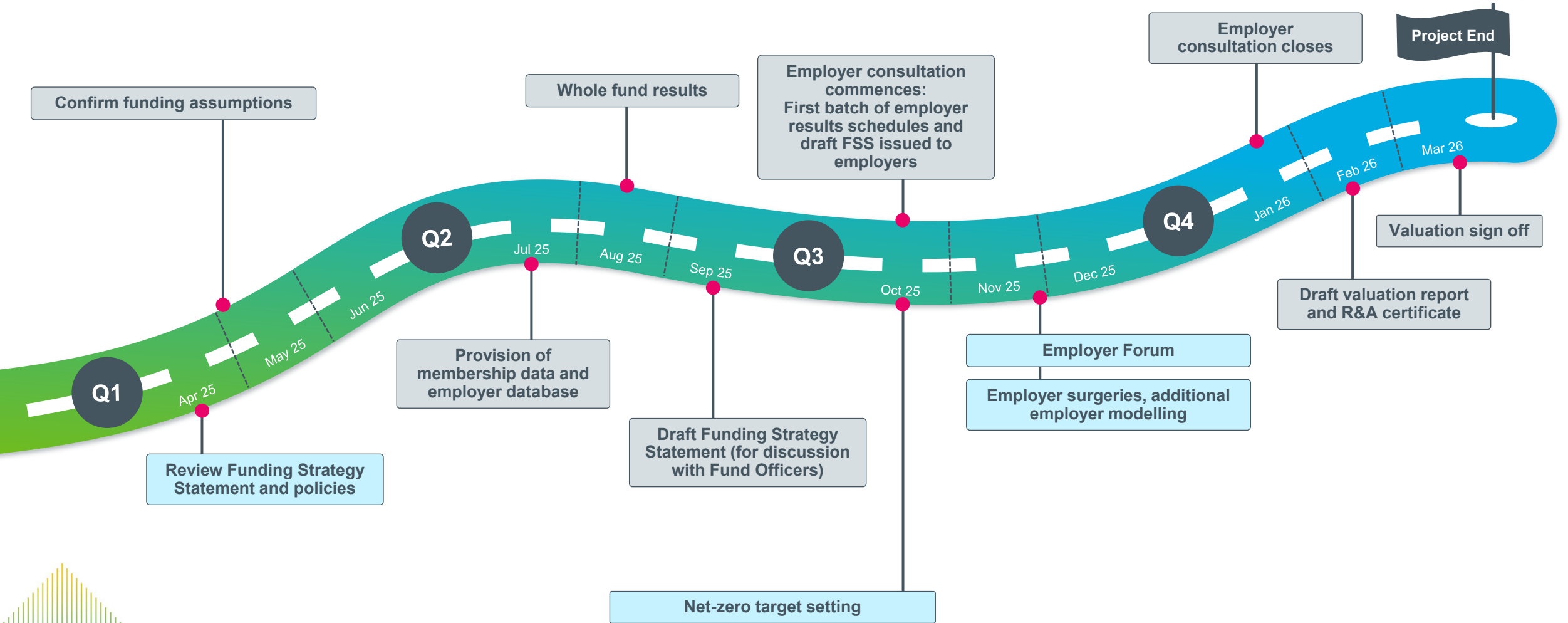
- Next valuation is as at 31 March 2025, revised contributions from 1 April 2026
- Funding position overall is expected to remain strong
- Contribution stability is a key objective of the funding strategy...
- ...but inflation expectations remain uncertain
- Pension increase from April 2025
- Regulatory changes
- Risk management and prudence



2024/25 timeline



2025 valuation timeline



Salary strain mechanism review



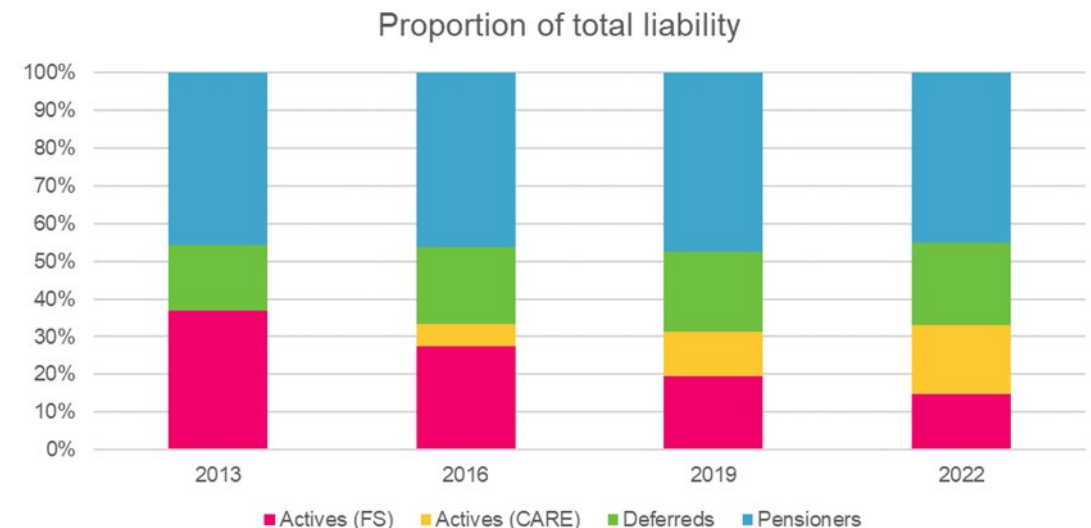
Salary strain mechanism review

What is the Salary Strain Mechanism?

- **Risk mitigation** tool against funding strains emerging
- Strain arises where actual salary increases are **greater than expected**.
- Fund Actuary carries out annual **review**
- Strain **payment** may be requested by Fund
- Without a strain recharge, the Fund needs to **increase employer contribution rates**

Why was it reviewed?

- Review mechanism in place since 2013
- Salary increases are not the risk they once were



Salary strain mechanism review

How is it working now in practice?

- Far less relevant liability, as final salary related benefits tail off
- Far more employers with some liability, as more academies join and take on members with past service
- Gain may arise as well as strain as employers give lower than expected salary increases
- Huge variation in employer exposure to strain, but a diminishing Fund risk



Salary strain mechanism review

How important is it?

- Calculated impact of salary strain “shock” of up to 6% increase in liabilities
 - **contribution increase not material**
- Calculated impact of “shock” of future payroll falling by 50%
 - **contribution increase not material**
- Strong funding position
 - **assets can support additional strain**

How does it compare to other risks?

- Salary strain is modest in impact compared to other risks.
- A 10% excess increase in salary is equivalent to:
 - Asset loss of 2%
 - Life expectancy increase of around 6 months

Any drawbacks to the mechanism?

- Administration
- Cost
- Inefficiency

Salary strain mechanism review

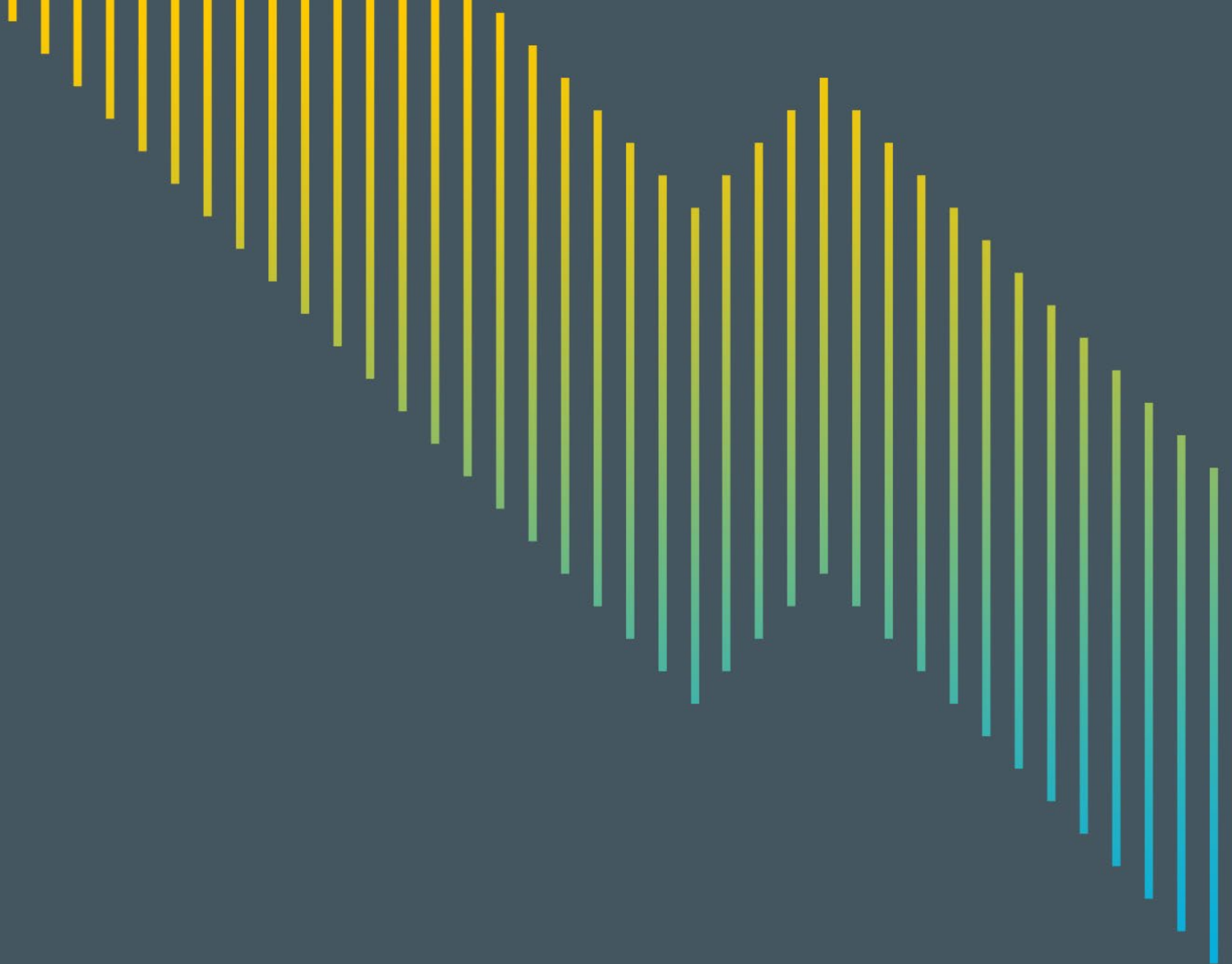
Proposal to suspend the mechanism

- Paper presented to Committee in June 2024
- Analysed the evolution and impact of the salary strain mechanism since inception, and projected into the future
- Proposal to **suspend** the salary strain mechanism (rather than abandonment)
- Funding Strategy Statement will be updated to reflect this

How does this affect you?

- Only if participating as an employer at the last valuation
- Only if have **any** final salary liabilities
- Only if planning to award **higher-than-assumed** salary increases
- Perhaps, if considering exit?

Questions?



Important Information

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Break





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Norfolk Pension Fund

LGPS Administration - i-Connect and Pensions Dashboards

LGPS Administration



- Key Events – Valuation, Annual Benefit Statements, Pensions Dashboards Programme
- Data and Information Accuracy – essential for the Norfolk Pension Fund and members – are there consequences?
- Be up to date – especially current home address data
- New Starters – signpost to the Norfolk Pension Fund website for current issue forms
- Leavers – notifications still required – NO CHANGE!
- Have a conversation with your team responsible for LGPS – your named Pension Liaison Officer
- Determine responsibility for actions – HR/Payroll/Finance/3rd Party provider?
- All the above is the Employer responsibility

Valuation Year 2025



- Employers to ensure i-Connect member data to 31/3/2025 is uploaded by 30/4/2025
- Actuary will expect clean accurate data from us
- Includes data for leavers of LGPS
- Inaccurate data means...
- Enquiries on member data...
- ...with a short turnaround time

i-Connect documents



@norfolk.gov.uk  My Account Contact Us Logout

Member Search

- Break Link
- Update NI Number
- Update Payroll Reference
- Upload Active Member Documents
- Upload Leaver Documents
- View Document History

i-Connect documents



Step 1- Select Reason

Reason For Leaver

Please Select Reason For Leaver ▼

Step 2- Select Date Member Is Leaving

This is the last date the member is employed.

Date of Leaving is mandatory and cannot be more than one year in the past or more than six months in the future

Date of Leaving



All documents must be attached to before you can proceed

Upload

i-Connect Development



- Shared Documents
- Secure document and message transfer facility
- Initial pilot
- Won't replace i-Connect member document upload
- Arrears of Pay
- Final Pay

Pensions Dashboards Programme



- What is the Pensions Dashboards Programme?
- Data cleansing and readiness project with our software provider
- Member Matching criteria
- Member Matching queries
- Query resolution – Norfolk Pension Fund and Employer – time critical
- Member Matching fails
- Will include Leavers we haven't been notified of
- All comes back to member data quality

Agenda (part 2)

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Joining the Fund through TUPE transfer

Eligibility to participate

Employers

(LGPS Regulations 2013 – Schedule 2)

- Part 1 – Scheduled Bodies
 - Counties, Districts, Boroughs
 - Police and Fire (non-uniformed)
 - Academies
- Part 2 – Designating Bodies
 - Town and Parish Councils
 - Passenger Transport Executives
 - Joint Venture Companies (JVC)
- Part 3 – Admitted Bodies
 - Contractors
 - Community of Interest

Employees

- As transfers of staff under TUPE
- Those with rights to continuous service/other employment rights
- New joiners to an admission body
- New joiners to a scheduled body
- Other terms as referenced in admission agreement

Academies are covered by a DfE guarantee

Further details can be found in Appendix F of the Funding Strategy Statement (FSS).

Employer liabilities and costs

What pension obligations transfer?

- Admission Bodies
 - typically only active members transfer, leaving any deferred and pensioner members behind
- Academies
 - only active members transfer, leaving any deferred and pensioner members behind
- Pass-through approach for new admission bodies. The letting authority retains risk of:
 - Fluctuations in the employer contribution rate during the life of the contract
 - Assets are insufficient to meet the employees' pension benefits at the end of the contract

How are contribution rates set?

- Section 2 of the Funding Strategy Statement
- In line with the Admission Agreement
- Employer contribution rates are reviewed:
 - at each valuation, or
 - when an employer's circumstances have changed significantly
- Early retirement and ill-health strains etc are payable in addition
- Employee rates set by regulations

Employers are often started out '**fully funded**'.

This means assets allocated on joining the Fund are equal to the liabilities of transferring members.

Risk transfers – pass-through contracts

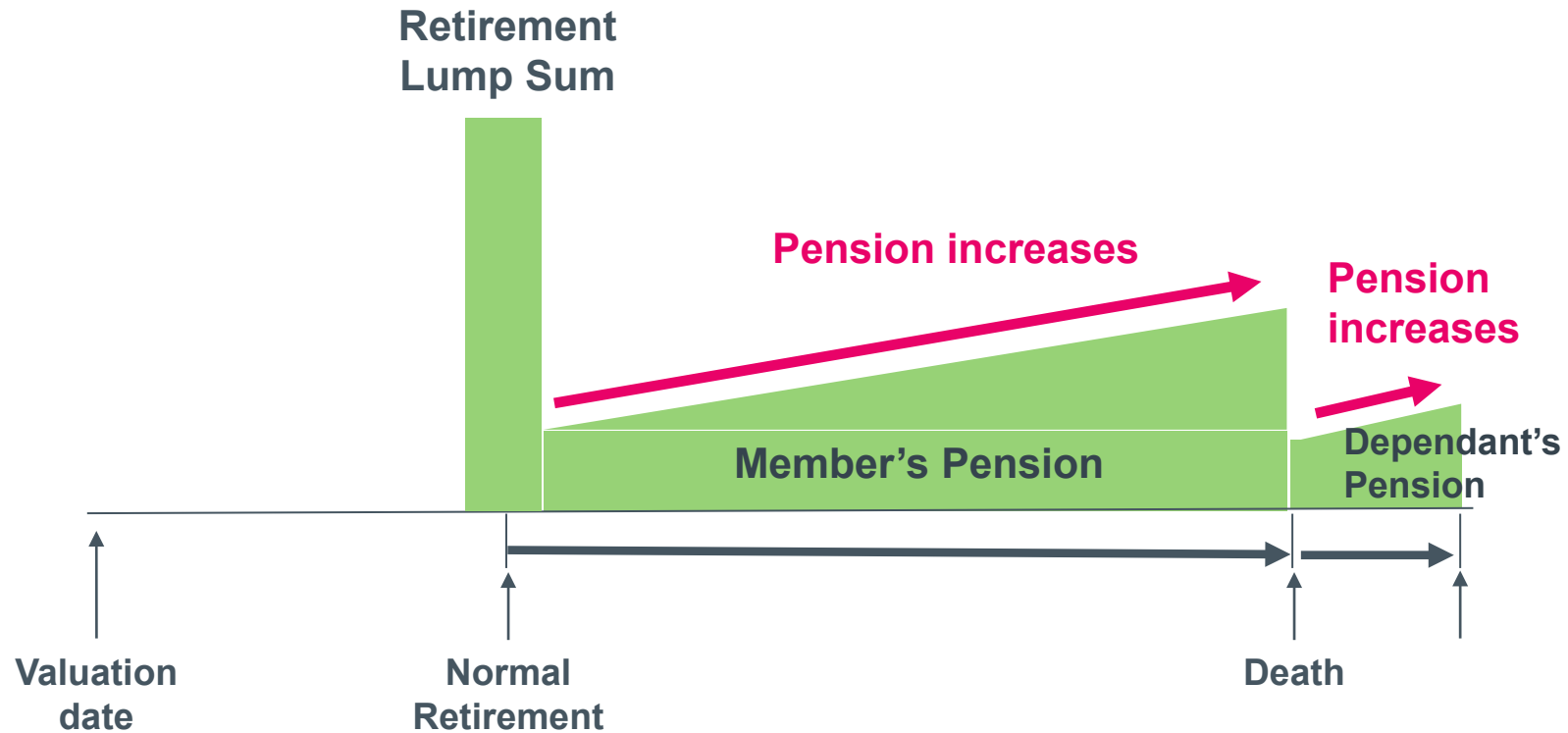
Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	Y	
Interest on surplus/deficit	Y	
Investment performance of assets held by the Fund	Y	
Ill health retirement experience	Y	
Strain costs attributable to granting early retirements (not due to ill health)		Y
Award of additional pension or augmentation		Y
Excess liabilities attributable to the contractor granting pay rises exceeding those assumed in the last formal actuarial valuation		Y

Further details of the risk allocation can be found in Appendix F of the FSS.

Early retirement strain

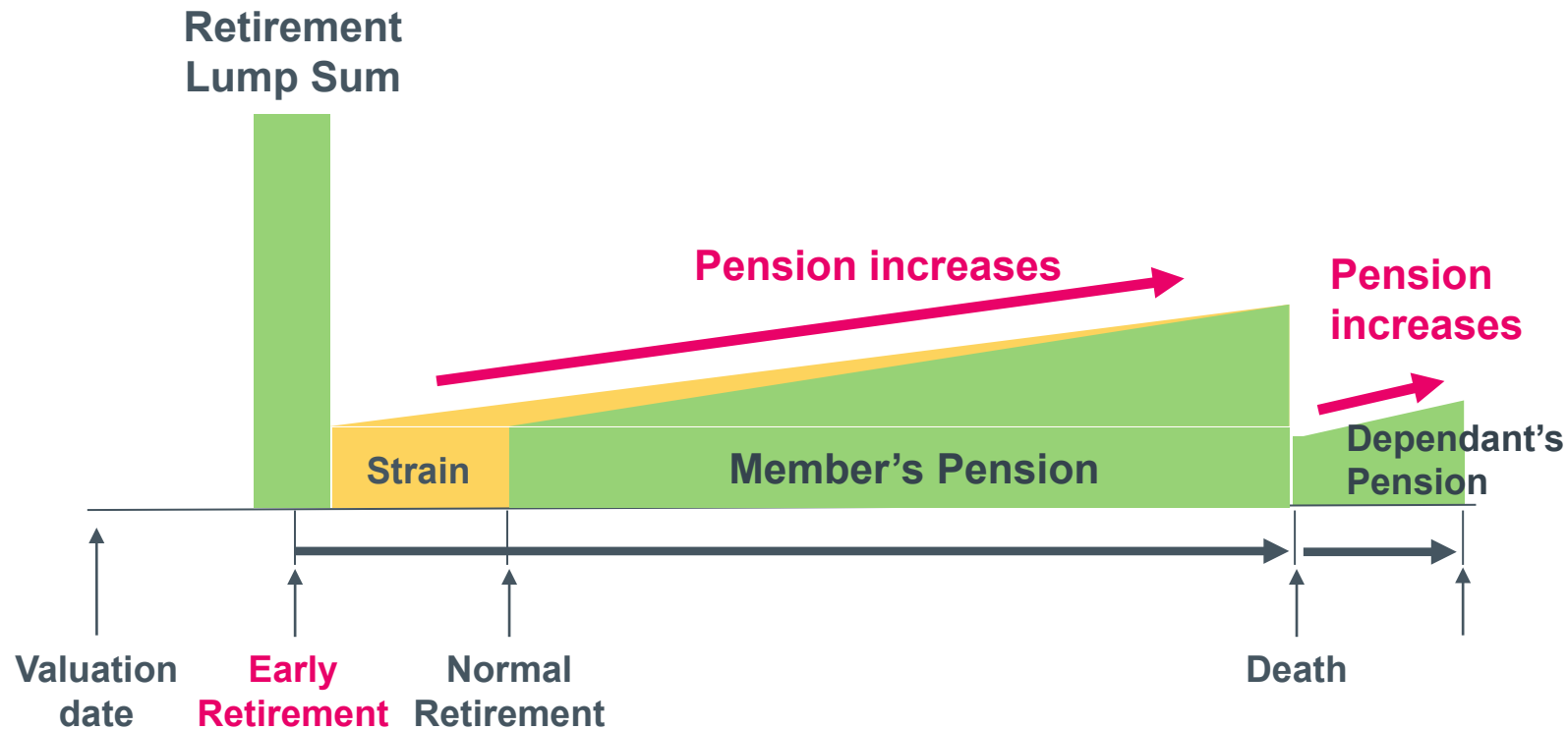


Early retirement strain



What is early retirement?

Early retirement strain



How does early retirement strain arise?

Early retirement strain

Who pays for early retirement strain?

- If a member retires early because of ill-health, the strain is paid under **a fund-operated ill-health risk management solution** which shares the strain cost across all employers in the fund.
- If an employee retires early on non-ill health grounds, the **employer** will be asked to pay additional contributions called strain payments
- Further details are set out in the FSS.

How/when is it paid for?

- Employers typically make strain payments as a single lump sum,
- Strain payments may be spread (for up to 3 years) if the administering authority agrees.

Questions?



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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.



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**Thank you for
joining us today!**