

# Fund Actuaries' update

Staffordshire Pensions Committee  
Meeting

Robert Bilton FFA

15 December 2023



# What we will cover today

1. Funding update

2. Actuarial assumptions in the real world

3. Wider outlook & summary

# The 2022 valuation

## Solvency



Funding level: **120%**

## Average employer rates

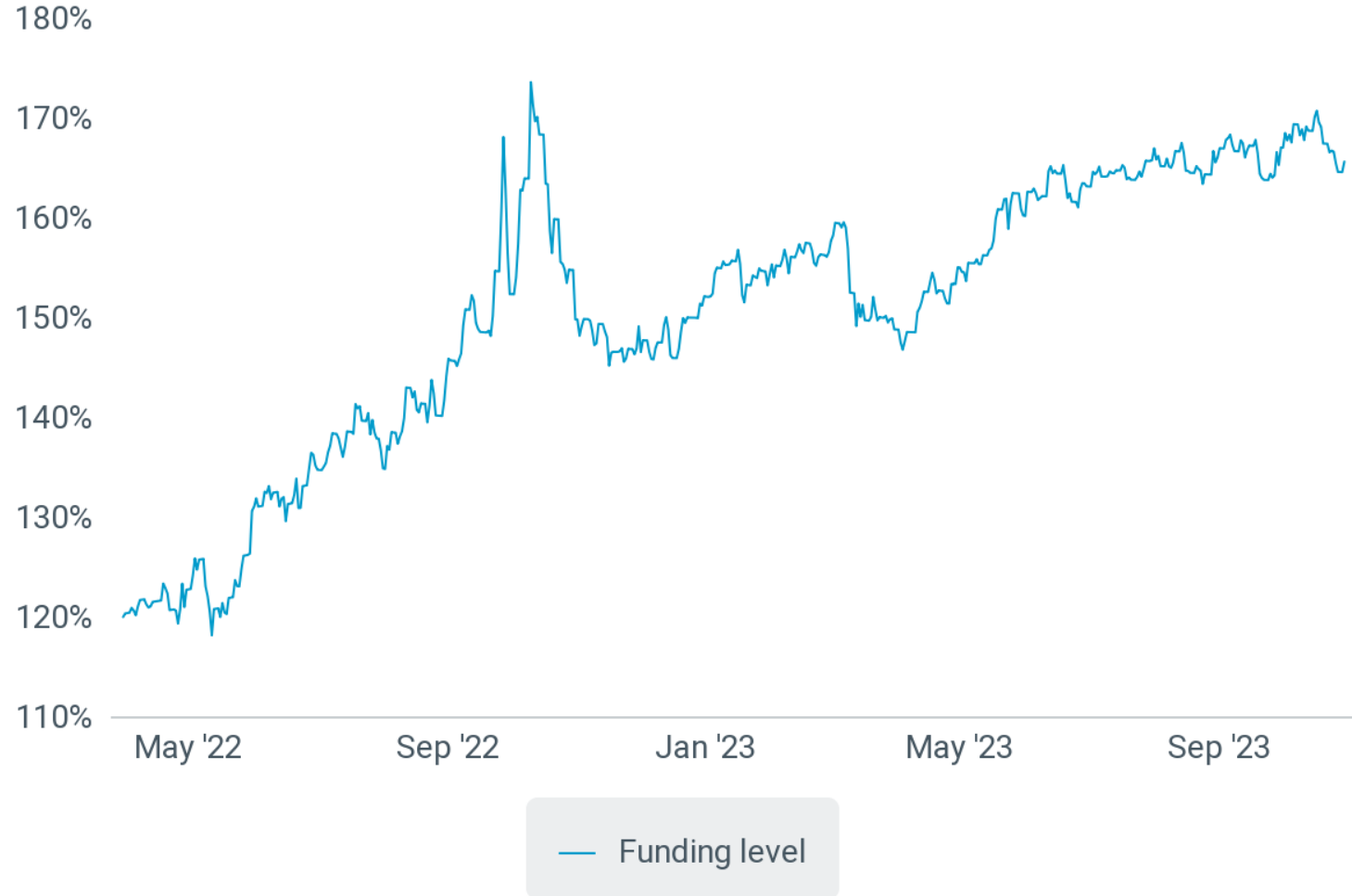
**21.5%** Primary rate

**8.1%** Secondary rate

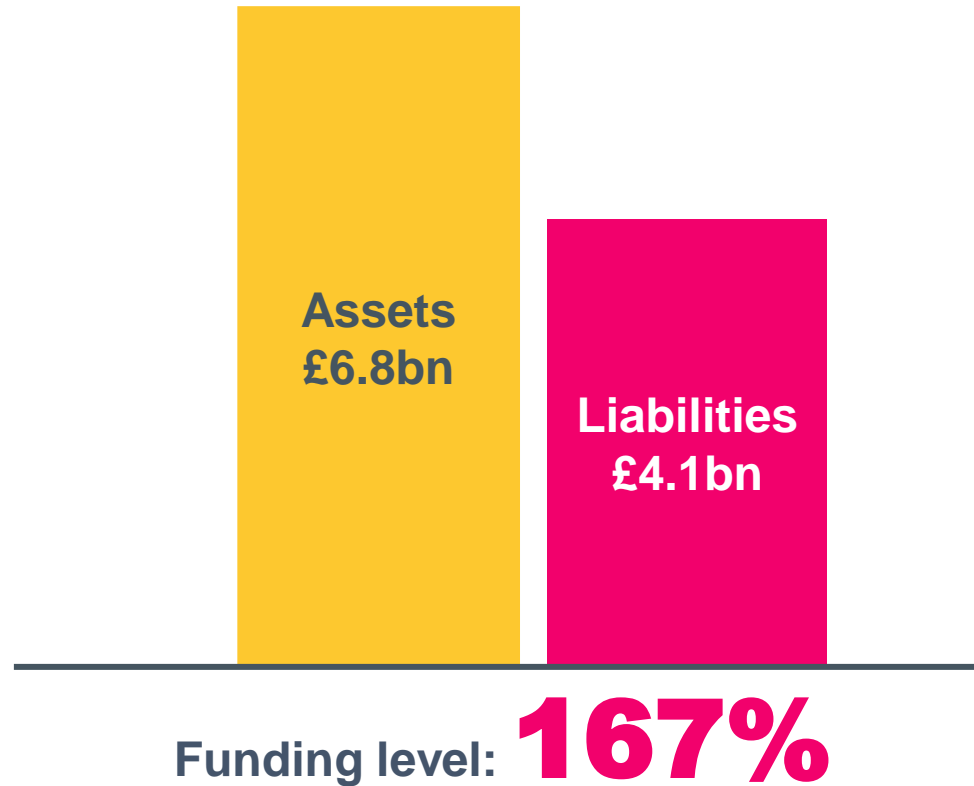
**29.6%** Total rate

# What's happened since 2022

Funding levels are up, but it's important to understand why.



# Funding update as at 30 September 2023

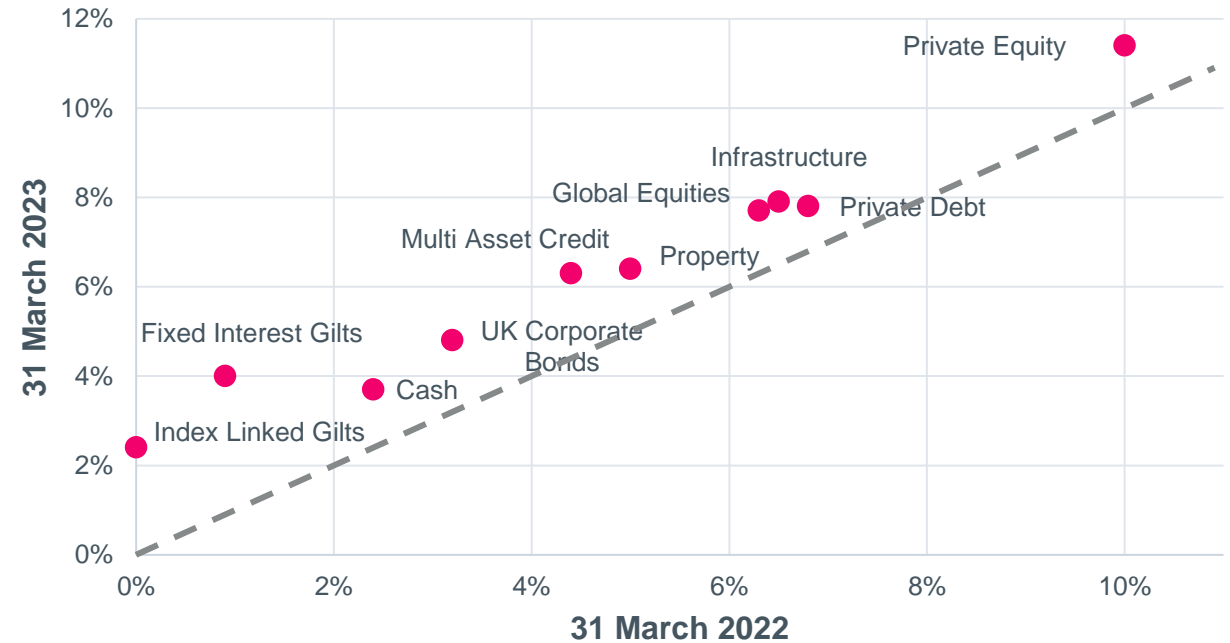


Total investment return from 1 April 2022 to 30 September 2023 was -0.3%

# What's caused the improvement?



20 year expected annual returns - 2023 vs 2022



**Green line** - investment returns since the valuation have been flat.  
**Red line** - improvements due to higher expected *future* returns => lower liability present values.  
 The Fund does not currently hold more money to pay benefits.

# What does this mean for contributions?

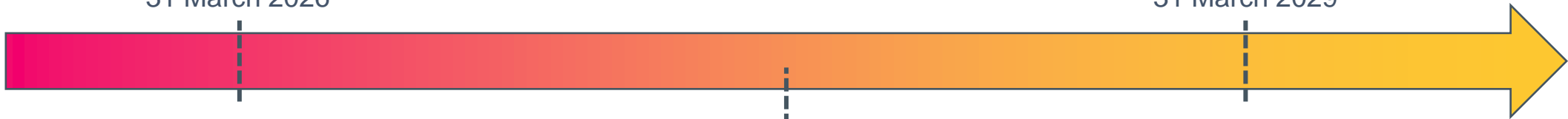
Today

## 2022 valuation

Set rates 1 Apr 2023 to  
31 March 2026

## 2025 valuation

Set rates 1 Apr 2026 to  
31 March 2029



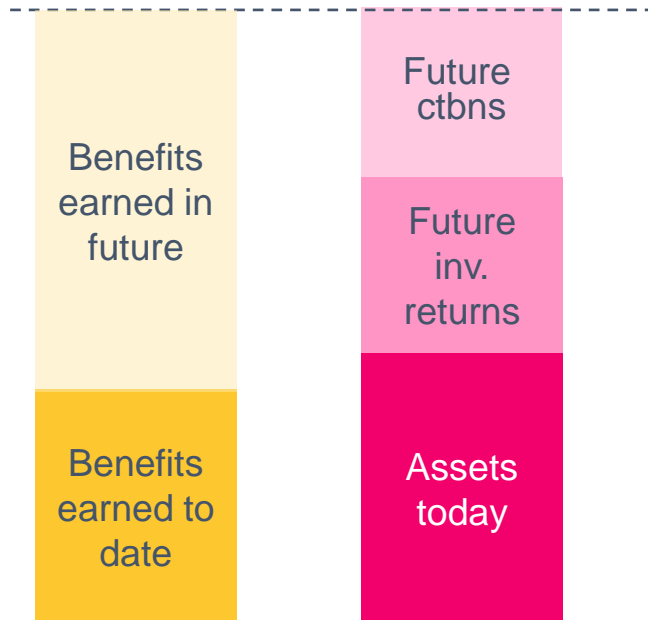
- Rates can be reviewed in between triennial valuations, however ...
- **Only in specific situations, which do not include a change in funding level**
- If a rate is reviewed, need to follow:
  - i. Scheme Advisory Board guidance (eg use 2022 valuation conditions)
  - ii. Section 2.4 of Staffordshire Fund's Funding Strategy Statement (FSS)

**No immediate impact. Will be considered as part of 2025 valuation**

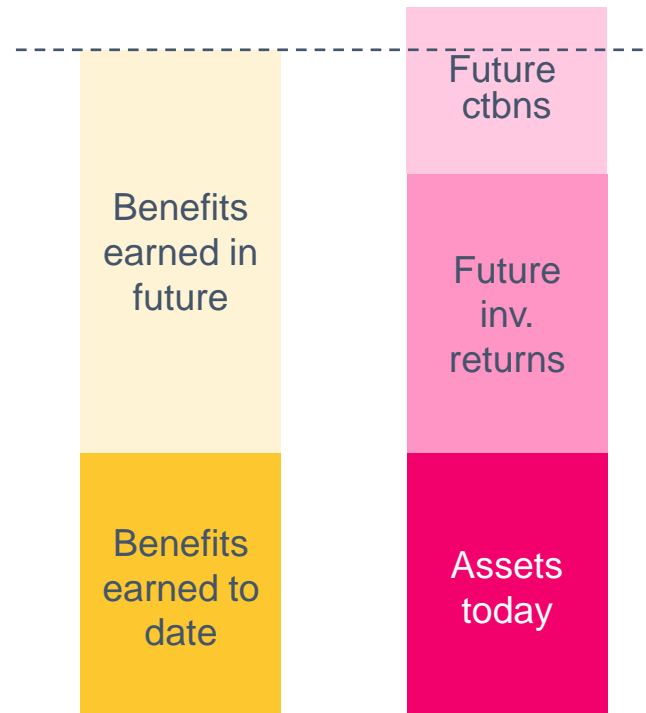
# What does this mean for contributions?

At 2025

2022 position



Current position



- Benefit costs **higher** due to inflation (10.1% and 6.7% increases in 2023 & 2024)
- Assets **broadly same** as 2022
- **Higher** future investment return expectations
- Potentially **lower** contributions **BUT** will need to factor in
  - market uncertainty/volatility
  - desire for long-term stability
  - long-term nature of Fund

Fully considered as part of 2025 funding strategy review



# What we will cover today

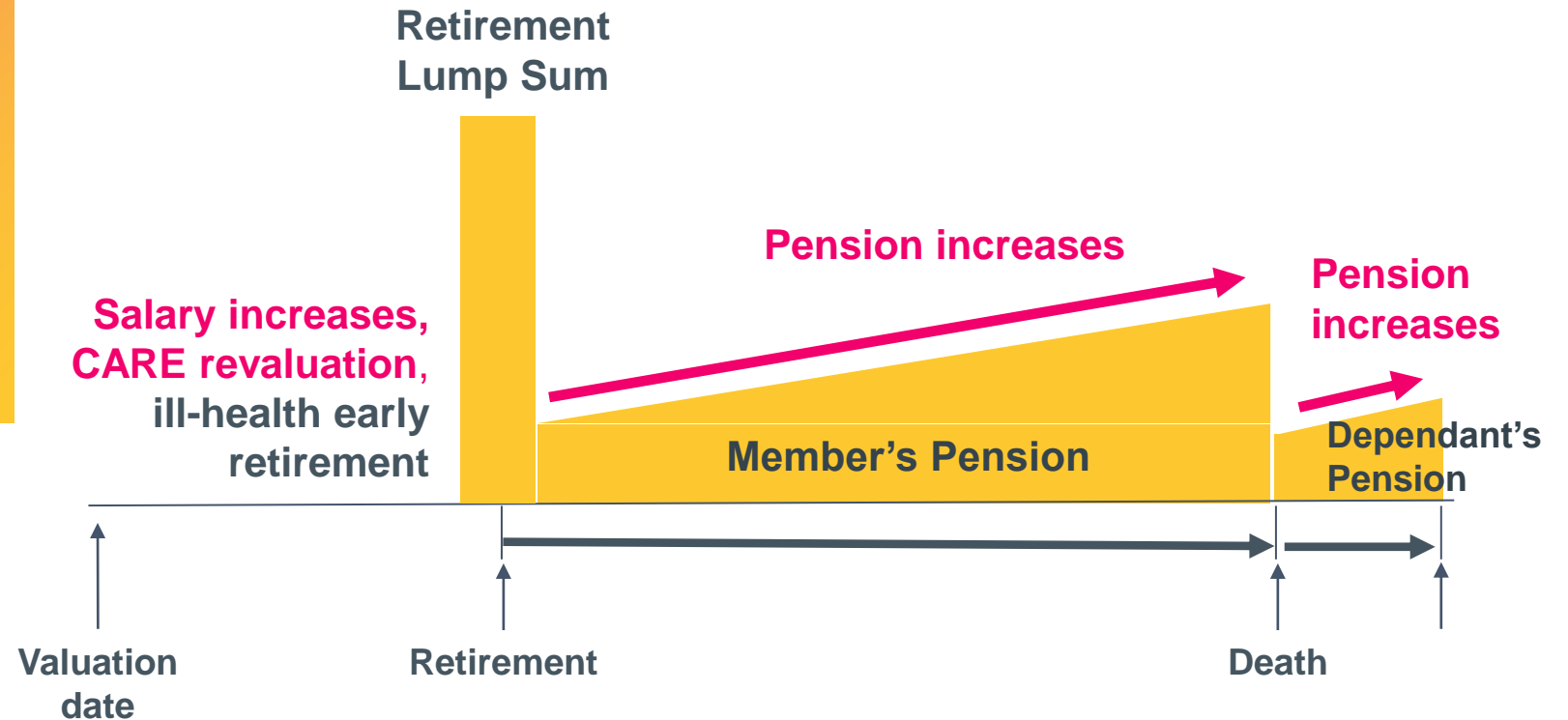
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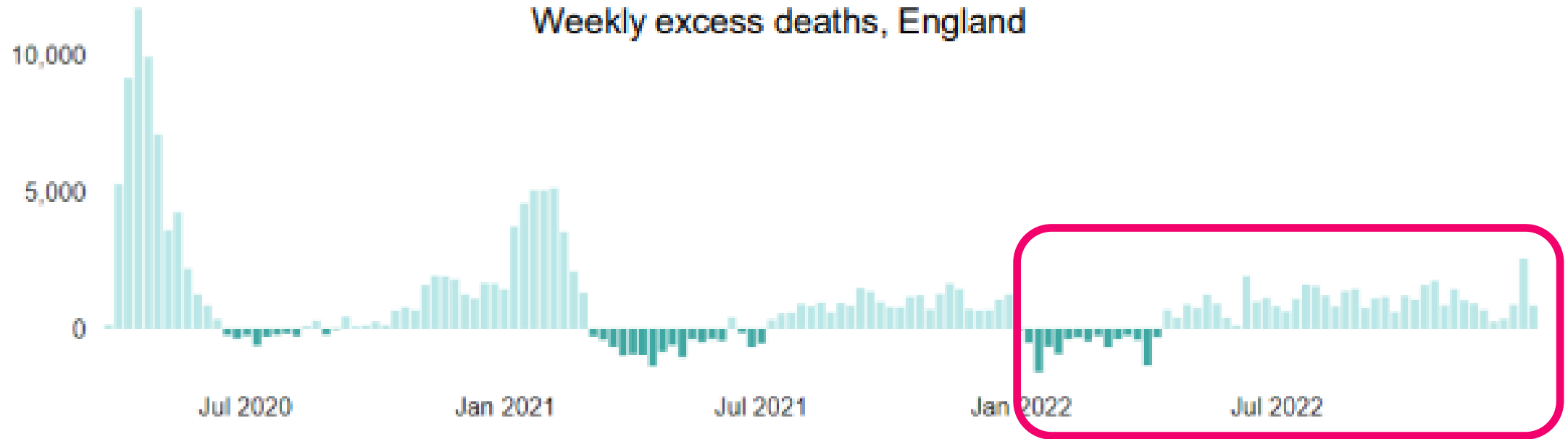
# Beware of inflation

- 2023 benefit increase was 10.1%
- 2024 benefit increase expected to be 6.7%



**Higher inflation leads to higher liabilities**  
**We allowed for this when setting contributions at the March 2022 valuation**

# Mortality: What happened in 2022?



Source: [Office for Health Improvement and Disparities](#)

**2022 excess mortality rates were surprisingly similar to 2021**



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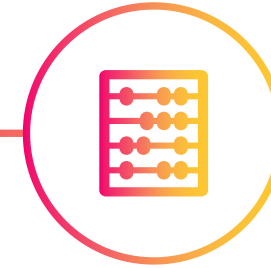
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# Wider outlook



- **Pooling Consultation** - comply or explain by 2025, ambitions to invest 5% “Levelling Up” and 10% private equity
- **McCloud Regulations** - big admin task, minimal impact on LGPS benefits for most members or employers
- **Pensions dashboard** - connection deadline delayed, now possibly 2025
- **Goodwin case** - govt expected to consult on remedy in 2024



- **LGPS Cost Sharing Valuations** are unlikely to result in changes in member benefits.
- **Other Public Sector Valuations** (Police, Fire, Teachers etc.) are likely to result in increased employer contributions.

# Summary

## INVESTMENTS

- Markets have struggled
- Returns have been less than anticipated

## INTEREST RATES

- Interest rates have increased significantly
- This puts upwards pressure on expected future returns across asset classes

## INFLATION

- Benefit increases have been greater than long term assumption (2023 increase was 10.1%, 2024 increase expected to be 6.7%)
- Partly anticipated at 2022 funding valuation

## MORTALITY

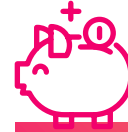
- Life expectancy improvement rates remaining lower than previous levels

# What does it mean for employers?



## Funding positions

- Higher than at 2022 valuation
- Increased volatility and uncertainty, especially around inflation



## Contribution rates

- Not reviewed until the 2025 valuation
- Past service funding position is a small element of the total rate
- Stability of contributions is key

**Situation will be monitored in lead up to 2025 valuation**

Thank you

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