

## **SCHOOLS FORUM**

**Meeting date: 17<sup>th</sup> January 2020**

**From: Julie Crellin, Director of Finance (Section 151 Officer)**

## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME TRIENNIAL VALUATION 2019**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 ***Schools Forum have previously been advised of the outcomes of the 2016 actuarial valuation of the Teachers Pensions Fund and the impact of this on employer contribution rates effective from September 2019.***
- 1.2 ***This report provides details of the triennial valuation of the Cumbria Local Government Pension Scheme (“the Fund”) and the resultant implication for employer contributions for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023 for non-teaching school staff based in Cumbrian maintained schools (i.e. excluding Academies) who are members of the Local Government Pension Scheme.***
- 1.3 ***As the Administering Authority for the Fund, Cumbria County Council is responsible for its administration on behalf of 127 (as at 31<sup>st</sup> March 2019) employers including the County Council and academies within Cumbria.***
- 1.4 ***This responsibility includes the requirement to obtain an actuarial valuation of the assets and liabilities of the Fund on a triennial basis by a recognised qualified professional.***
- 1.5 ***The report notes that the provisional employer contributions rate for maintained schools for the period 2020 to 2023 will be 19.9% (compared to 20.4% in 2019/20). Academies have been advised separately of their provisional employer contribution rates.***

### **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

- 2.1 ***Cumbria County Council’s vision is to be “A Council that works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources”.***

2.2 ***The triennial actuarial valuation determines the overall funding level of the Fund and sets the rate of employers' contribution required for the following three years. This, in turn, impacts on the employers' revenue budgets.***

2.3 ***It should be noted that changes to the employer contribution rates neither affect the contributions made by employees within the Fund (as these are set by Government) nor the current or future pension entitlement of members of the Fund (as the LGPS is a defined benefit scheme).***

### **3.0 RECOMMENDATION**

3.1 ***The Schools Forum is asked to:***

- ***note that for maintained schools the provisional employer contribution rate to the Cumbria LGPS for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023 is 19.9%.***
- ***note that Academies have been advised separately of their respective employer contribution rate to the Cumbria LGPS.***

### **4.0 BACKGROUND**

4.1 As Administering Authority of Cumbria Local Government Pension Scheme ("the Fund"), Cumbria County Council is responsible for the administration of the Fund on behalf of 127 employers (as at March 2019) including maintained schools (which are included in the County Council valuation) and academies which are treated as separate employers.

4.2 Many of the responsibilities of the Administering Authority are set out in regulation. This includes the requirement to obtain an actuarial valuation of the assets and liabilities of the Fund on a triennial basis by a recognised qualified professional. The purpose of the triennial actuarial valuation is to calculate the value of the assets and the liabilities of the Fund and to set employer contribution rates for the next three year period to ensure the future solvency of the Fund.

4.3 The valuation is based on the assets and liabilities of the Fund as at 31<sup>st</sup> March 2019 with the calculated employer contribution rates being effective from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023.

4.4 The 2019 actuarial valuation is being completed in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. Whilst the valuation is based on the value of the assets and liabilities as at 31<sup>st</sup> March 2019, the Actuary is permitted to refine this valuation up until the date at which the actuarial certificate is issued. This certificate must be issued on or before 31<sup>st</sup> March 2020.

4.5 The parameters on which the 2019 valuation was calculated were considered by the Cumbria Pensions Committee in September and

approved following a consultation with scheme employers (including academies) which concluded on 27<sup>th</sup> November 2019.

4.6 Based on these parameters, as at 31<sup>st</sup> March 2019 the Fund's assets have been valued at £2.703bn and the liabilities of the Fund have been valued at £2.732bn. This equates to a provisional funding level for the whole Fund of 98.9%, however it should be noted that individual employers will have a their own specific funding level based on the assets and liabilities relative to their organisation. The whole Fund funding level has increased from the previous valuation (undertaken in 2016) when the funding level for the Fund was calculated at 91%.

4.7 The valuation has calculated that Cumbria County Council has a funding level of 98.1% (i.e. the Council's share of the assets of the Fund equate to 98.1% of the Council's share of the liabilities of the Fund).

4.8 In determining the employer contribution rate, the actuary calculates two separate rates:

- Future contribution rate - the rate that employers should pay to fund liabilities arising after 1<sup>st</sup> April 2020
- Deficit contribution - the value that employers should pay to address any deficit between the value of the assets and liabilities of the Fund. As part of the 2019 valuation it has been assessed that the Council should aim address this deficit by 2033 - this is consistent with the position taken at the 2016 valuation.

4.9 Details of these, and the impact for Cumbria's maintained schools are presented in the table below.

	2020/21	2021/22	2022/23
	£000	£000	£000
CCC Deficit Contribution (calculated by Actuary)	2,614	2,676	2,740
CCC Projected Payroll (assumed 2% inflation)	172,978	176,437	179,966
Deficit Contribution as a %age of Payroll	1.5%	1.5%	1.5%
Future Contribution Rate (calculated by Actuary)	18.4%	18.4%	18.4%
<b>Total Maintained Schools Contribution Rate</b>	<b>19.9%</b>	<b>19.9%</b>	<b>19.9%</b>
Total Maintained Schools Contribution Rate 2019/2020	20.4%	20.4%	20.4%

4.10 It is therefore determined that the provisional employer contribution rate for maintained schools for the period 2020/21 to 2022/23 is 19.9% of payroll compared to an employer contribution rate in 2019/20 of 20.4%.

4.11 Academies have received individual employer schedules detailing their future service rate and deficit recovery values.

4.12 All employers within the Fund (including academies) were invited to a Pension Forum in November at which an update on performance of the

Fund was provided together with and an overview of the valuation process. This also enabled employers to have individual appointments with Officers and the Actuary to discuss their individual results. Five academies attended the Pensions Forum and no academies booked individual meetings with the Actuary.

- 4.13 As noted above, the Actuary formally signs off the 2019 valuation on 31st March 2020 and has the ability to refine the results of the valuation at any time up to that date. If there is any adjustment to the final contributions rates, a further report will be provided to the Schools Forum.

### **McCloud Judgement**

- 4.14 In July 2019 the Supreme Court ruled, in a case referred to as “McCloud”, that changes to public sector pension schemes had discriminated against younger employees. This ruling is likely to affect all public sector pension schemes including the LGPS.
- 4.15 Currently the extent of the remedy from this case is unknown. Indeed, in November 2019, the Scheme Advisory Board noted that it was not expected to see any remedy implemented before the end of financial year 2020/21.
- 4.16 The Actuary has agreed to exclude any potential impact from McCloud from the 2019 valuation of the Fund, however judgement is reserved on this matter and, if deemed appropriate when the remedy is known, the actuary may issue a mid-term adjustment to the employer contributions.
- 4.17 Alternatively, the associated cost of remedy to the McCloud case will be addressed as part of the next valuation scheduled for 2022.

## **5.0 *OPTIONS***

- 5.1 This paper is intended to update the Schools Forum on progress with the Triennial Valuation and to provide ongoing assurance to Members that plans are in place to prepare for the 2019 Triennial Valuation of the Fund.
- 5.2 Schools Forum members may either:
- note the actions taken to progress the 2019 Actuarial Valuation of the Fund; or
  - seek further advice and information from the Director of Finance (Section 151 Officer).

## **6.0 *RESOURCE AND VALUE FOR MONEY IMPLICATIONS***

- 6.1 The triennial valuation of the Pension Fund determines the funding level of the Fund and individual employers’ contribution rates (both for future service and deficit contributions). This will in turn impact on the employers’ revenue budgets.

- 6.2 The provisional combined contribution rate (both for future service and deficit contributions) for maintained schools is 19.9% of payroll for 2020/21, 2021/22 and 2022/23. This compares to the combined rate in 2019/20 of 20.4%.
- 6.3 Academies have been advised separately of their specific contribution rates from the actuarial valuation.

## **7.0 CONCLUSION**

- 7.1 The 2019 Actuarial Valuation of the Cumbria Local Government Pension Scheme has progressed well and all employers within the Fund have been advised of their provision contribution rates for the period 2020-23.

Julie Crellin  
Director of Finance (Section 151 Officer)

*17<sup>th</sup> January 2020*

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### **Accompanying Documents:**

*None*

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