Oxfordshire LGPS
Employers' Pension Fund Forum

17th January 2020

Agenda

- Introduction
- Pension Fund Policy in respect of Climate Change
  Sean Collins - Oxfordshire Pension Fund
- Investment Performance – the year in review
  Peter Davies
- Short Break
- 2019 valuation and employer results
  Robert McInroy – Hymans Robertson
- Lunch

Pension Fund Policy in respect of Climate Change

Sean Collins – Head of Pensions

Agenda

- Background to the Climate Change Risks
- Why does it matter to the Pension Fund?
- Key Issues to Consider
- What are others doing?
- Role of Brunel
- Developing Our Policy

Background to Climate Change Risks

- Climate Change is reflected in the gradual increase in the average temperatures experienced on Earth
- Since the start of the industrial revolution, the average temperature has increased by around 1 degree Celsius
- Scientists estimate that on current trends the total increase could increase to 4 degrees by the end of this century
- Scientists further argue that anything higher than a 2 degree increase would be severely damaging to the world, with some arguing that limiting the rise to 1.5 degrees is a safer target.

Background to Climate Change Risks

- The rise in temperatures is attributed to the increased levels of greenhouse gases in the atmosphere (mainly carbon dioxide from the consumption of fossil fuels).
- 195 Countries signed the Paris Treaty in 2015 aiming to keep temperature increases below 2.0C, and reduce the emission of greenhouse gases to levels that can naturally be absorbed by trees, soil and oceans (carbon neutral) starting between 2050 and 2100. President Trump subsequently withdrew the agreement of the United States.
- Failure to meet the Paris targets is likely to lead to more extreme temperatures, more natural disasters (flooding, fires etc), permanent loss of land, severe impact on food supplies, increase in water-borne diseases

Why is Climate Change an issue for the Pension Fund?

- The Pension Fund Committee has a fiduciary duty to act in the best financial interests of its members.
- It is widely accepted that climate change risks will directly impact the long term financial performance of investments.
- The Principles of Responsible Investment have identified a number of what they see as Inevitable Policy Responses including new carbon taxes, phasing out of use of coal, banning sales of the internal combustion engine.
- Those companies which do not adapt to a low carbon world are likely to suffer severe deteriorating financial performance.
- Conversely there are many new opportunities in the area of renewable energy etc.

What Key Issues does the Pension Fund need to consider?

- Do we look to immediately divest from certain companies/industries, or do we seek to encourage change through engagement?
- Do we restrict investments to low carbon companies?
- Do we restrict investments to so-called sustainable equity funds?
- Does the focus on a single issue create problems of a lack of diversification?
- Are there unforeseen consequences of a policy focused on a single factor (ESG includes social and governance factors as well as wider environmental factors)
- Do certain asset classes present a lower climate risk than others?

What are other Funds doing?

- A small number of Funds have declared a policy to divest from fossil fuel companies (although issues with implementation).
- Other Funds have declared engagement targets with divestment at a given date if insufficient progress made.
- Funds have switched investments into low carbon and sustainable equity funds.
- Others have set targets for positive impact investments included renewable energy companies.
- A small number are still ignoring the issue.

What is the role of Brunel in any solution?

- Under the Government's pooling agenda, all investments must be through the pool company i.e. Brunel
- Any Oxfordshire solution must therefore be supported by Brunel and/or other Partner Funds
- Brunel is developing its own Climate Change Policy which will look to drive changes at Government and Investment Industry level in partnership with others.
- Brunel currently offer a low carbon passive fund, and are signing off on an active sustainable equities fund. The current infrastructure fund has a 35% target for renewables.

Developing Oxfordshire's Climate Change Policy

- The June meeting of the Pension Committee agreed to hold a Climate Change Workshop in the Autumn
- A qualified Independent Facilitator was hired to plan and run the Workshop
- Planning the agenda was supported by Fossil Free Oxfordshire who proposed a number of the expert speakers.
- The Workshop was attended by the majority of the Pension Fund Committee and Pension Board, along with Climate Change Leads from the local Councils.

Contributors to the Climate Change Workshop

- Professor Richard Allan, University of Reading and lead author on papers for the Intergovernmental Panel on Climate Change
- Kingsmill Bond – energy strategist and Carbon Tracker
- Pascale Gordeau – perspective from a student
- Marion Maloney – Environment Agency Pension Fund
- Henrik Wold Nilsen – Specialist Fund Manager
- Iancu Damaras – Energy analyst from Legal & General
- Joel Moreland – Financial Consultant
- Faith Ward – Chief Responsible Investment Officer at Brunel
- Revd Hugh Lee – Church of England
- Alistair Bastin – Scheme Member Representative from the Pension Board
- Chris Lyons and Lauren Juliff – Fund Manager Representatives

Key Outputs from the Workshop

- Our 1st Priority is Our Fiduciary Duty
- The risks posed to our investments by climate change are real, and the financial system should do more to address these risks
- There is a need for a managed transition from the current reliance on oil or gas (targets to be confirmed).
- We need to aim to contribute to a low carbon world consistent with the Paris Treaty
- No single approach is likely to be successful, and we need a combination of engagement and divestment.
- We need improved transparency from our investments.

Key Outputs from the Workshop (continued)

- Divestment must be the final sanction where investments are not working towards full transparency or Paris Treaty aligned at the agreed pace.
- There is a significant information shortfall and we should bring industry wide pressure to address this
- We need better metrics and clear targets for engagement, carbon reduction etc.
- There is a significant communication gap with our stakeholders which we need to address.

Key Outputs from the Workshop (continued)

- We will seek to invest in the solutions to a sustainable world, building on existing investments in renewables, where this is consistent with our risk/return appetite.
- In addressing the risks of climate change, we need to ensure we do not lose sight of the wider UN Sustainable Development Goals and we need to manage competing risks.
- We need a robust assurance and accountability framework with Brunel to ensure that they in turn are managing the underlying Fund Managers
- Measures need to be developed to cover financial performance, carbon emissions, carbon risk scores, compliance with the Task Force on Climate Related Financial Disclosures, carbon efficiency, and progress on the deliver of Paris Treaty compliance action plans.

Next Steps

- A smaller Working Group comprising of the Chairman, Deputy Chairman, Opposition Spokesperson, the Independent Financial Adviser and representatives from Scheme Members and Fossil Free Oxfordshire are now tasked with turning these key outputs into the first draft Climate Change Policy
- The Draft will be taken to the March Committee to be approved as the basis of consultation.
- The final Policy will be approved at the June Committee following a full consultation exercise.

Q & A

Pension Fund Forum 2020

Peter Davies

Independent Financial Adviser

OXFORDSHIRE COUNTY COUNCIL

Investment Objectives

1. To achieve and maintain a 100% funding level (99% at March 2019)

2. To ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments

3. For the overall Fund to outperform the benchmark by 1% per annum over a rolling 3-year period

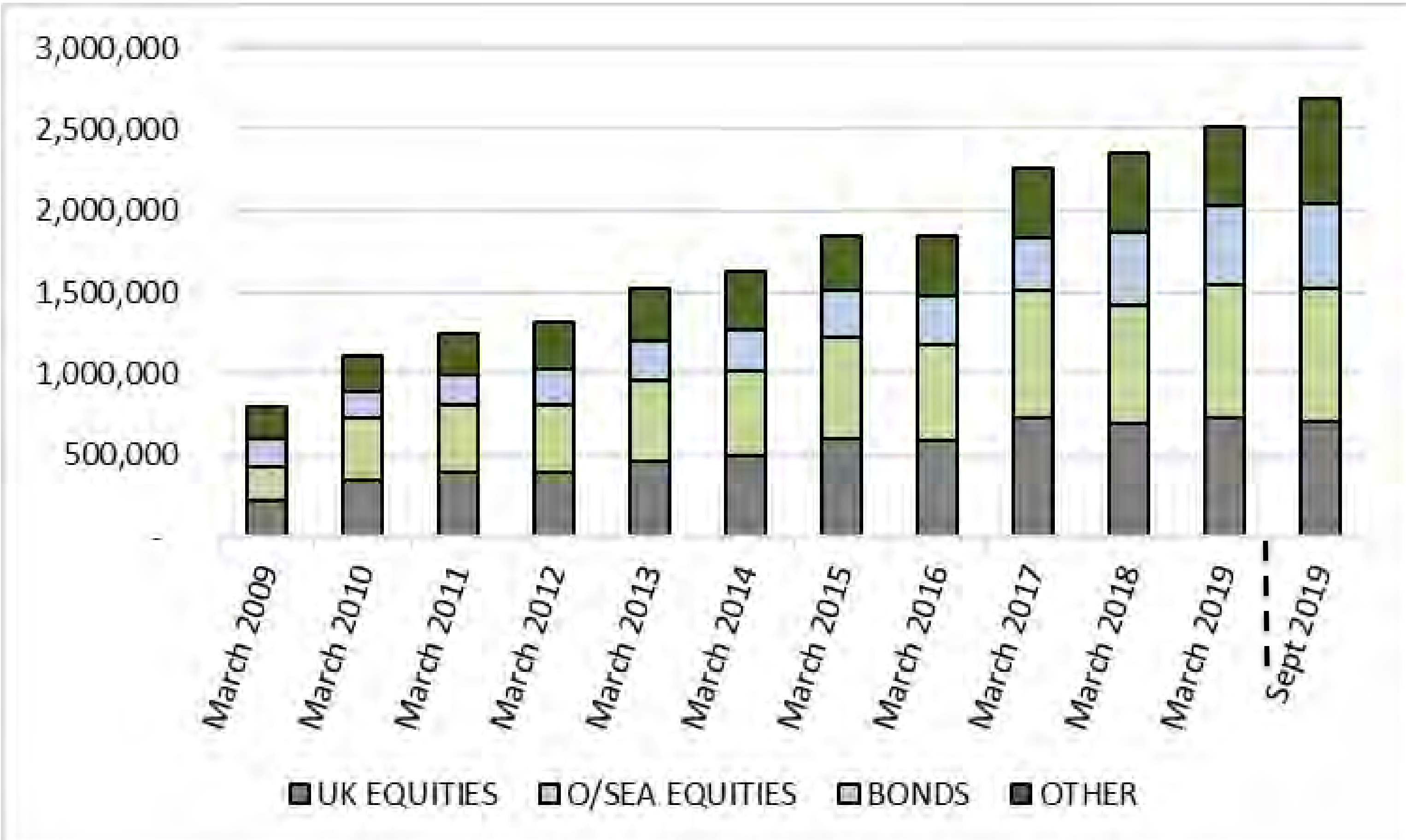
OXFORDSHIRE
COUNTY COUNCIL

Types of Asset held in Pension Funds

- **Equities** – growth assets
  - UK Equities
  - Overseas Equities / Global Equities
- **Bonds** – stable, to match pensioner liabilities
  - Government Bonds
  - Corporate Bonds
- **Alternatives** – as diversifiers
  - Property – bond / equity mixture
  - Private Equity – growth asset, illiquid
  - Multi-Asset – absolute return
  - Hedge Funds – absolute return
  - Infrastructure – inflation-linking
  - Cash – stable, liquid

OXFORDSHIRE COUNTY COUNCIL

Market Value of the Oxfordshire Pension Fund



OXFORDSHIRE COUNTY COUNCIL

Fund Accounts for 2018/19

Contributions & Benefits		**£m**
Contributions & transfers received		104.1
Benefits, leavers, administration		(98.8)
Net additions from dealing with members	5.3	
Returns on Investments		
Net investment income		32.7
Change in market value of investments		132.5
Investment management expenses		(11.0)
Taxation		(0.2)
	154.0	
Net Increase in Fund		159.3

- Small net cash flow from contributions. Strong capital growth

OXFORDSHIRE COUNTY COUNCIL

Portfolio Allocation at 31st March 2019

	£m	%	Target	Range
UK Equities	688	27.5	26	24-28
Overseas Equities	764	30.6	28	26-30
Bonds	474	18.9	16	19-23
Property	169	6.8	8	6-10
Private Equity	178	7.2	9	6-11
Multi-Asset	116	4.6	5	4-6
Infrastructure	13	0.5	3	2-4
Secured Income	3	0.1	5	4-6
Cash	95	3.8	0	0-5
Total	2500	100	100	

- **Rebalancing done at the end of each quarter if necessary**

OXFORDSHIRE COUNTY COUNCIL

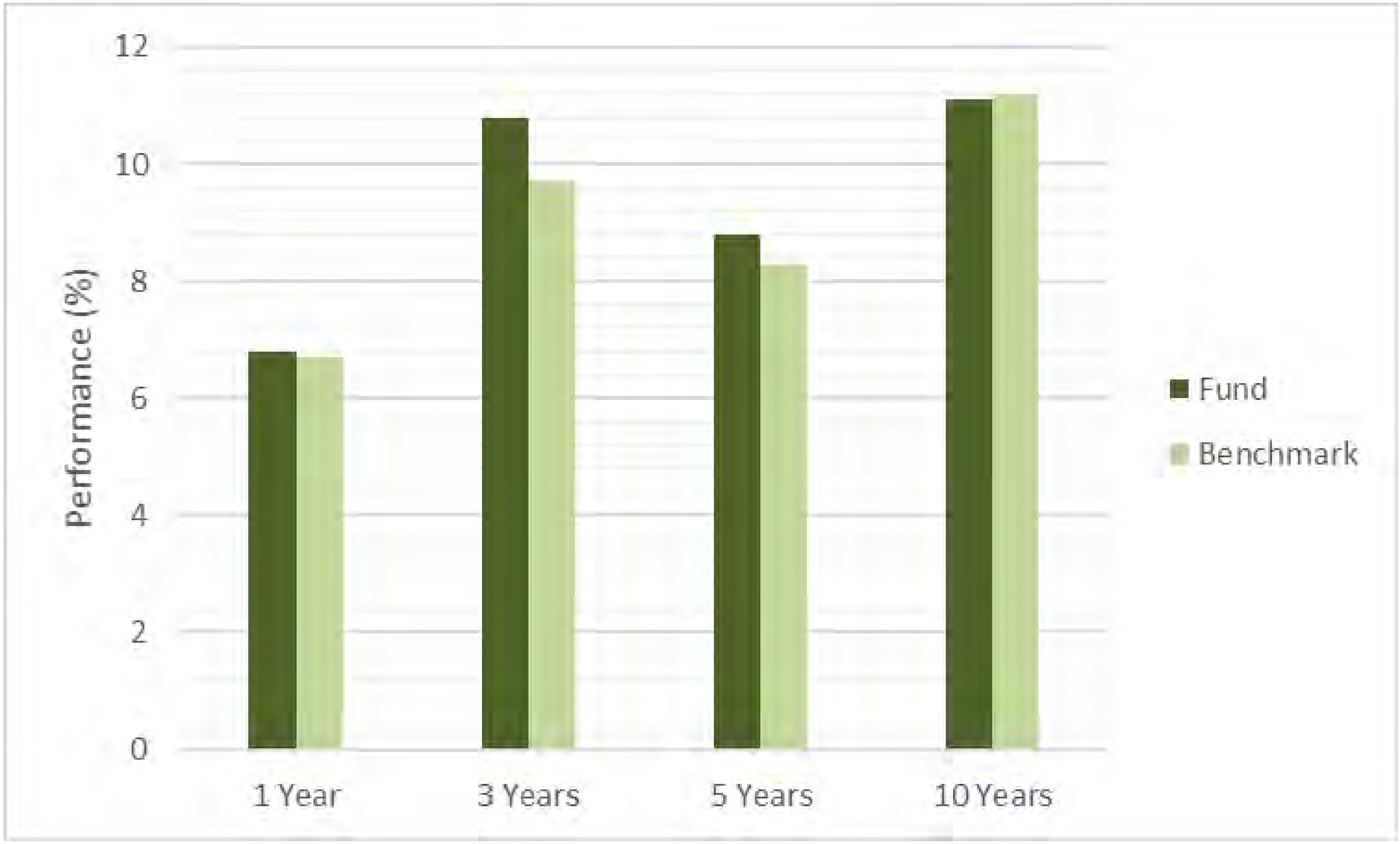
Asset Class Returns

	Year to March 2019	April-Dec 2019
• Equities		
– All World	+ 10.7%	+12.0%
– UK All Share	+ 6.4%	+ 8.9%
• UK Gilts	+ 3.7%	+ 3.4%
• UK Index-Linked	+ 5.7%	+ 0.5%
• UK Property	+ 4.8%	+2% (est)

Steady returns from Equities and Bonds.

OXFORDSHIRE COUNTY COUNCIL

Fund Performance to March 2019



LGPS Universe Percentile **40** (1 year) **24** (3 years) **35** (5 years) **29** (10 Years)

Recent Actions

- Mapping of portfolio onto Brunel sub-funds (Q1 18)
- Transition of all passive equities [18%] - Q3 18
- Transition of UK active equities [19%] - Q4 18
- Transition of Global Equities (part) [9%] - Q4 19
- Transition of Em'g Market Equities [3%] - Q4 19

- Commitment of £210m to Brunel Private Markets (PE: £100m, Secured Income: £60m, Infra'e: £50m)
- Greater scrutiny of managers' ESG/Climate Change policies

OXFORDSHIRE COUNTY COUNCIL

Actions for 2020

- **Asset Allocation Review**
- **Update Investment Strategy Statement**
- **Review Brunel Fund offerings**

Short Break

Oxfordshire Pension Fund
2019 valuation update

Robert McInroy FFA
Tom Hoare
Reece Notman

17th January 2020

This presentation has been prepared for discussion at the Oxfordshire Pension Fund Employers meeting on 17th January 2020 only. It should not be used or relied upon for any other purpose.

HYMANS ROBERTSON

What are we going to cover?

1. Valuation introduction
2. Valuation assumptions – what's changed
3. Results – whole fund
4. Setting employer contribution rates
5. Results – employer level
6. Valuation next steps
7. Other employer considerations

Quiz – LGPS Academy Awards

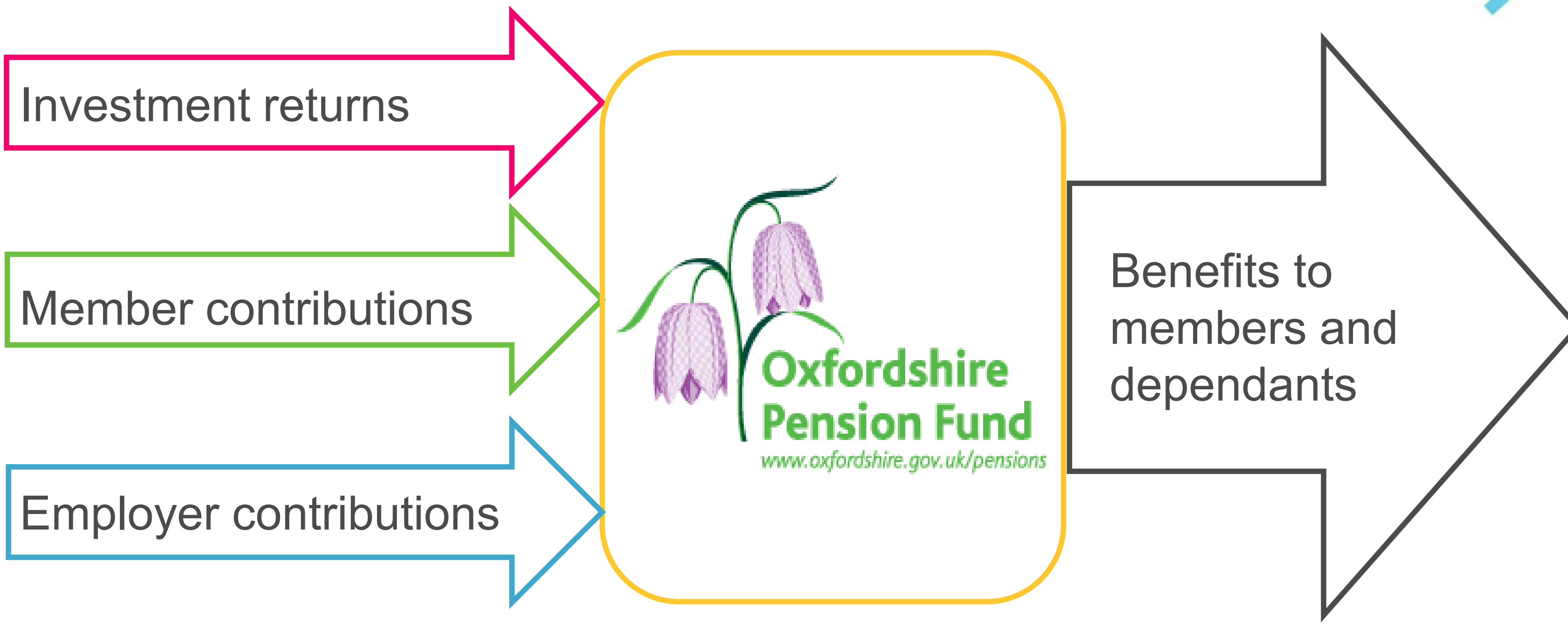
1. The first ever Oscars was in 1927, but who many current pensioners in the Oxford Pension Fund where alive to see it?
   a) 50
   b) 100
   c) 250

2. Which actor was Oscar nominated for his role portraying an Actuary in About Schmidt?
   a) Daniel Day-Lewis
   b) Sean Connery
   c) Jack Nicholson

3. Which financial markets based film gained the least Oscar nominations?
   a) The Wolf of Wall Street
   b) The Big Short
   c) Wall Street
4. A 1995 Oscar nominee - How much did the Climate Change post-apocalyptic film, Waterworld, cost to make?
   a) $175m
   b) $100m
   c) $75m
5. In the 7 time Oscar nominated film, Seabiscuit, what odds was the starring horse to win the big race?
   a) 2 to 1
   b) 10 to 1
   c) 100 to 1

1. Valuation introduction

How the Fund works



Determined by investment strategy & manager performance
Determined by LGPS Regulations
Must meet balance of cost over longer term: the valuation!

Why we do a valuation

- Calculate employer contribution rates
- Compliance with legislation
- Analyse actual experience vs assumptions
- Review Funding Strategy Statement
- Part of continual ‘health check’ on fund solvency

(a) Valuation ‘health check’

Liabilities

Assets

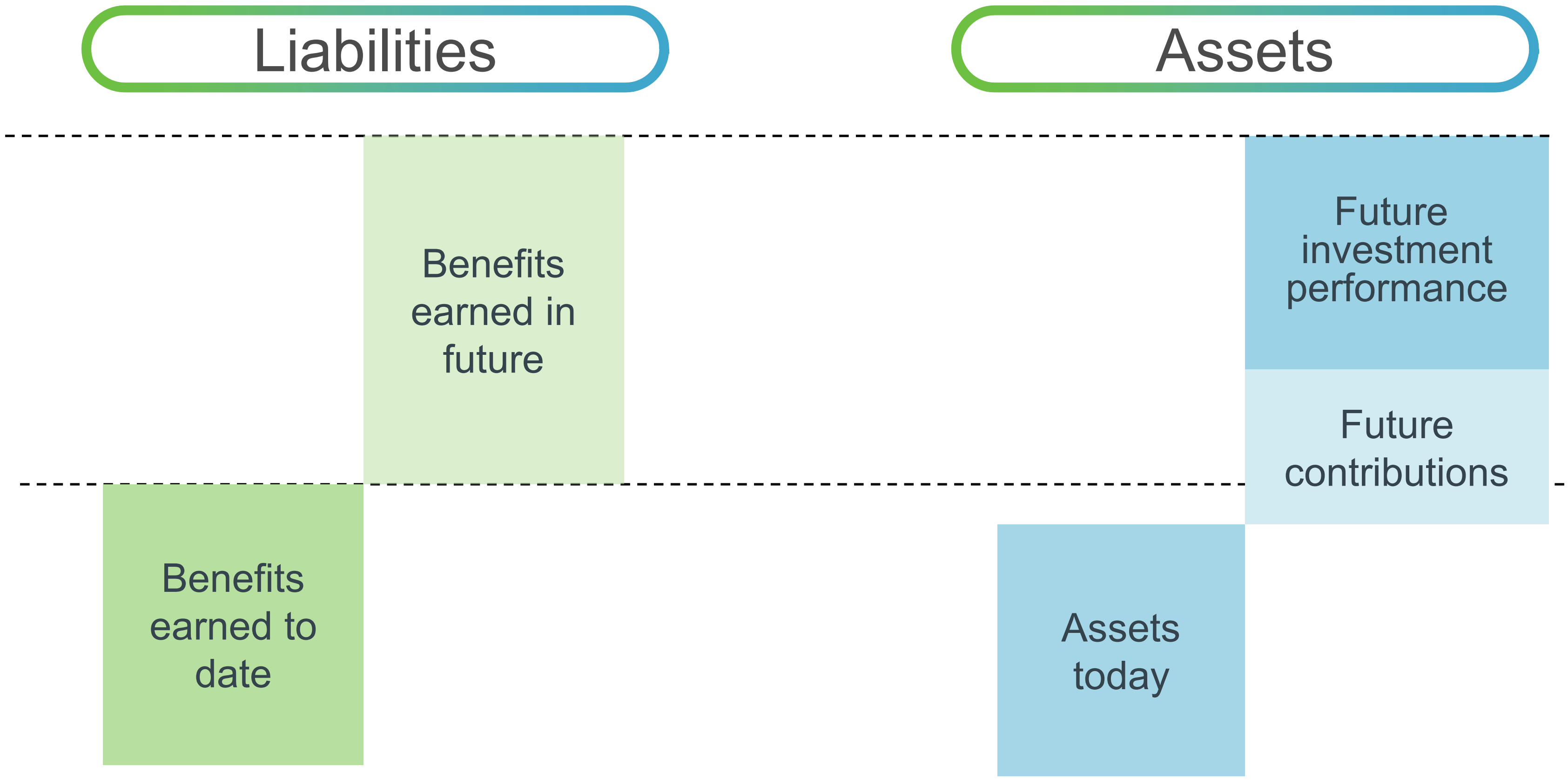
Benefits earned to date

Assets today

Comparison is commonly referred to as “funding level” or “solvency level”

Assets / Liabilities = Funding Level

(b) Approach to setting contributions

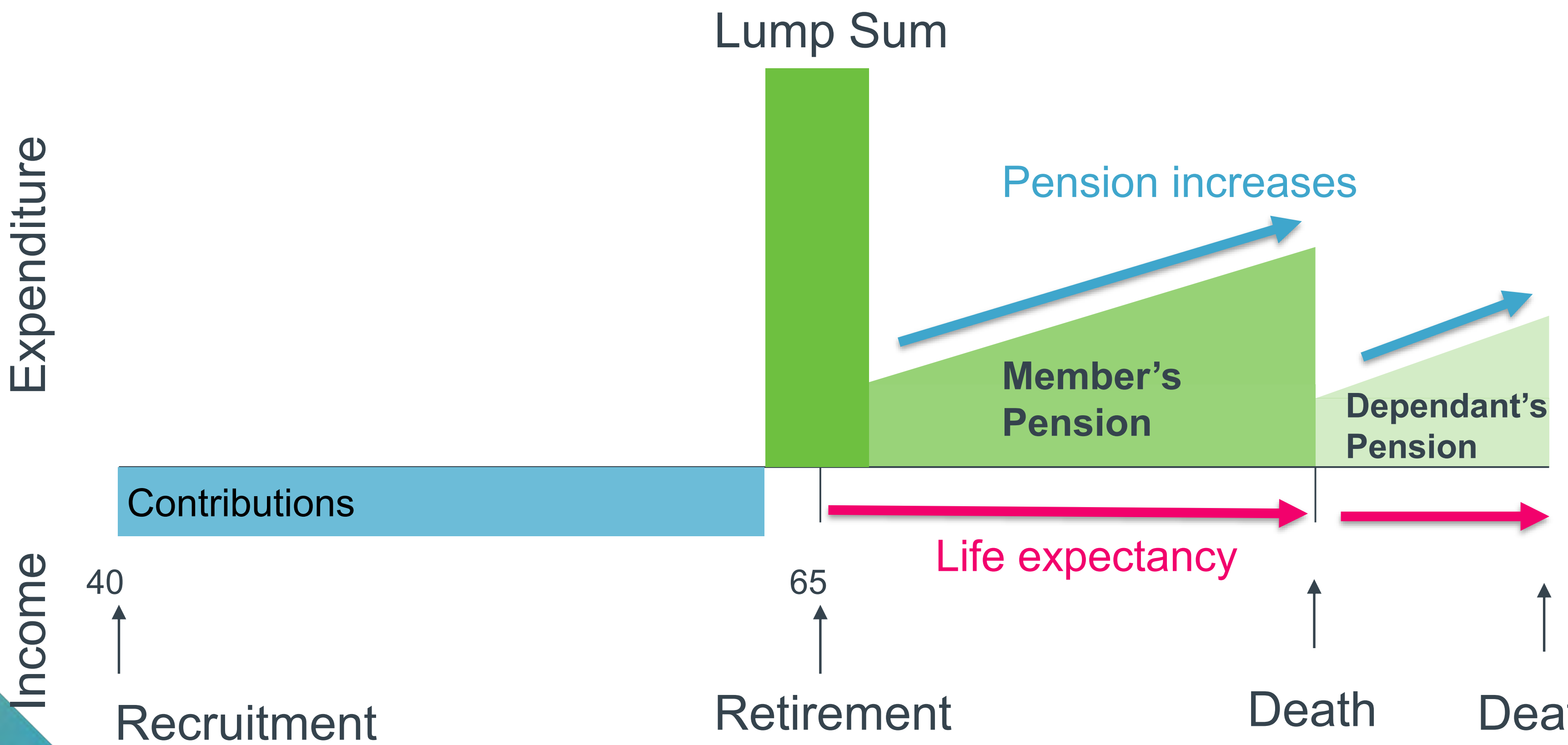


The key valuation decision is the balance of contributions and investment performance

2. Valuation assumptions – what's changed

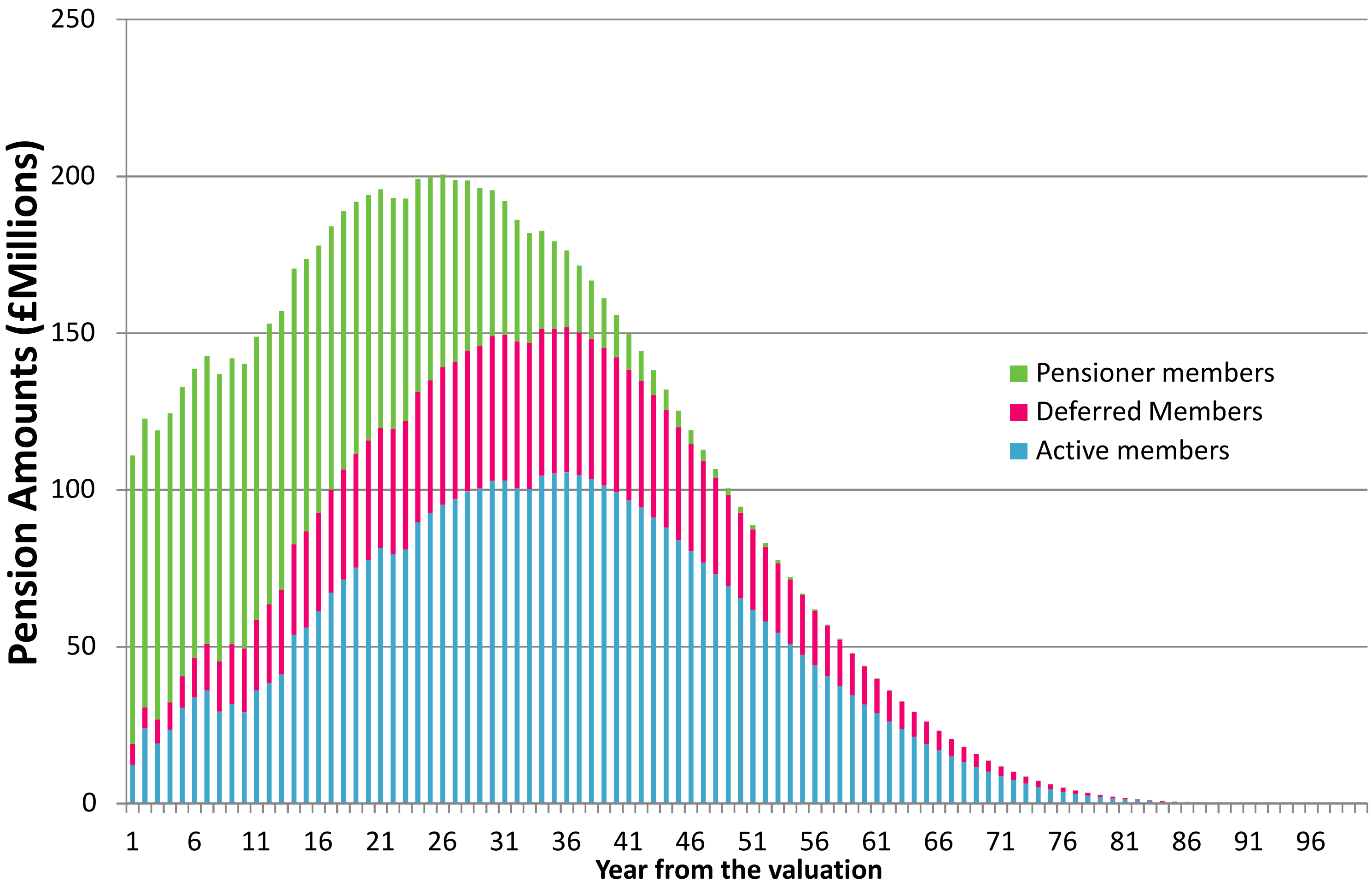
HYMANS ROBERTSON

Valuation begins at member level



HYMANS ROBERTSON

Valuing all members



We project future cashflows for every member to build up the picture for the whole fund

What has happened to the assets?

2016	2019

Change	Impact
Benefits paid	↓
Primary & secondary contributions paid	↑
Investment returns c 36.2% 2016-19	↑

What has happened to the benefits you need to fund?

2019

Benefits earned in future

Liabilities (Benefits earned to date)

Change	Impact
Economic outlook	↑
Future pay increases	↓
Pension indexation	↓
Life expectancy	↓
McCloud judgement	?

Falling life expectancy makes headlines

TheActuary

The magazine of the Institute & Faculty of Actuaries

Falling life expectancy to slash pension scheme liabilities

MailOnline

British life expectancy falls by SIX MONTHS for men and women with experts blaming NHS cuts and a rise in dementia, diabetes and obesity

"...pension firms have already began to cash in on falling life expectancies."

sky news

A lot of people in the City are getting very excited about death

"...£2bn windfall to the life sector."

THE WALL STREET JOURNAL.

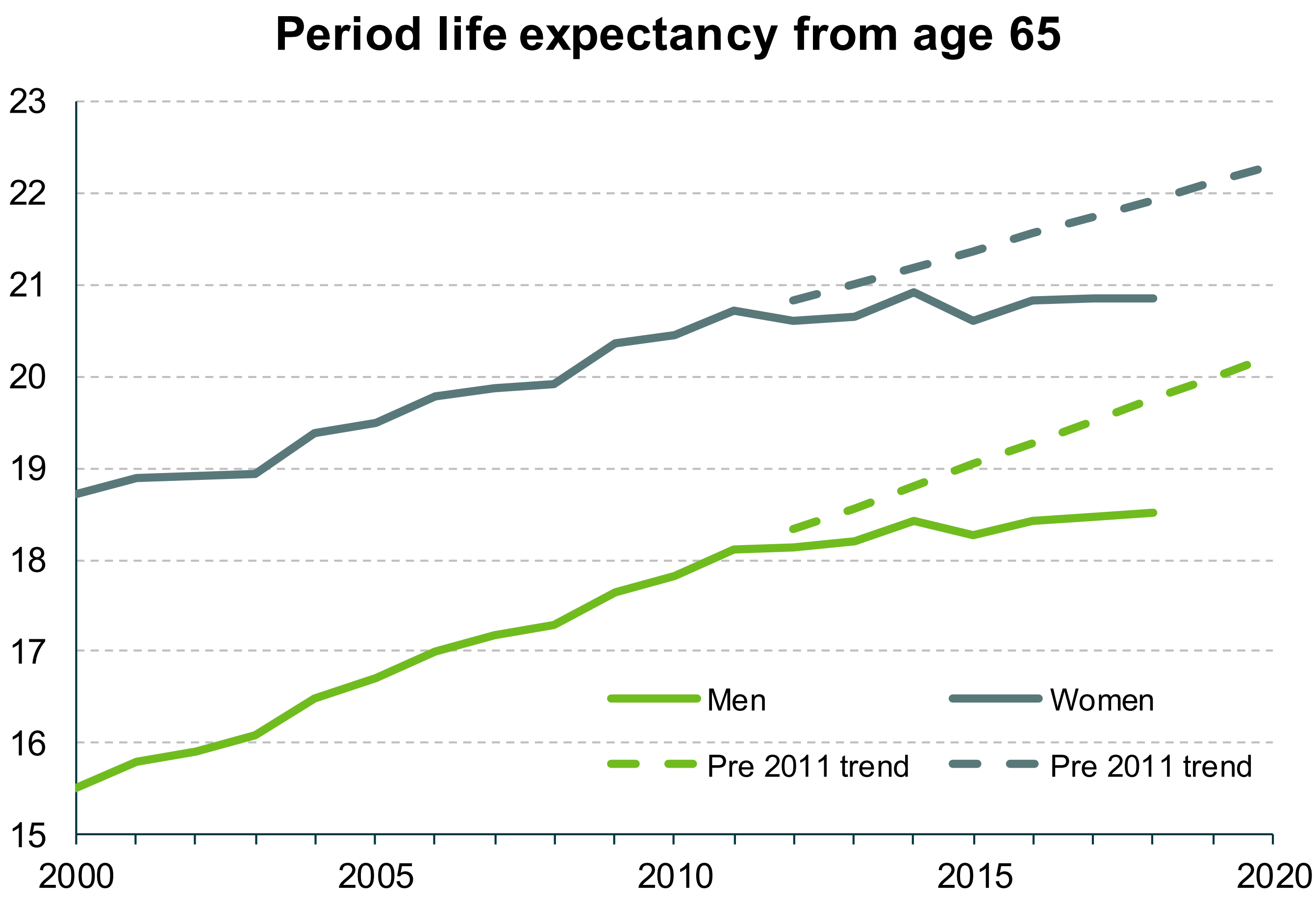
ome World U.S. Politics Economy Business Tech Markets Opinion Life & Arts

MARKETS | HEARD ON THE STREET

Life Was Short for Longevity Gains

Life expectancy at 65 is falling and that means cash windfalls for insurers

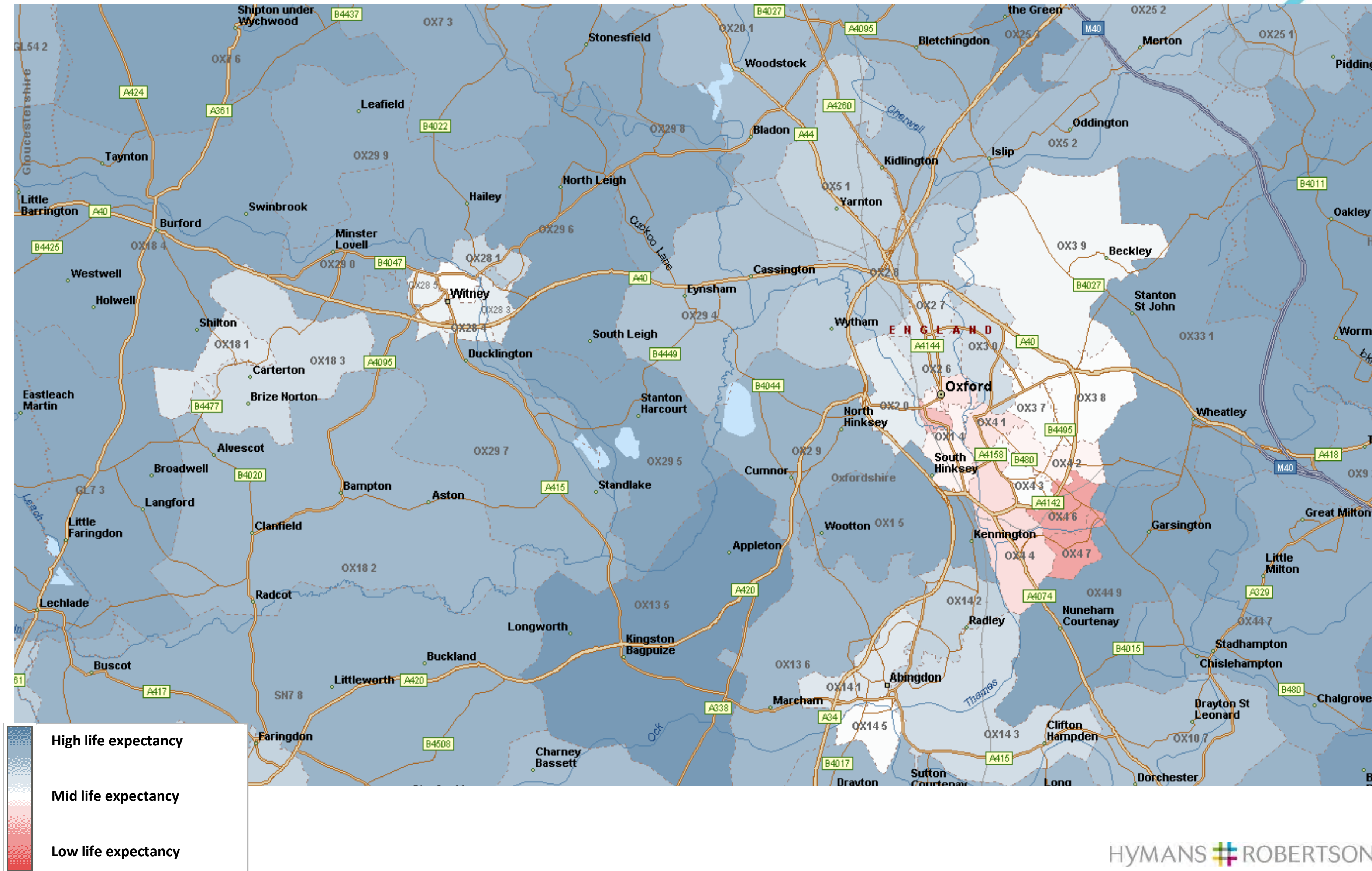
Is it fake news?



True for the general population…

HYMANS ROBERTSON

Oxfordshire and surrounding area



HYMANS ROBERTSON

Source: Club Vita research based on VitaBank

McClouds on the horizon

- Legal ruling in June 2019 – age discrimination in 2014 reforms so benefits will be changed
  - We don't know exactly how – lots of uncertainty right now!
- What benefit structure to value in 2019?
  - Actuaries should value the current benefits*
- How will the Fund manage the risk over benefit structure uncertainty?
  - High likelihood of meeting funding target in place
- Can Funds revisit rates after the valuation once the case is resolved?
  - Yes
- What about employers leaving the fund?
  - If you leave the Fund before the case is resolved, you may be asked to pay more to cover the potential cost of improved benefits

* Advice from Scheme Advisory Board
http://lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf

3. Results– whole fund

Whole Fund funding position - change

	2016 valuation (£m)	2019 valuation (£m)
Active liabilities	669	790
Deferred pensioner liabilities	448	631
Pensioner liabilities	913	1,125
Total liabilities	**2,030**	**2,546**
Assets	**1,842**	**2,515**
Surplus/(Deficit)	**(188)**	**(31)**
Funding level	**91%**	**99%**

Funding level shows a snapshot on one particular day, but funding pension benefits is a long term game

HYMANS ROBERTSON

Note: Table may not sum due to rounding

Source: Hymans Robertson, Oxfordshire Pension Fund

What’s changed since 2016?

Change in value (£m)	Assets	Liabilities	Surplus / (Deficit)
Last valuation – 31 March 2016	**1,842**	**2,030**	**(188)**
Cashflows			
Employer contributions paid in	207		207
Employee contributions paid in	67		67
Benefits paid out	(251)	(251)	0
Net transfers into / out of the Fund	(5)		(5)
Other cashflows (e.g. expenses)	(8)		(8)
Expected changes in membership			
Interest on benefits already accrued		345	(345)
Accrual of new benefits		230	(230)
Membership experience vs expectations			
Salary increases greater than expected		11	(11)
Benefit increases less than expected		(14)	14
Early retirement strain & contributions	4	4	(0)
Ill health retirement strain		(7)	7
Early leavers less than expected		0	0
Pensions ceasing greater than expected		(0)	0
Commutation less than expected		1	(1)
Other membership experience		(57)	57
Change in market conditions			
Investment returns on the Fund’s assets	659		659
Changes in future inflation expectations		(33)	33
Changes in actuarial assumptions			
Change in demographic assumptions		8	(8)
Change in longevity assumptions		(98)	98
Change in salary increase assumption		(22)	22
Change in discount rate		398	(398)
This valuation – 31 March 2019	**2,515**	**2,546**	**(31)**

HYMANS ROBERTSON

Source: Hymans Robertson, Oxfordshire Pension Fund

4. Setting employer contribution rates

How we calculate contributions

2016 and before

What is the funding target?

How long do we want to give the employer to get to the target?

What single set of assumptions are we going to use?

2019 onwards

What is the funding target?

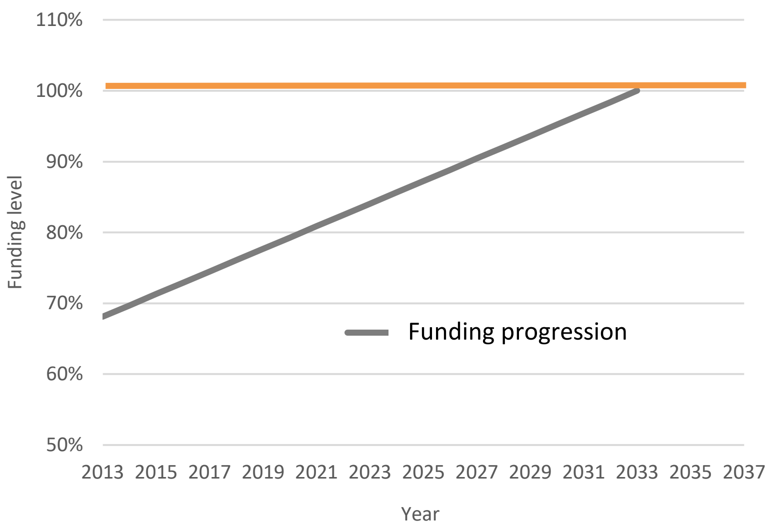
How long do we want to give the employer to get to the target?

How sure do we want to be that the employer hits the target?

Allows for future uncertainty

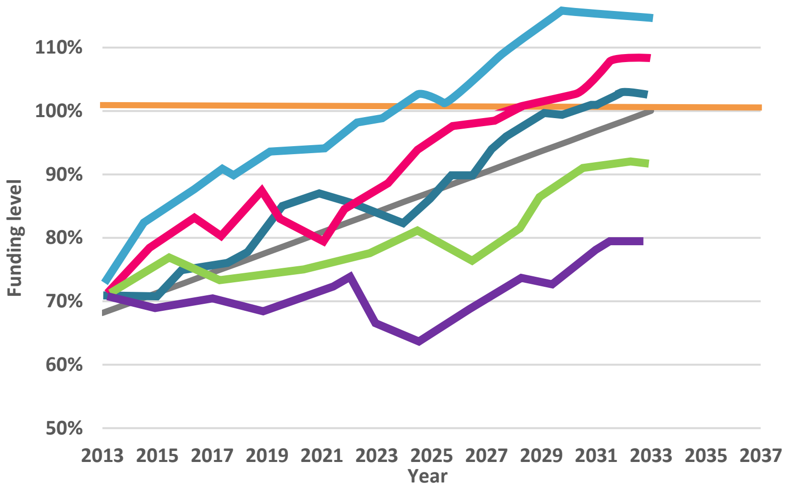
& helps us all understand the risk inherent in funding plans

Setting contribution rates



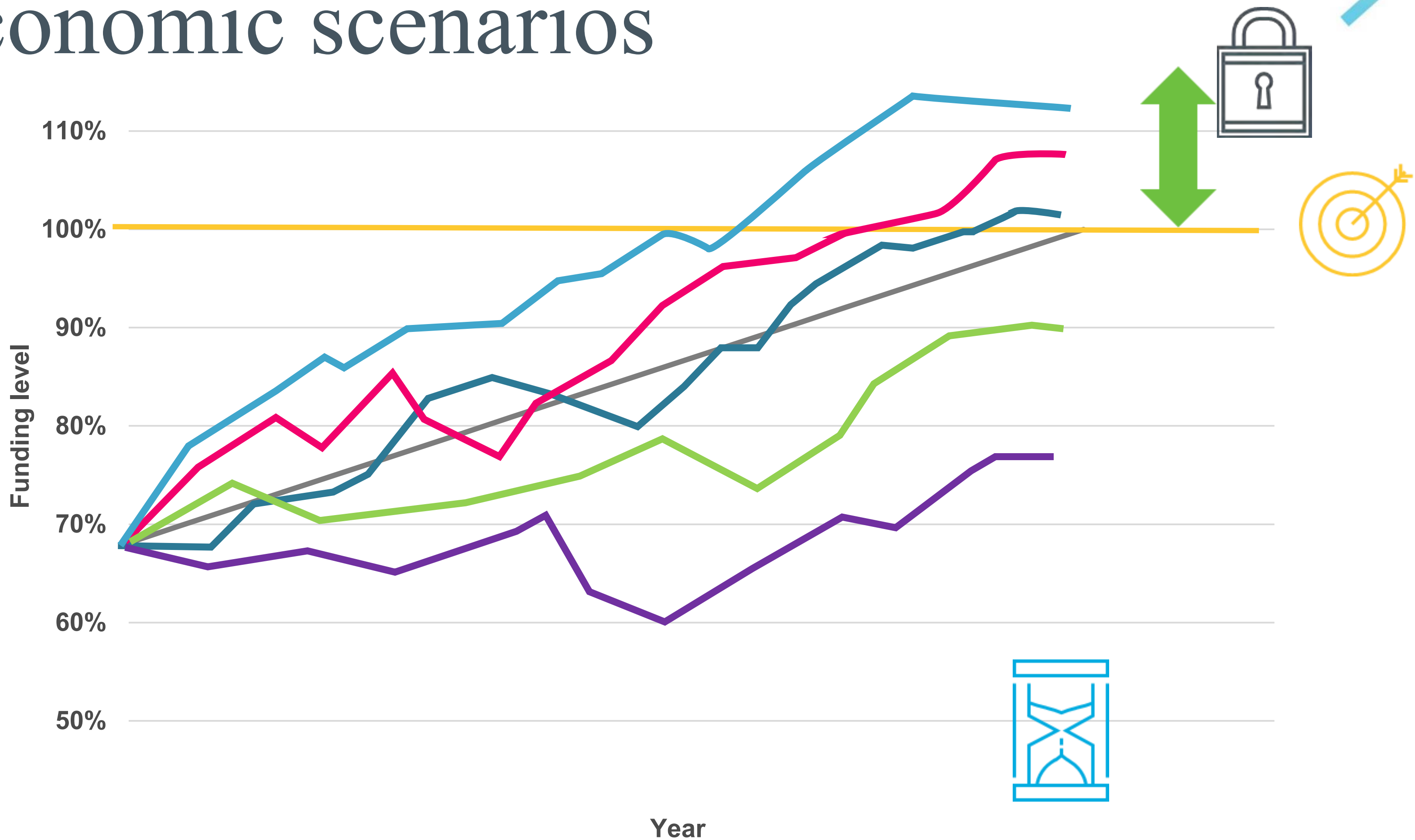
The 'old' world

The 'new' world



Risk based contribution rate strategies set for all at 2019 valuation

Test contributions under thousands of economic scenarios

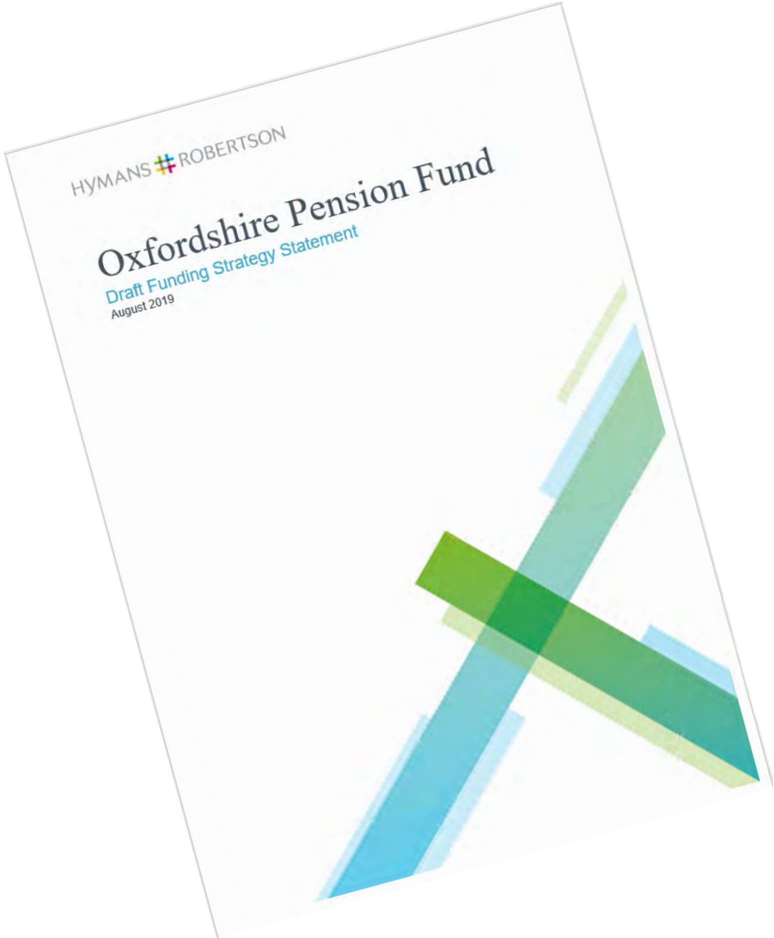


Approach allows for future uncertainty

2019 valuation: funding strategy

Employer type	Funding target	Time horizon	Likelihood of success*	Stabilised contributions
Major Authorities	Ongoing	Long	75%	Yes
Academies	Ongoing	Long	75%	No
Colleges	Ongoing	Medium	75%	No
Transferee Admission Bodies	Ongoing	Varies	75%	No
Community Admission Bodies	Ongoing	Varies	75%	No

Where to find further information



You are being consulted on how the Fund manages risk and funds benefits – have your say!

Employer results summary

Funding positions	Contribution rates
Strong investment returns since 2016	Slight rise in Primary Rate
Improved funding positions	Reductions in Secondary Rate
Lower deficits and some surpluses	

Generally positive news for employers…

…but varies employer-by-employer depending on profile and experience

5. Results– employer level

Your results schedule

A walk through…

Results schedule (1)

2019 Valuation Employer Results Report Draft

HYMANS ROBERTSON

Employer / Pool: ABC Employer (123)

Fund: Oxfordshire County Council Pension Fund

Addressee and purpose

This Employer Results Report is addressed to the Administering Authority for the purposes set out in Your Guide to the 2019 valuation. It may be shared with the employer or pool of employers noted above ("the Employer") but should not be shared with any other third parties without our prior written consent. Please note that Hymans Robertson LLP accept no liability to any third parties (including the Employer). The results in this report should be read in conjunction with the draft Funding Strategy Statement. The assumptions and methodology used to calculate employer contribution rates are set out in this document.

If you are the Employer, the purpose of this report is to give you advance notice of the recommended contributions payable from 1 April 2020 for planning purposes and to allow you check that the way these recommended rates have been calculated is appropriate to your circumstances and is in line with the draft Funding Strategy Statement. It also allows you to verify the cashflow and membership data used in our valuation calculations. This report has been prepared for the Administering Authority and does not provide advice to you as the the Employer.

If the Employer is a member of a funding pool within the Fund, the contribution rates, funding level and membership data shown in this report may relate to the pool as opposed to the individual employer. This will be indicated in the title of the relevant table.

The following Technical Actuarial Standards have been complied with to a proportionate degree in the preparation of this report: TAS 100, TAS 300.

Prepared by: Catherine McFadyen FFA Robert McInroy FFA **19 December 2019**

Employer details	
Employer code	
Employer name	**ABC Employer (123)**
Funding pool	Individual
Employer type	Academy
Open / closed to new members	Open

Employer Contribution rates	Primary (% of pay)	Secondary (% of pay)	Secondary (£000)	Total (% of pay)		Total (£000)	Total equivalent rate (% of pay)
Currently in payment 2019/2020	17.8%	-	63	17.8%	plus	63	21.8%
Recommended for year end to 31 March 2021	18.3%	5.0%	-	23.3%	plus	0	23.3%
Recommended for year end to 31 March 2022	18.3%	5.0%	-	23.3%	plus	0	23.3%
Recommended for year end to 31 March 2023	18.3%	5.0%	-	23.3%	plus	0	23.3%

The recommended contribution rates are the minimum rate required by the Fund. In most circumstances the Employer can pay additional contributions to improve their funding position but this should be referred to the actuary first. The Employer's final contribution rates will be certified in the Fund's Rates and Adjustment's Certificate, which must be published by 31 March 2020.

The Primary Rate includes an allowance of 0.5% for administration expenses.

Employer contribution rates are additional to employee contributions. The average employee contribution rate is 6.3% of pay.

Funding strategy	Last Valuation 31 March 2016	This Valuation 31 March 2019
Funding target	100% funded on the ongoing participation basis	100% funded on the ongoing participation basis
Funding time horizon	N/A	20 years
Required likelihood of achieving target	N/A	75%

The recommended contribution strategy gives a 75% likelihood that both past and future service benefits will be at least fully funded on the Fund's ongoing participation basis at the end of a 20 years time horizon. This funding strategy has been determined by the Administering Authority, taking into account the type of organisation the Employer is and the nature of its participation in the Fund. The approach to setting employer contribution rates, and the Employer's funding target, is explained further in the draft Funding Strategy Statement.

Employer funding position	Last Valuation 31 March 2016 (£000)	This Valuation 31 March 2019 (£000)
Past service liabilities		
Employees - Final Salary	2,174	2,841
Employees - CARE	461	1,717
Deferred Pensioners	511	670
Pensioners	379	953
Total	3,524	6,180
Asset share	2,725	5,214
Surplus / (Deficit)	(799)	(966)
Funding Level	77%	84%

Please note, figures in tables throughout this document have been shown rounded. As a result, the sum of figures within tables may not add up due to rounding.

The assumptions underlying the funding position are summarised on Page 2.

Results schedule (2)

2019 Valuation Employer Results Report Draft

HYMANS ROBERTSON

Employer / Pool: ABC Employer (123)
Fund: Oxfordshire County Council Pension Fund

page 2

Change in the Surplus / (Deficit) position	Assets (£000)	Liabilities (£000)	Surplus / (Deficit) (£000)
Last valuation at 31 March 2016	2,725	3,524	(799)
Cashflows			
Employer contributions paid in	926		926
Employee contributions paid in	252		252
Benefits paid out	(313)	(313)	0
Net individual transfers into / out of the Employer *	553		553
Other cashflows (e.g. Fund expenses)	(1)		(1)
Expected changes in liabilities			
Interest cost on benefits already accrued		660	(660)
Accrual of new benefits		1,044	(1,044)
Membership experience vs expectations			
Membership experience	0	657	(657)
Changes in market conditions			
Investment returns on the Employer's assets **	1,073		1,073
Changes in future inflation expectations		(64)	64
Changes in actuarial assumptions			
Change in demographic assumptions (exc. longevity)		2	(2)
Change in longevity assumptions		(274)	274
Change in salary increase assumption		(99)	99
Change in discount rate		1,041	(1,041)
This valuation at 31 March 2019	5,214	6,180	(966)

* We have not quantified the net liability for transfers in and out as we have insufficient data to do so

** The investment return on the Employer's assets between 31 March 2016 and 31 March 2019 was 35.4%

Actuarial assumptions underlying the funding position	Last Valuation 31 March 2016	This Valuation 31 March 2019
Financial		
Investment Return	5.4%	4.3%**
Salary Increases	3.9%*	2.3%
Benefit Increases and CARE revaluation (CPI)	2.4%	2.3%
Demographic		
Baseline longevity	SAPS	Club Vita
Future improvements in longevity	CMI 2015, 1.5% long term	CMI 2018, 1.25% long term

*CPI until 31 March 2020, followed by CPI plus 1.5% thereafter.

**There is a 67% likelihood of the Fund's investments achieving at least an annual return of 4.3% p.a. over the next 20 years

Employer membership data	Last Valuation 31 March 2016	This Valuation 31 March 2019
Employee members		
Number	83	101
Total Actual Pay (£000)	1,134	1,535
Total Accrued Pension (£000) (CARE)	40	127
Average Age (liability weighted)	55.2	56.0
Deferred pensioners		
Number	39	56
Total Accrued Pension (£000)	40	51
Average Age (liability weighted)	53.0	50.9
Pensioners		
Number	8	14
Total pensions in payment (£000)	21	52
Average Age (liability weighted)	64.4	65.7
Average duration of liabilities	19.1	18.8

6. Next steps

2019 valuation timeline

September 18 – February 19
Pre-valuation work:
- Planning
- Employer engagement
- Discussion assumptions
- Council contribution modelling

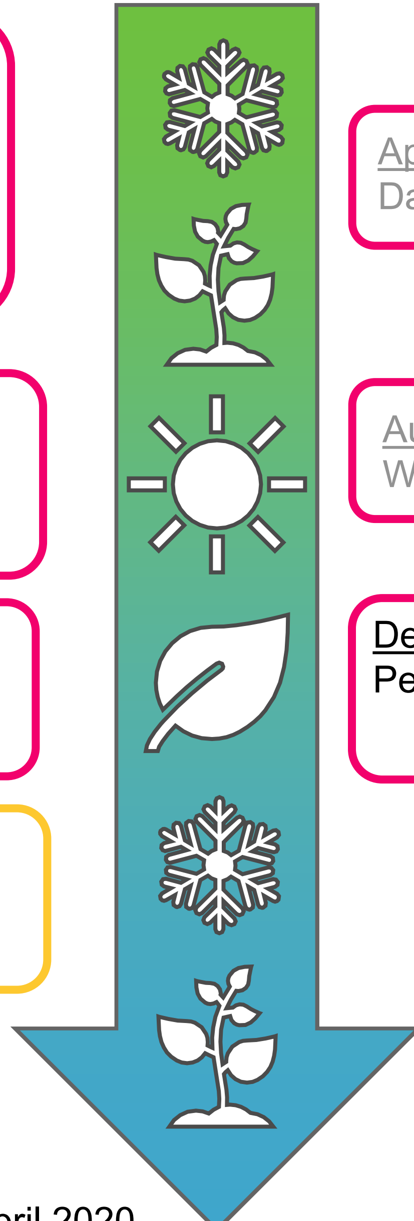
April - June 2019
Data submitted by employers

June - Aug 2019
Data cleansed and submitted to actuary
Actuarial calculations processed
Draft FSS

August - September 2019
Whole Fund results calculated

Sept 2019
Committee review whole fund results

December 2019
Pension committee review draft FSS



January 2020
Employer results
Employer consultation period on FSS

March 2020
Final report signed off by 31 March
Final FSS signed off by Committee

1 April 2020
New employer contributions start to be paid

Next steps for employers

Review your rates

Read your Results Schedule…

…along with the draft Funding Strategy Statement (FSS)

Note new contribution rates applying from 1 April 2020

Speak to the team

Ask any questions

Give details of any changes in your circumstances

Respond to FSS consultation

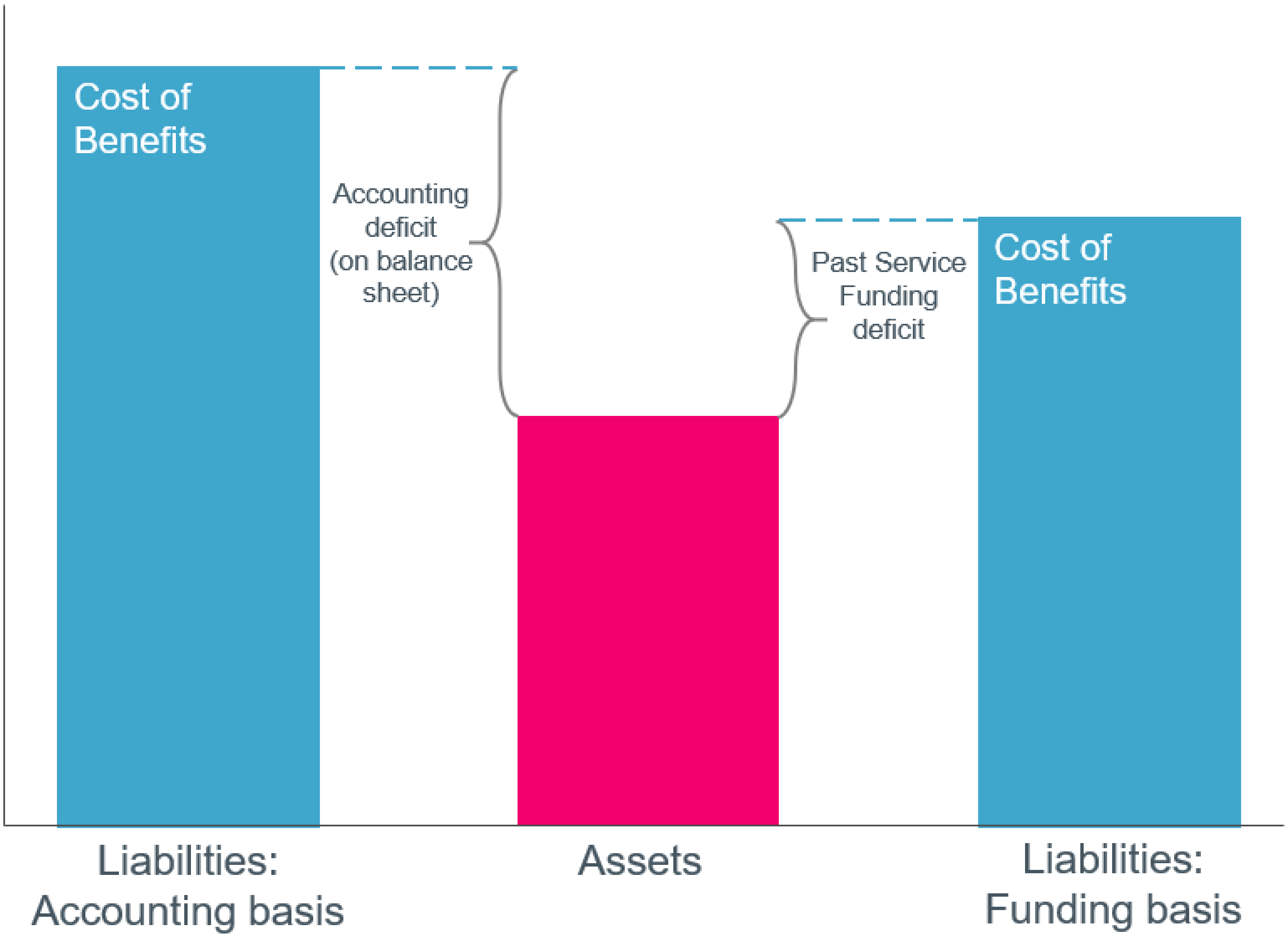
7. Other employer considerations (Accounting)

Valuation / Accounting differences

	Valuation	Accounting
Financial Assumptions	Scheme specific	Largely prescribed
Application	Regulatory	Employer accounts
Frequency	Triennial	Annual
Accuracy	Full data required	Approximate update permitted

Accounting figures do not affect the contributions payable

Different assumptions: different results



HYMANS ROBERTSON

Impact of low corporate bond yields

	Valuation	Accounting
Investment Return Assumption	Fund's asset portfolio	High Quality Corporate Bonds
Assumption*	4.3% p.a.	2.8% p.a. (2018) 1.8% p.a. (2019)
Increase in Liabilities form valuation**		c.35% (2018) c.60% (2019)

*as at 31 August 2018 / 19
**assumes duration of 20 years

…but the Fund isn't invested solely in Corporate Bonds!

7. Other employer considerations (Ill health risk)

Ill health early retirement

Tier 1 — Not returning to work before SPA

Immediate payment of accrued pension plus 100% of expected future service to retirement

Tier 2 — Not returning to work for at least 3 years but before SPA

Immediate payment of accrued pension plus 25% of expected future service to retirement

Tier 3 — Expected to return to work within 3 years

Immediate payment of accrued pension – payable for up to 3 years

Ill health cost challenges – an example

Academy employee

45 years old

10 years of service

£25,000 salary

Tier 1 ill health pension £16,000 p.a.

Strain cost to employer = £320,000

Cost must be met by employer

Ill Health Liability Insurance

- Cover provided by Legal & General
- Premium rates typically 1-2% of pay
- Covers strain costs in the event of a tier 1 or tier 2 ill health retirement
- Premium rate offset against employer contribution rate
- Will be available to all employers in Oxfordshire

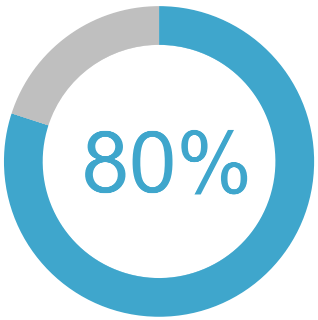
Communication being issued soon

7. Other employer considerations (Member advice)

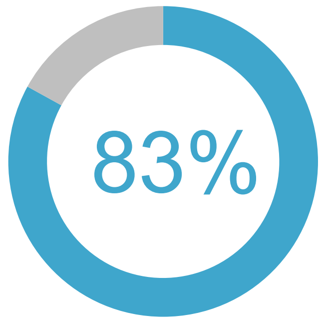
LGPS member research

Over 5,000 members surveyed across three funds

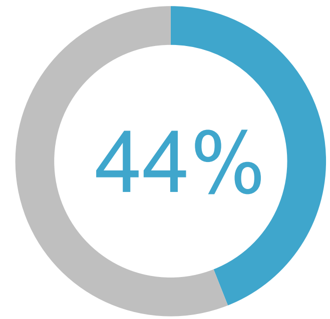
Key findings from members over 55:



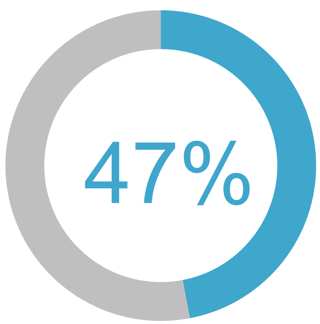
feel they are not prepared for retirement



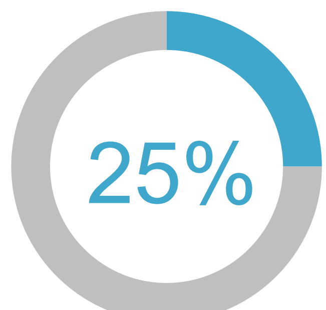
feel they needed help to understand retirement options



expected retirement decision support from their Employer



would be prepared to pay for advice



have other DB/DC savings

LGPS informed advice

- Pension tax and at-retirement advice from Charles Derby
- Over 280 financial advisers throughout the UK
- Free fact find call with advisor
- Fills the retirement information “gap” that Fund cannot help with

www.lgpsadvice.org

Help staff make better retirement and tax decisions

Thank you

The material and charts included herewith are provided as background information for illustration purposes only. It is not a definitive analysis of the subjects covered, nor is it specific to circumstances of any person, scheme or organisation. It is not advice and should not be relied upon. It should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability for errors or omissions or reliance upon any statement or opinion.