

HEALTH WEALTH CAREER

CLWYD PENSION FUND 2019 ACTUARIAL VALUATION

ESTIMATED WHOLE FUND
RESULTS

MAY 2019

MAKE TOMORROW, TODAY



CURRENT NATIONAL ISSUES

KEY CONSIDERATIONS



Initial outcomes from the **cost management process** indicated benefit improvements and/or member contribution reductions were needed, but then the process was paused due to.....



The **McCloud discrimination case** which relates to the protections provided to members close to retirement. The Court of Appeal found that these protections were unlawful on the grounds of age discrimination for the judges/firefighters. The impact of this judgement is currently unknown.



Exit Credits - Impacts on the Fund's admission / termination policies and also potentially on funding strategy in some cases















Other Legislative changes – GMP Equalisation, Fair Deal, 4 year valuation cycle, Deferred Debt Arrangements, change of status for HE/FE employers and many more!



Public sector **pay cap** removed and an increased focus on **data quality**

WHERE ARE WE NOW?

DEMOGRAPHIC ASSUMPTIONS UPDATE

Analysis	Effect on Deficit (Whole Fund)	Effect on Future Service Rate (Whole Fund)	Comment in relation to Fund
Life Expectancy			Analysis indicates reductions from last time. Build in some prudence for rates to reverse?
Ill-Health Retirement			General increase in numbers observed across LGPS. CPF at the higher end of observed trend. Change assumption?
Withdrawal			No material change so maintain assumption
Retirement Rates (pre 14 benefits)			General trend for members to retire slightly earlier based on data. Allow for?
Commutation			Slight trend upwards in terms of commutation. Possibly increase average assumption. Minor impact.
Proportions Married / Dependants			No material change so maintain assumption.

WHERE ARE WE NOW?

ESTIMATED RESULTS & SENSITIVITIES – CURRENT BENEFITS

	31 March 2019		
	2016 valuation	Updated Return Outlook Updated Mortality Minimum 2% Short Term Pay (A)	"A" with 0.25% Reduction in Past and Future Service Discount Rates (B)
Assets	£1,381m	£1,863m	£1,863m
Liabilities	£1,818m	£2,045m	£2,135m
Surplus / Deficit	-£437m	-£182m	-£272m
Funding Level	76.0%	91.1%	87.2%
Future Service Rate (% of pay)	15.3%	17.7%	19.1%
Deficit Recovery period	15 years	12 years	12 years
Real Discount Rate (Past)	2.00% p.a.	1.75% p.a.	1.50% p.a.
Real Discount Rate (Future)	2.75% p.a.	2.25% p.a.	2.00% p.a.
Short Term Pay	2016 Valuation (2 years remaining)	2016 Valuation with 2% minimum p.a. for 2 years	2016 Valuation with 2% minimum p.a. for 2 years
Life Expectancy Assumptions	CMI 2015 1.75% (males) 1.5% (females)	CMI 2018 1.75% (males) 1.75% (females)	CMI 2018 1.75% (males) 1.75% (females)

WHERE ARE WE HEADING? WHAT WE CURRENTLY KNOW...



WHERE ARE WE HEADING? WHAT WE NEED TO PLAN FOR...



Initial assumptions,
McCloud/cost cap
outcomes



4 year valuations &
interim reviews &
trigger framework



How covenant and
affordability will change
and how we react



Ongoing improvements
in data quality

FSS/ISS NEEDS TO CAPTURE HOW WE DEAL WITH THIS...

APPENDIX



FUND MEMBERSHIP

MEMBERSHIP ANALYSIS

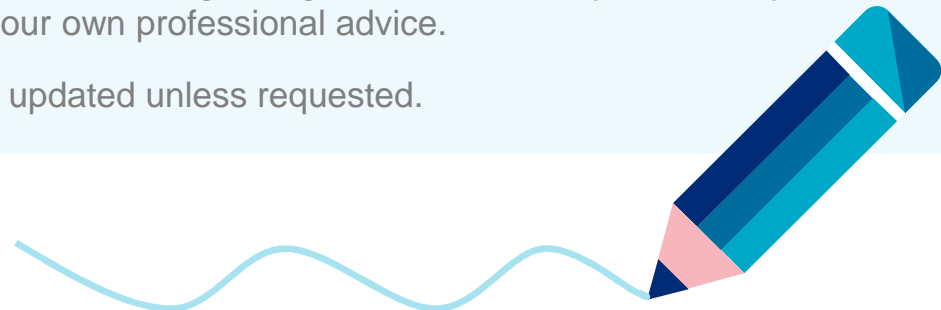
	31 MARCH 2016	31 MARCH 2018
ACTIVE MEMBERS		
Number	16,199	16,309
Total Pensionable Salaries (£000s p.a.)	224,423	216,597
Average Pensionable Salary (£ p.a.)	13,854	13,281
Average age (weighted by pension)	49.7	50.3
DEFERRED PENSIONERS (INCLUDING UNDECIDEDS)		
Number	14,030	17,979
Total deferred pensions revalued to valuation date (£000s p.a.)	14,940	21,498
Average deferred pension (£ p.a.)	1,065	1,196
Average age (weighted by pension)	48.3	48.7
CURRENT PENSIONERS AND DEPENDANTS		
Number	11,464	11,038
Total pensions payable (£000s p.a.)	53,762	58,772
Average Pension	4,690	5,325
Average age (weighted by pension)	70.3	70.9

NOMINAL FINANCIAL ASSUMPTIONS

Market yields	31 March 2016	31 March 2018	31 March 2019
Fixed interest gilt yield	2.20% p.a.	1.60% p.a.	1.50% p.a.
Index-linked gilt yield	-1.00% p.a.	-1.70% p.a.	-1.90% p.a.
Assumed CPI price inflation (derived by differencing yields on fixed-interest and index-linked gilts less 1% p.a.)	2.20% p.a.	2.30% p.a.	2.40% p.a.
Assumptions used for Liabilities			
Derivation of Discount Rate/Expected Return	CPI plus 2.00% p.a. (past) CPI plus 2.75% p.a. (future)	CPI plus 1.80% p.a. (past) CPI plus 2.25% p.a. (future)	CPI plus 1.75% p.a. (past) CPI plus 2.25% p.a. (future)
Discount rate:	4.20% p.a. (past) 4.95% p.a. (future)	4.10% p.a. (past) 4.55% p.a. (future)	4.15% p.a. (past) 4.65% p.a. (future)
Inflation: Consumer Prices Index (CPI)	2.20% p.a.	2.30% p.a.	2.40% p.a.
Long term pay growth assumption	3.45% p.a.	3.55% p.a.	3.65% p.a.
Pension increases	2.20% p.a.	2.30% p.a.	2.40% p.a.
Short term pay growth assumption (for two years to 31 March 2020)	1% per annum	2% per annum	2% per annum
Fund investment return	A total return of c33% over the period from 1 April 2016 to 31 March 2019.		

ACTUARIAL ADVICE

- We have prepared this document for the Administering Authority for the purpose of updating the funding position of the Fund
- “Technical Actuarial Standard 100: Principles for Technical Actuarial Work” issued by the Financial Reporting Council applies to this presentation and the associated work, and we confirm compliance with this standard. This presentation should be read in conjunction with our report on the actuarial valuation of the Fund as at 31 March 2016.
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