



Norfolk Pension Fund

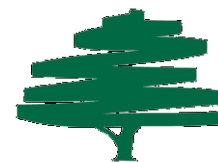
# Norfolk Pension Fund

## An outline of the Fund, the Triennial Valuation & IAS19 Reporting

Alex Younger  
Investment & Actuarial Services Manager



# The (*Quasi*) Trustees



Norfolk Pension Fund

## Norfolk County Councillors

**Tom FitzPatrick**

**Danny Douglas**

**Judy Oliver**

**Martin Storey**

**Brian Watkins**

## Two District Councillors

**John Fuller**

Leader of South Norfolk District Council

**Alan Waters**

Leader of Norwich City Council

**Staff representative**

**Steve Aspin**



# The Local Government Pension Scheme (LGPS)



- LGPS is a **defined benefit** pension scheme
- Only **funded** public scheme apart from MP'S
- **Career average** benefits for new accrual (since April 2014) but retains significant legacy final salary linked obligations
- Administered by Counties, Metropolitans, Unitaries and London Boroughs
- 101 funds nationally – managed locally (89 in England and Wales)
- Regulated – Ministry of Housing, Communities & Local Government (MHCLG) + The Pensions Regulator (TPR); oversight by HM Treasury
- Benefits are guaranteed by statute
- Surpluses/shortfalls in funding have in the past been a matter for Employers (cost-share mechanism between Employers and Employees being part of the new 2014 scheme address costs going forward)

# The LGPS: National Scheme, locally administered



Norfolk Pension Fund

Local accountability:

- Pension Committee – Section 101 – board of quasi trustees
- New Local Pensions Board with oversight and assistance role  
(equal number of Employer and Employee representatives)

Great diversity of membership

Great diversity of employers

## **Scheme Annual Report 2018**

The LGPS in England & Wales:

- 89 Funds (11 more in Scotland)
- £ 275 billion assets
- 5.8 million members
- Nearly 15,000 employers

- Total membership grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017
- Assets increased by £12bn to £275bn: pooled investment vehicles (52%); public equities (32%); bonds(7%); direct property (3%); other asset classes (6%)
- LA net return on investment 2017-18 was 4%, set against a UK equity return of 1.2%%

Largest DB scheme in England and Wales (one of the largest in the world)

Quarter of largest 100 Pension Funds in UK are LGPS Funds

1 in 5 of the working population is in the public sector

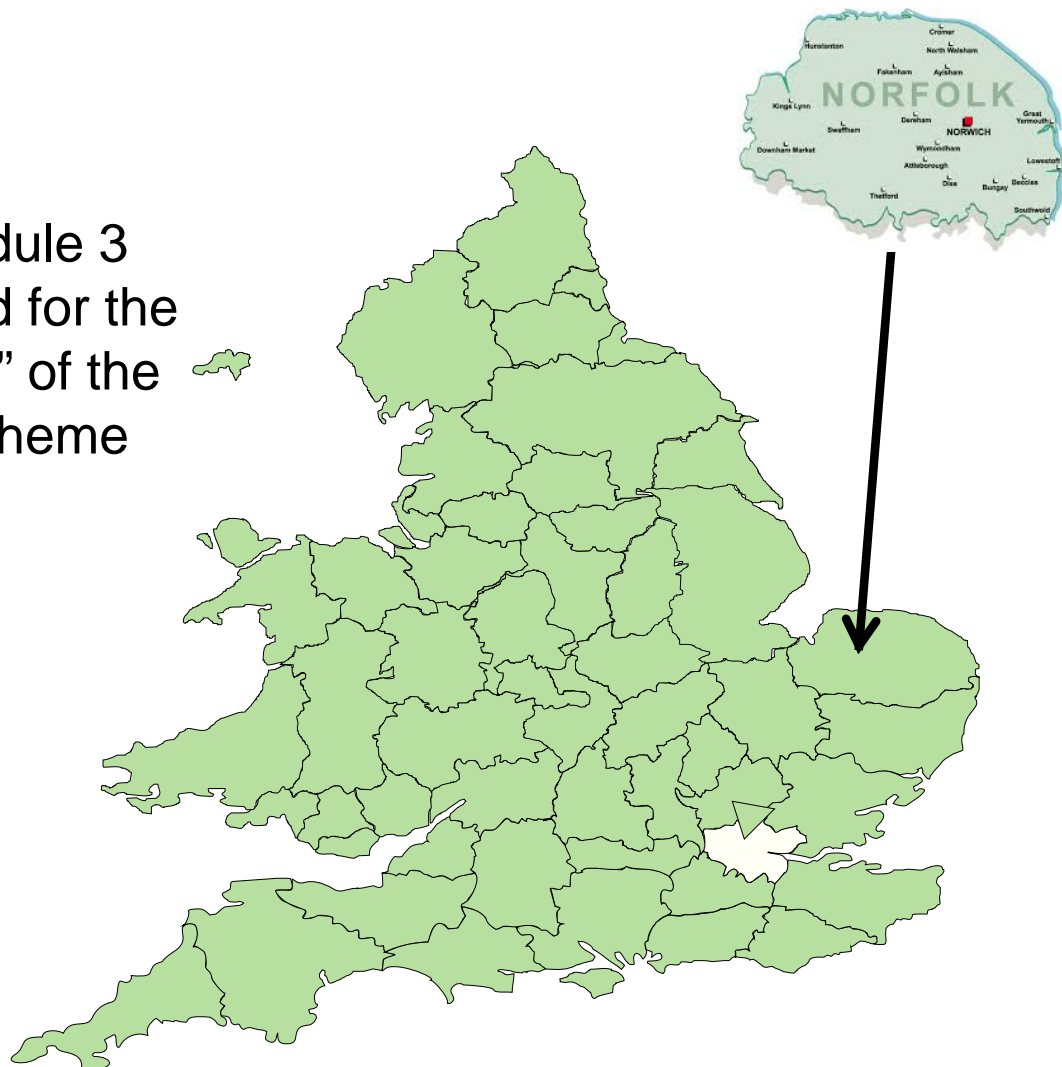
# LGPS Funds



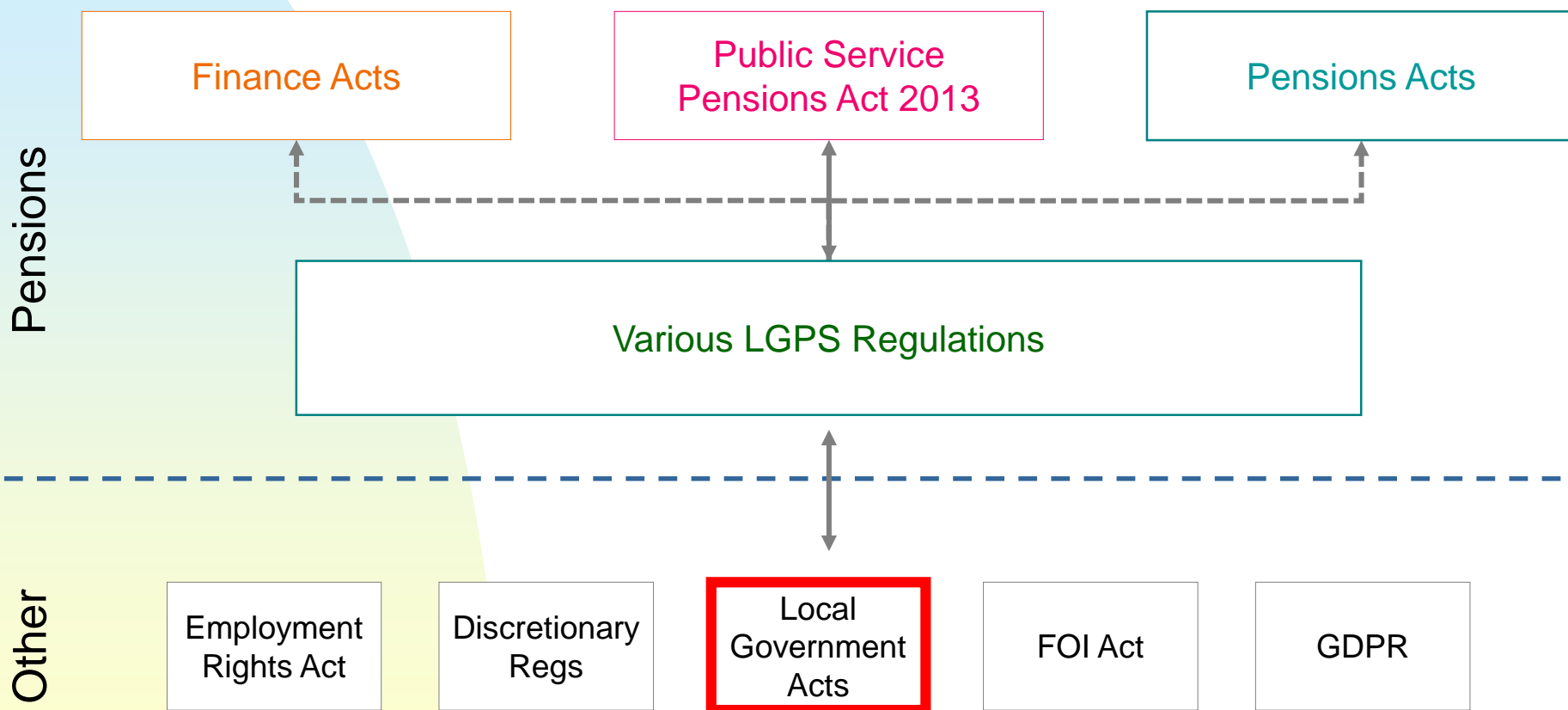
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Administering Authority:

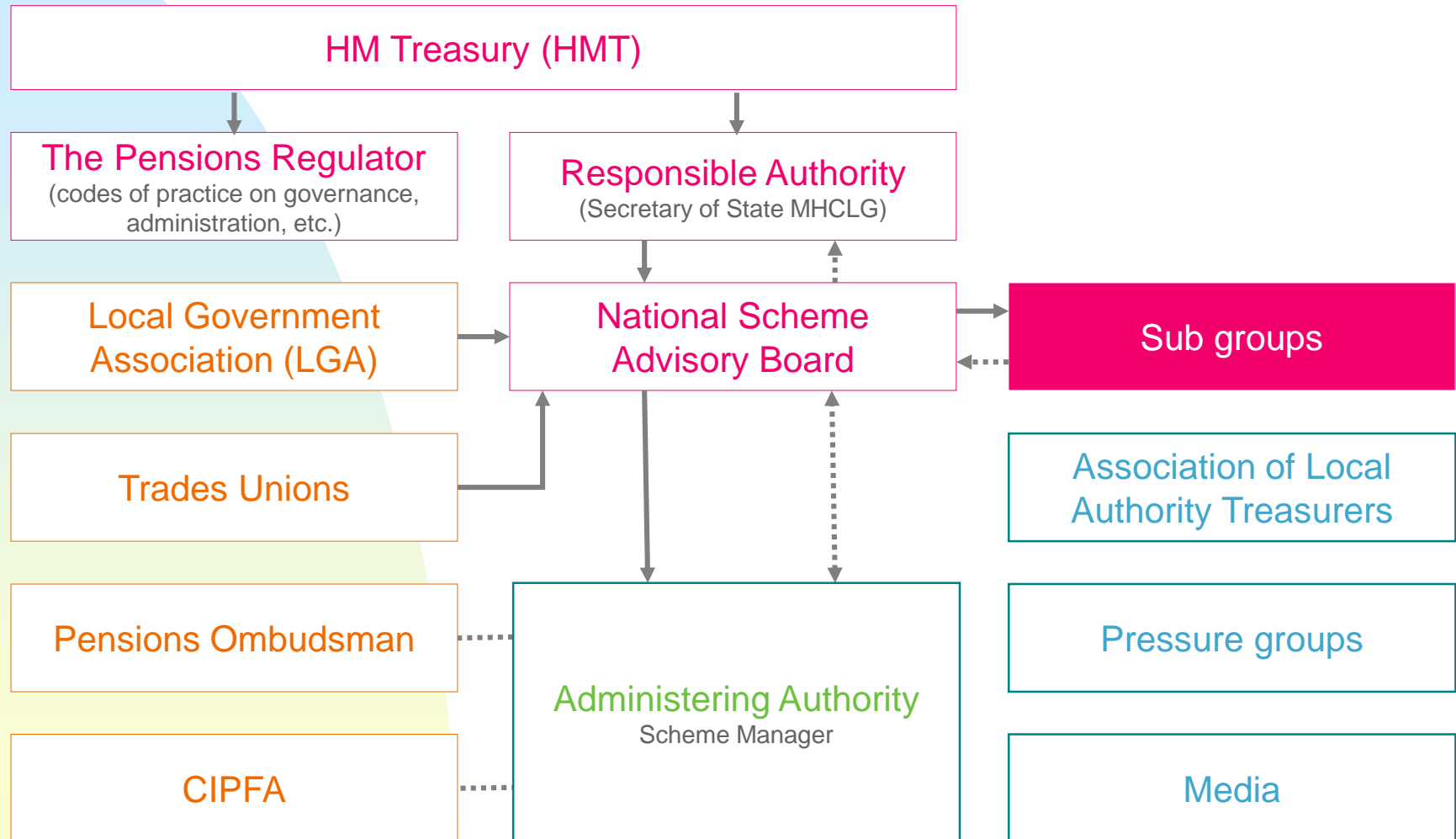
“a body listed in Part 1 of Schedule 3 which is required to hold a fund for the purposes of these Regulations” of the Local Government Pension Scheme Regulations 2013



# Pensions Legislative Framework



# Who's who at national level



# Who's who at fund level?



Norfolk Pension Fund

Administering Authority  
Norfolk County Council

Pension Fund

Employing Authorities

Scheduled Bodies  
Part 1

e.g. Councils, Academies,  
FE Colleges etc

Scheduled Bodies  
Part 2

e.g. Parish councils,  
“controlled” companies

Admission Bodies

e.g. contractors (“TABs”),  
charities (“CABs”)



# The administering authority ...



... manages all aspects of the Fund

# The LGPS in Norfolk



- Administered by County Council as a statutory responsibility
- Also covers all 7 Borough/District Councils (Scheduled Bodies) and more than 390 other employers with active membership (Other scheduled bodies, admitted bodies and resolution Bodies)
- As at March 2019 the Fund had:
  - **400 Contributing Employers**
  - **29,067 Contributing Scheme Members**
  - **25,354 Pensioners**
  - **36,947 Deferred members**

and is valued at just over **£3.8 billion** at **31 March 2019 (currently circa £4.1 billion)**

99% funded at latest actuarial valuation (2019)

# The Norfolk Pension Fund

## Facts, Figures and Changing Profiles



At March 2019:

- £3.8 billion
- 400 Employers (and rising)
- 55 Councils (County, District, Town and Parish) \*

Remainder vary widely (e.g. private sector, charities, non uniformed fire and police staff, non teaching staff in schools and colleges)

Membership	31 March 2017	31 March 2018	31 March 2019	Movement
Active	28,469	28,837	29,067	↑
Deferred	34,216	36,520	36,947	↑
Pensioners	23,220	24,211	25,354	↑
Totals	85,905	89,568	91,368	↑

**Norfolk Pension Fund membership equates to circa 12% of adult Norfolk population** (Norfolk Insight / ONS data mid 2015)

\* 7 Borough/District Councils (Scheduled bodies), remainder Admitted Bodies and Resolution bodies

# Governance Management Arrangements



**Norfolk Pension Fund**

- **All aspects of administration, including the strategic management of the assets of the Fund and the administration of benefits are delegated to Pensions Committee**
- **Pensions Committee advised by**
  - **Executive Director of Finance and Commercial Services, and Section 151 Officer (Simon George) and Pension Fund Team**
  - **Actuary (Hymans Robertson)**
  - **Investment consultants (Hymans Robertson)**
- **Pensions Committee has appointed 14 third party Investment Managers**
- **The Scheme benefits are administered for all participating employers in-house (annual service and cost bench marking against national LGPS and private sector comparators)**
- **Pension Fund Investments are held in “Custody” by a Custodian Bank (HSBC)**
- **New regulations meant that from April 2015 a new Pension Board was established to support the authority in ensuring efficient and effective management of the fund and compliance with regulation**



# Actuarial Valuations and Funding Levels (continued)

- As at 31 March 2019 the overall Funding level was 99% as compared with 80% at 31 March 2016 (Broadland 101% and 82%)
- Additionally over 100% fund on GAD standard basis (circa top quartile)
- Increases in employers' contributions have been required to meet the deficit and meet the cost of longer life expectancy. Concentration now on managing uncertainty and likelihood of success in funding plan.
- Next valuation 31 March 2022
- Employer Contribution Rate Stabilisation mechanism in place based on employer covenant – includes Broadland (frozen contribution levels 2020-23)

# IAS19 Reporting

- What is it?
- How is it done?
- What happened in 2018-19?

# What is IAS19?

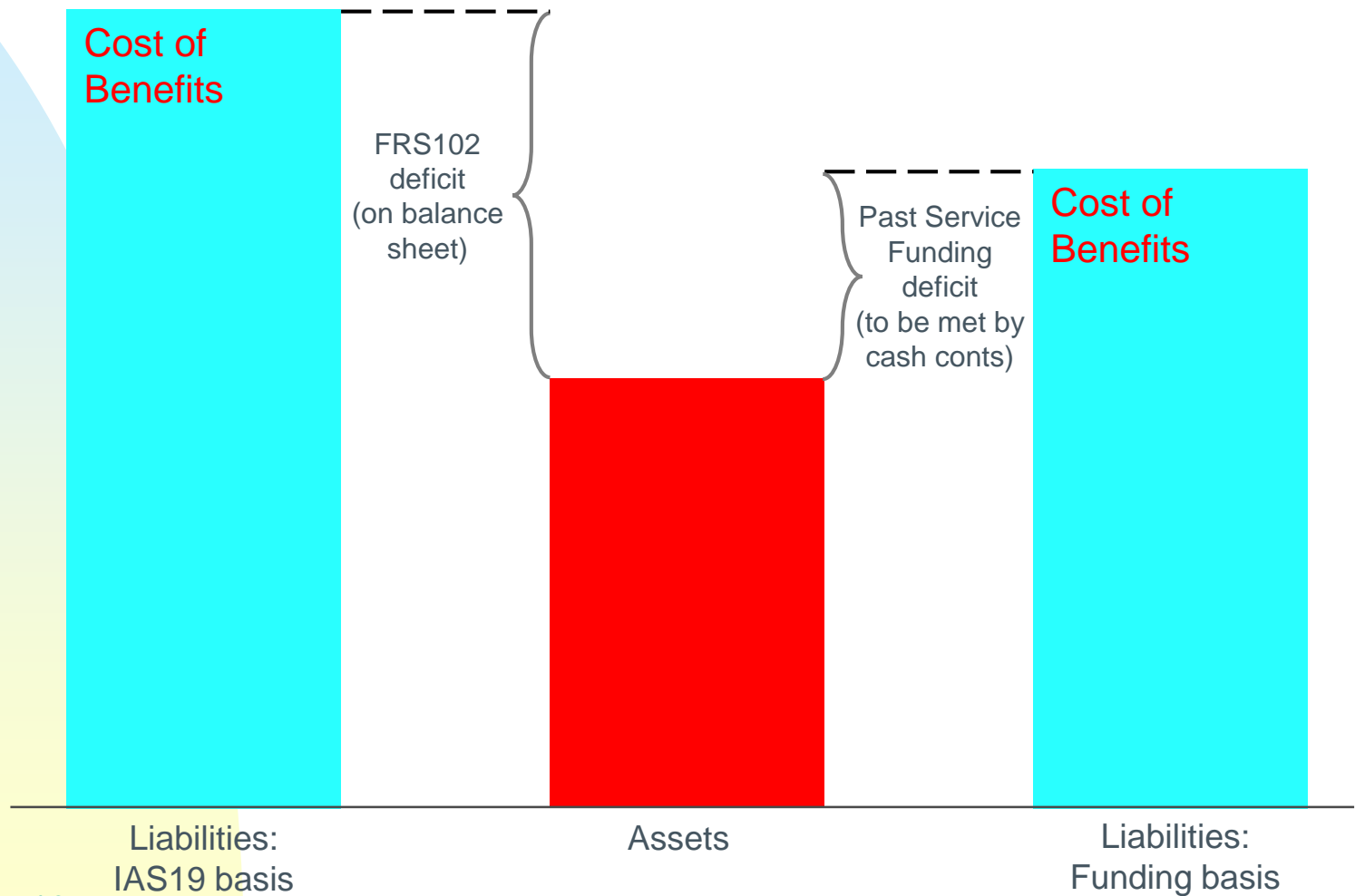
IAS19 (FRS102) is the accounting standard governing the disclosure of pension obligations in an entities statutory accounts.

It covers both the balance sheet disclosure of obligations and the costs disclosed in the revenue account.

The standard is prescriptive in the approach that must be taken.

It is not the same as the approach used to formally value the pension fund or set employer contributions payable. Generally presents a more volatile and less well funded position.

# Different assumptions different results!





# How is the reporting undertaken?

- Reports are prepared by Fund Actuary on behalf of participating employers
- Quickly – issued within one week of the balance sheet.
- Rolled forward assets and liabilities from latest Triennial Valuation position switched to IAS19 basis
- Requires use of estimation or you have to wait.

# What happened in 2018-19?

- Auditors required reporting to reflect actual asset returns and discussions around treatment of McCloud case and GMP equalisation.
- Headline was that deficit increased as discount rate used fell (2.4% versus 4.2% used in triennial valuation).

# Thinking aloud?

- To report under faster close we have to use(more) estimates and the earlier we get the more estimated the estimates will be (not just an issue for pensions!)
- The whole basis of reporting is roll forward so it could be argued that spurious accuracy is being applied “auditing an estimate”.
- Auditors (not just our own) tend to concentrate on the asset number. The liability number is bigger and far less certain. They struggle to get comfort but in reality nobody knows until the last pensioner dies! Actuaries may practice an art rather than a science.



# Thank You