

# Suffolk Pension Fund

Annual Employers' Meeting

Actuarial update

Richard Warden

Fund Actuary

19 January 2022



# Agenda



Actuarial valuation: refresher



Financial outlook for 2022



Wider environment



How can you help?



**Richard Warden**  
Fund Actuary

# Actuarial valuation: refresher



# How the Fund works



**Collect money**  
(contributions)

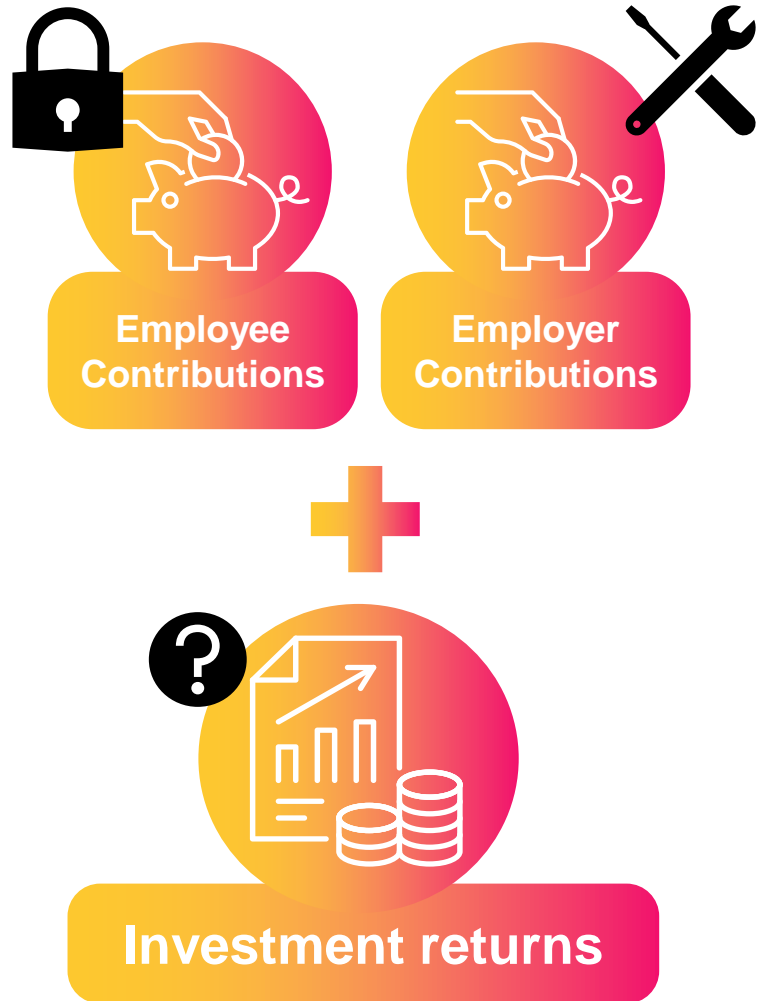


**Invest money**  
(its assets)








**Pay money out**  
(benefits)

# How do we get the sides to balance?



**Employer contributions are the main tool we can control to meet the balance of cost**

# 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

The triennial valuation is a key risk management exercise for the Fund

# What changes from valuation to valuation?

## Current position

- Value of assets
- Membership details (accrued benefits, pensions paid out, deaths, new joiners etc)

## Outlook for the future

- Inflation
- Investment returns
- Life expectancy
- Retirement ages, withdrawal rates, etc

## Funding strategy?

- Prudence level
- Allowance for “unknowns”
- **Generally try to keep strategy unchanged**

Contributions are reviewed every 3 years to ensure funding strategies remain on track

# Outputs of the valuation

Liabilities

Assets

Benefits earned in future

Future investment returns

Future contributions

## Contribution rates

To pay for both future benefits and any shortfall in relation to accrued benefits  
Strike a balance between investment returns and contribution rates

Benefits earned to date

Assets today

## Funding level

Comparison of 'assets today' vs. 'benefits earned to date'  
Balance sheet snapshot of Fund at valuation date



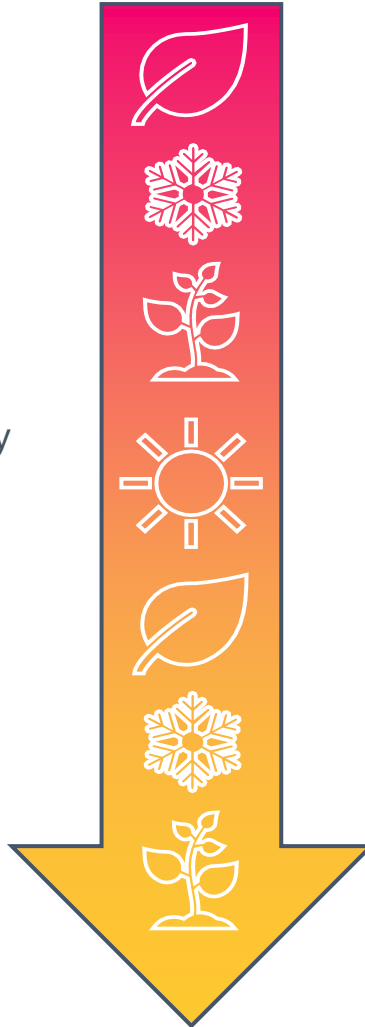
# Valuation plan

## Q2 2022

Review of assumptions  
Funding Strategy review  
Data cleansed and submitted to actuary

## Q4 2022

Employer results issued to employers  
Employer Forum & consultation period



## Q1 2022

Pre-valuation work:

- Planning
- Asset allocation review

## Q3 2022

Preliminary results & discussions with Officers and Committee

## Q1 2023

Final valuation report signed off by 31 March 2023

1 April 2023

New employer contributions start to be paid

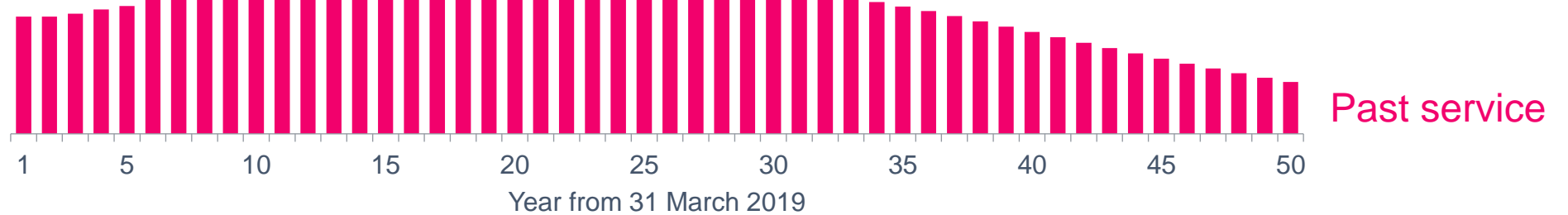
# Financial outlook for 2022

# Remember what we are funding

Projected benefit payments from 2019 valuation

Some employers will be “fully-funded” (or better)

– but this refers to past service only

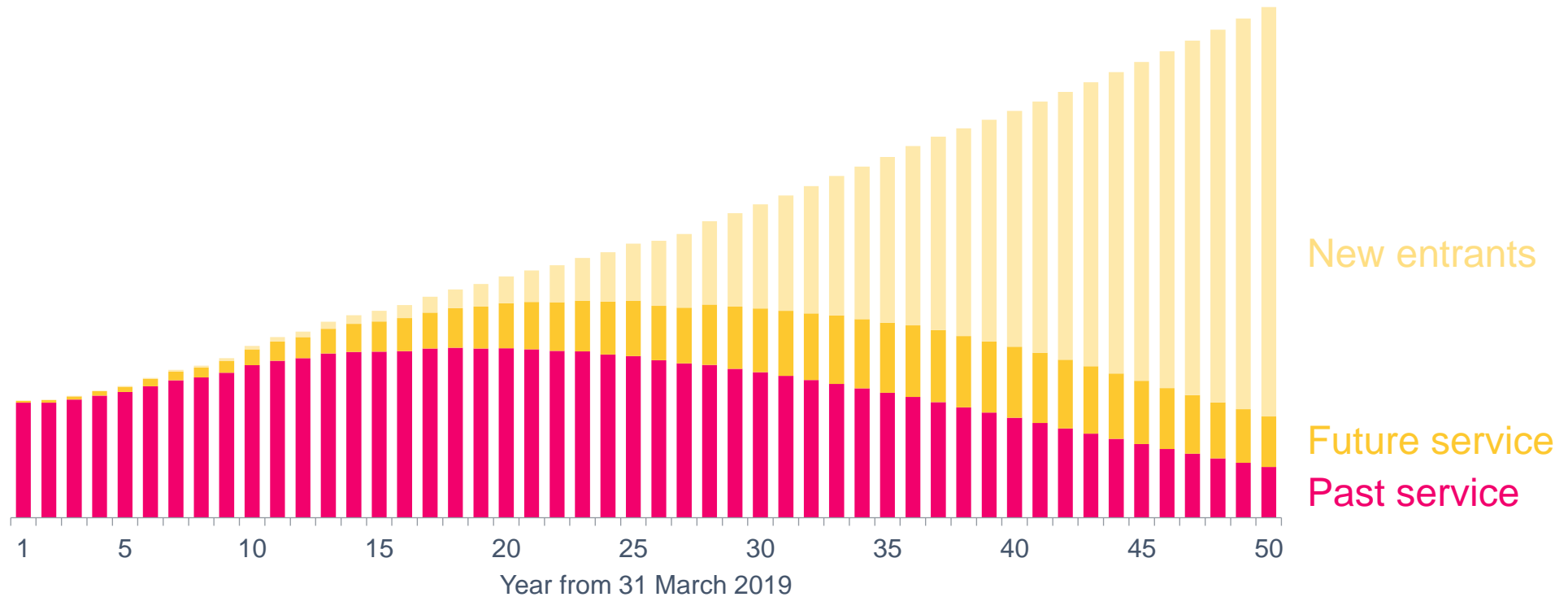


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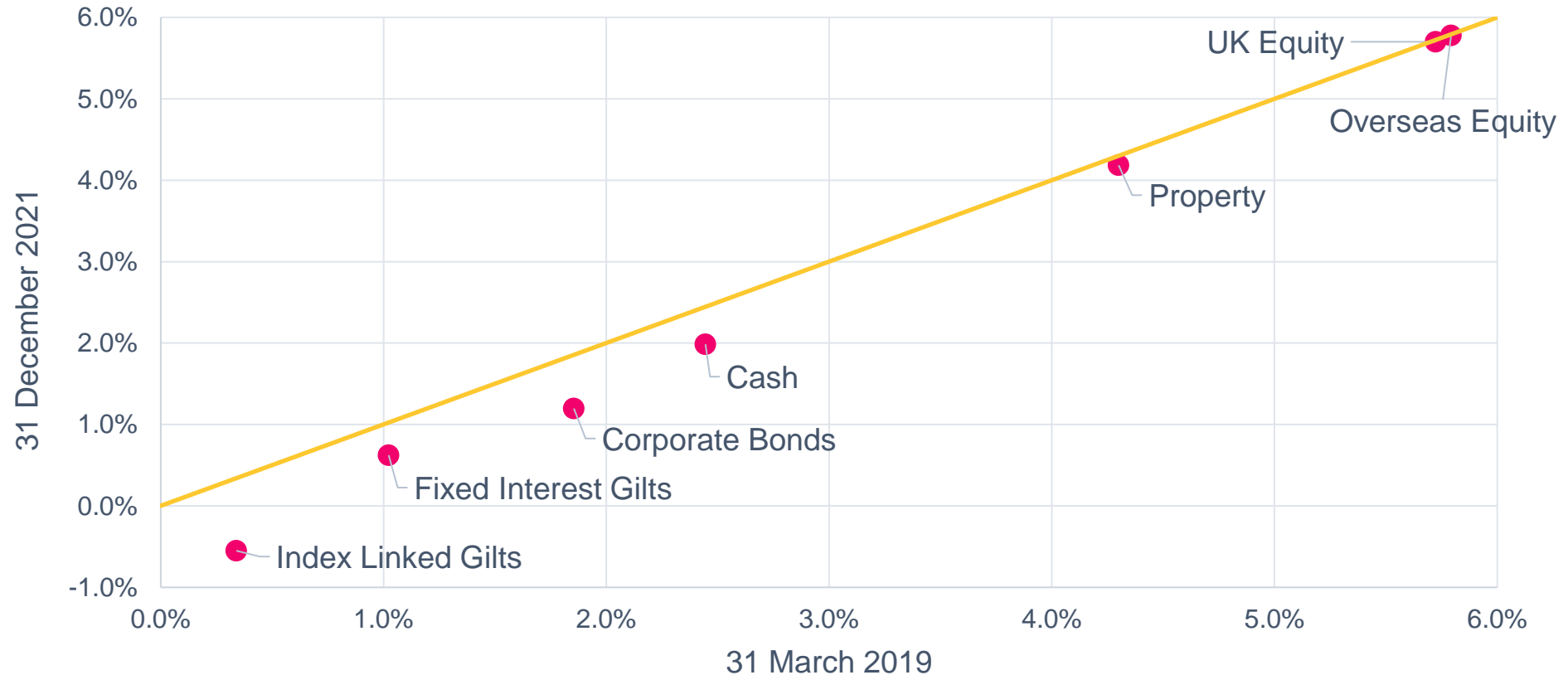
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Past service is only a small part of the long term objective

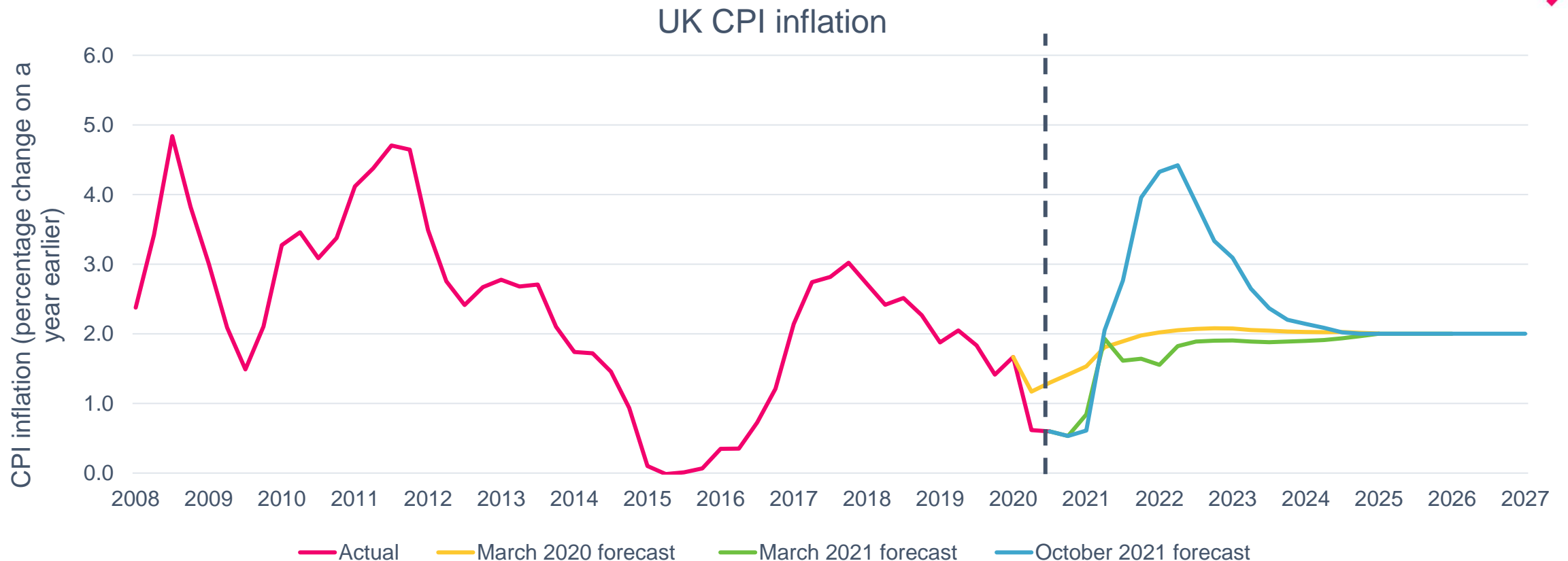
# Investment returns

Annualised Median 20 year returns – 31 March 2019 vs. 31 December 2021



Past: Suffolk returns have been >25% since the 2019 valuation  
Future: lower expected long-term returns increase the cost of benefits

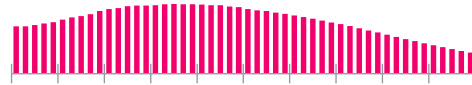
# Concerns about inflation



Increase in risk of upward pressure on inflation (benefit increases)

# Current outlook for 2022 valuation

Funding position +  
secondary contributions



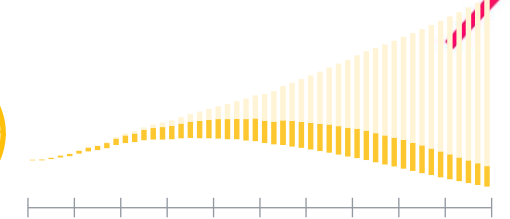
Change  
from 2019

Assets

Liabilities

Likely see an improvement in funding  
position and lower secondary contributions...

Primary contributions



Assets

Liabilities

...but primary rates don't benefit from asset  
performance and may see upward pressure

The net impact on contribution rates will vary by employer

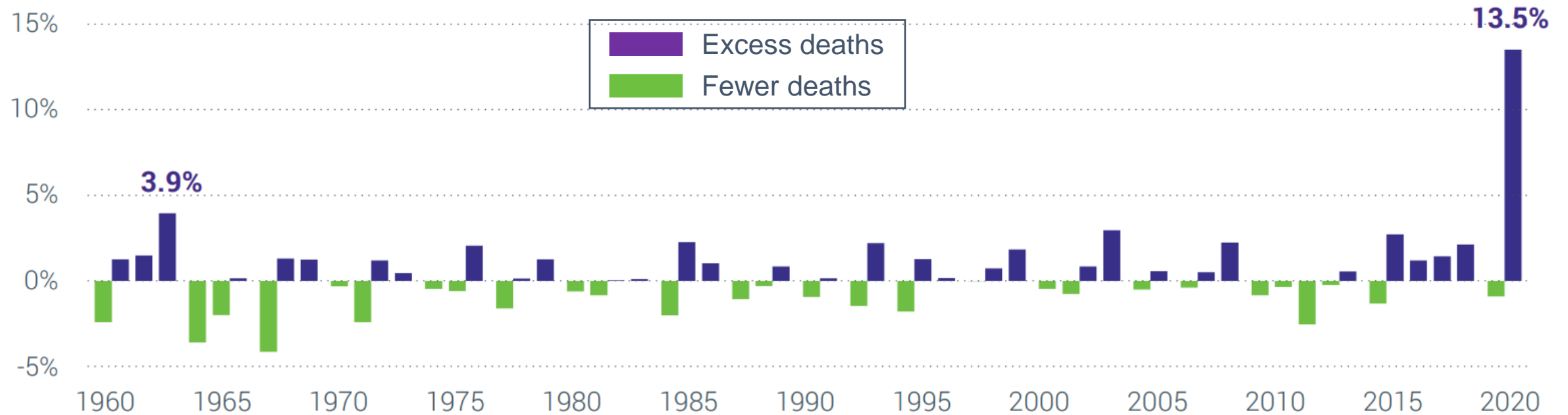
Wider environment





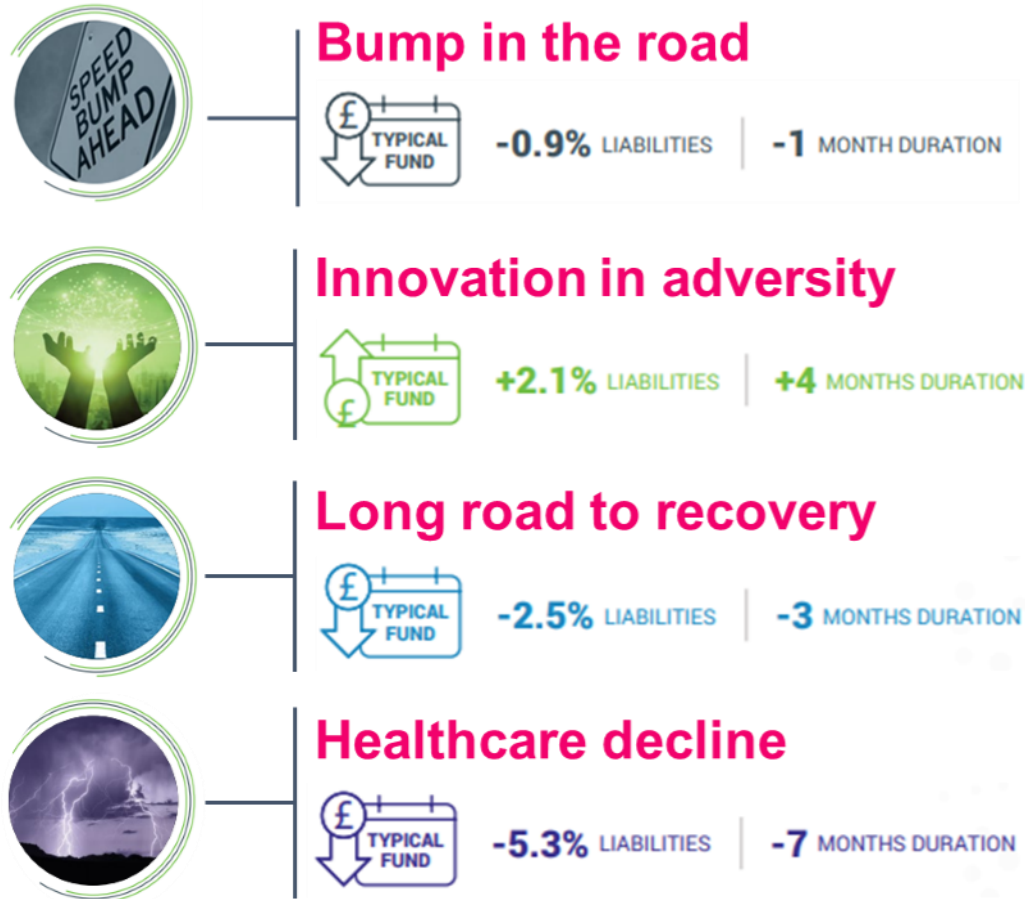
# COVID-19: Immediate impact on mortality

## ENGLAND & WALES: EXCESS DEATHS VERSUS UNDERLYING TREND

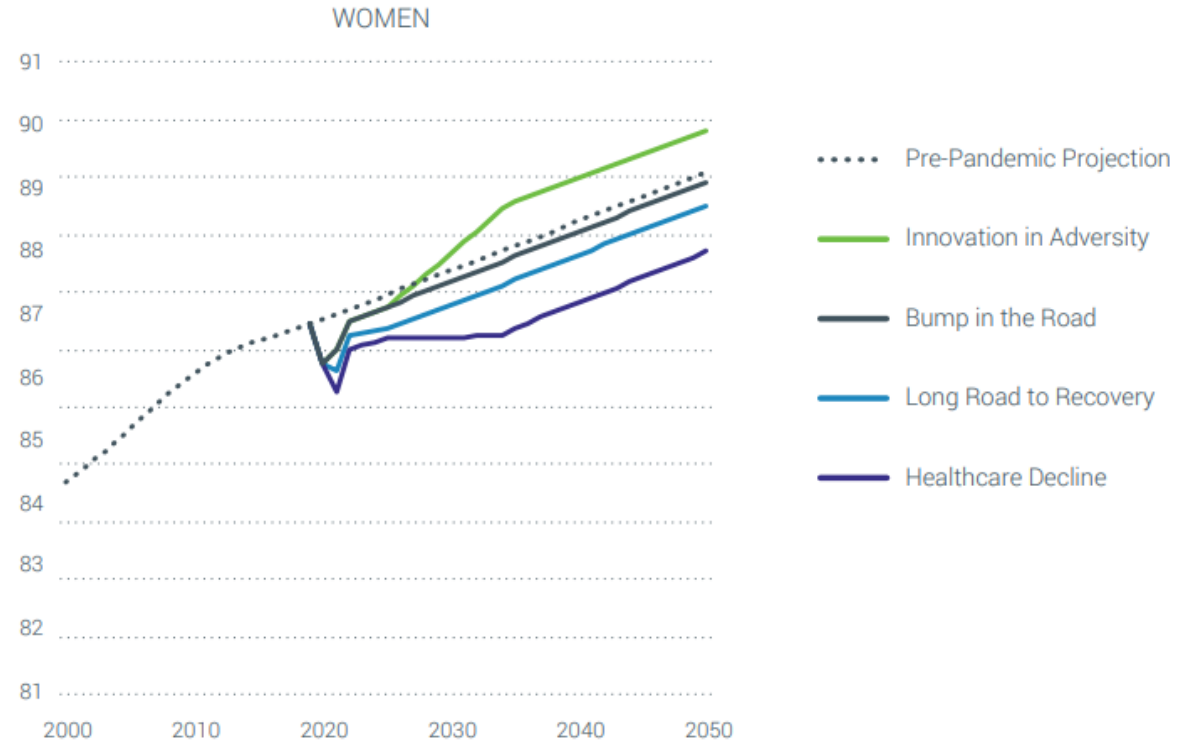


Excess deaths expected to have relatively small impact (<1%) on liabilities

# Longer term impact on pension funding?



Life expectancy from age 65



A consideration to take into account when setting assumptions at 2022

# Climate change: impact on funding



## Green revolution

Concerted policy action starting now



## Delayed transition

Delayed reaction and stronger measures needed when it does happen



## Head in the sand

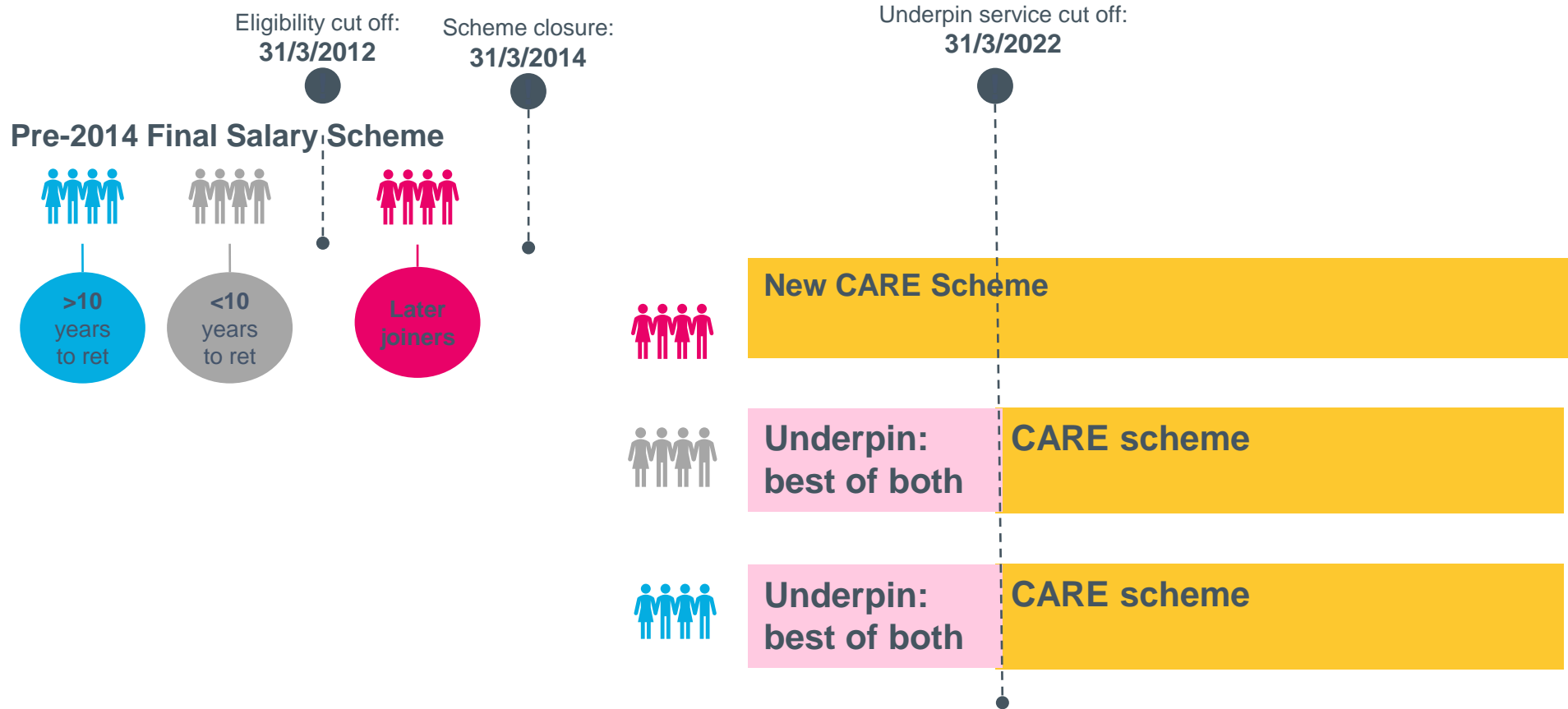
No or little policy action for many years

Scenario	Impact on financial markets				Impact on life expectancy	
	Years 1-5	Years 6-10	Years 11-15	Years 16-20	50 year old	65 year old
Green revolution	Very high	Moderate	Moderate	None	+2 years	+1 year
Delayed transition	None	Very high	High	None	-1.5 years	-0.5 years
Head in the sand	None	None	High	Very high	-4.5 years	-1.5 years

Explore the impact of climate change on funding strategy at 2022



# LGPS after McCloud



An estimate will be built directly into employer liabilities at the 2022 valuation

How can you help?



# How can you help now?

## Data timescales

- Review the data you hold and ensure it is up to date
- Submit returns on time
- Promptly reply to any admin queries

## Keeping informed

- Attend employer forums – for information on general outlook for 2022, hot topics and trends
- Read valuation communications from the Fund

## Engagement with the Fund

- Speak to your usual contact at the Suffolk Pension Fund
- Ask questions – especially if this is your first valuation
- Communicate any changes in your circumstances (e.g. concerns arising from COVID-19)

# Thank you

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