

Warwickshire Pension Fund

AGM - 2022 valuation

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4 November 2022

What we will cover today

- 1 Background to the 2022 valuation
- 2 Inputs at 2022
- 3 Models
- 4 2022 valuation results



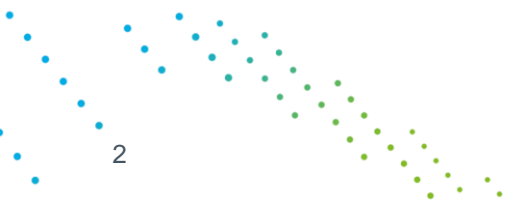
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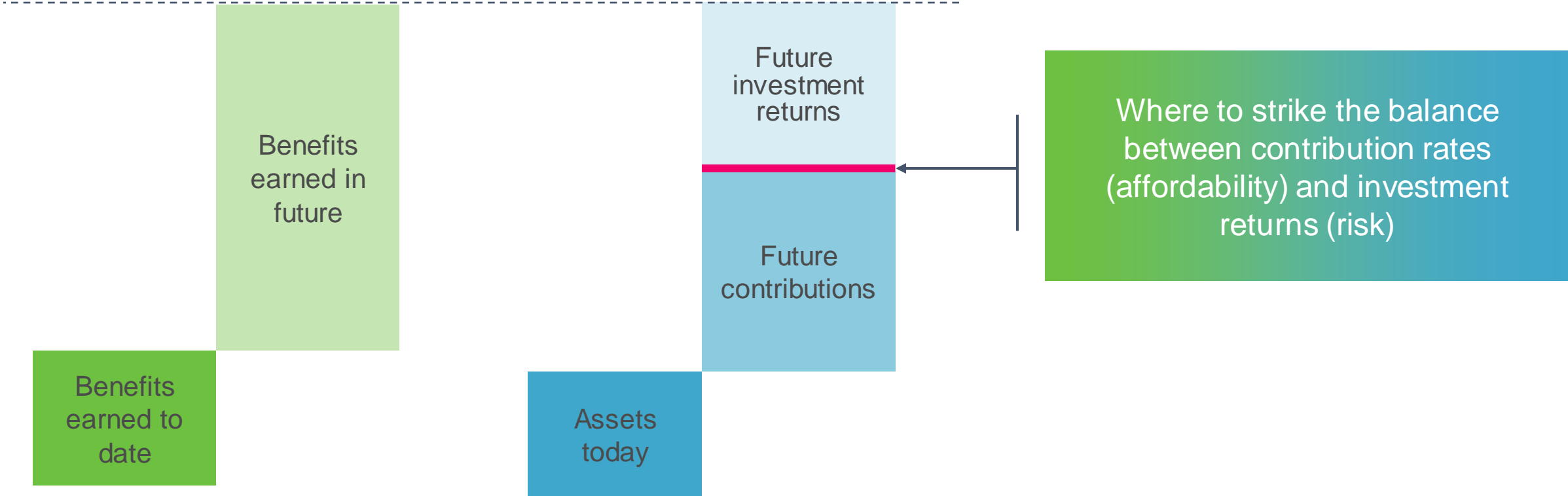
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Key funding decision

Liabilities

Assets



The valuation reviews this balance to set new contribution rates

How we do the valuation

Inputs

Data for each member

Financial and demographic assumptions

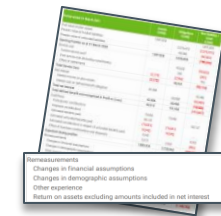
Funding and investment strategy

LGPS benefit structure

Actuary's models



Primary outputs



Individual employer results schedule



Updated Funding Strategy Statement



Final valuation report

2022 valuation timetable

Q4 2021 – Q1 2022

Pre-valuation work:

- Planning
- Data cleansing
- Review of assumptions
- Review of high-level funding & investment strategy
- Review of stabilisation mechanism



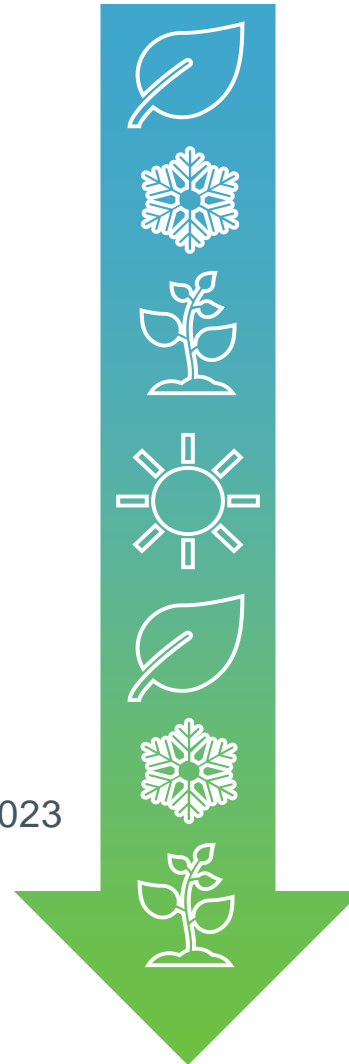
Q3 2022

Initial results & discussions with Officers



Q1 2023

Funding strategy statement finalised
Final valuation report signed off by 31 March 2023



Q2 2022

Data cleansed and submitted to actuary



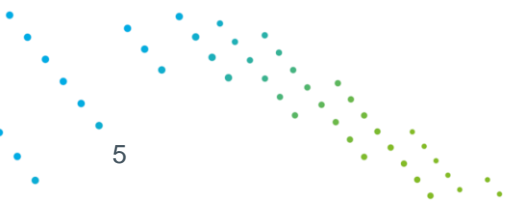
Q4 2022

Employer results issued to employers
Fund's AGM & consultation period
Funding Strategy Statement consultation



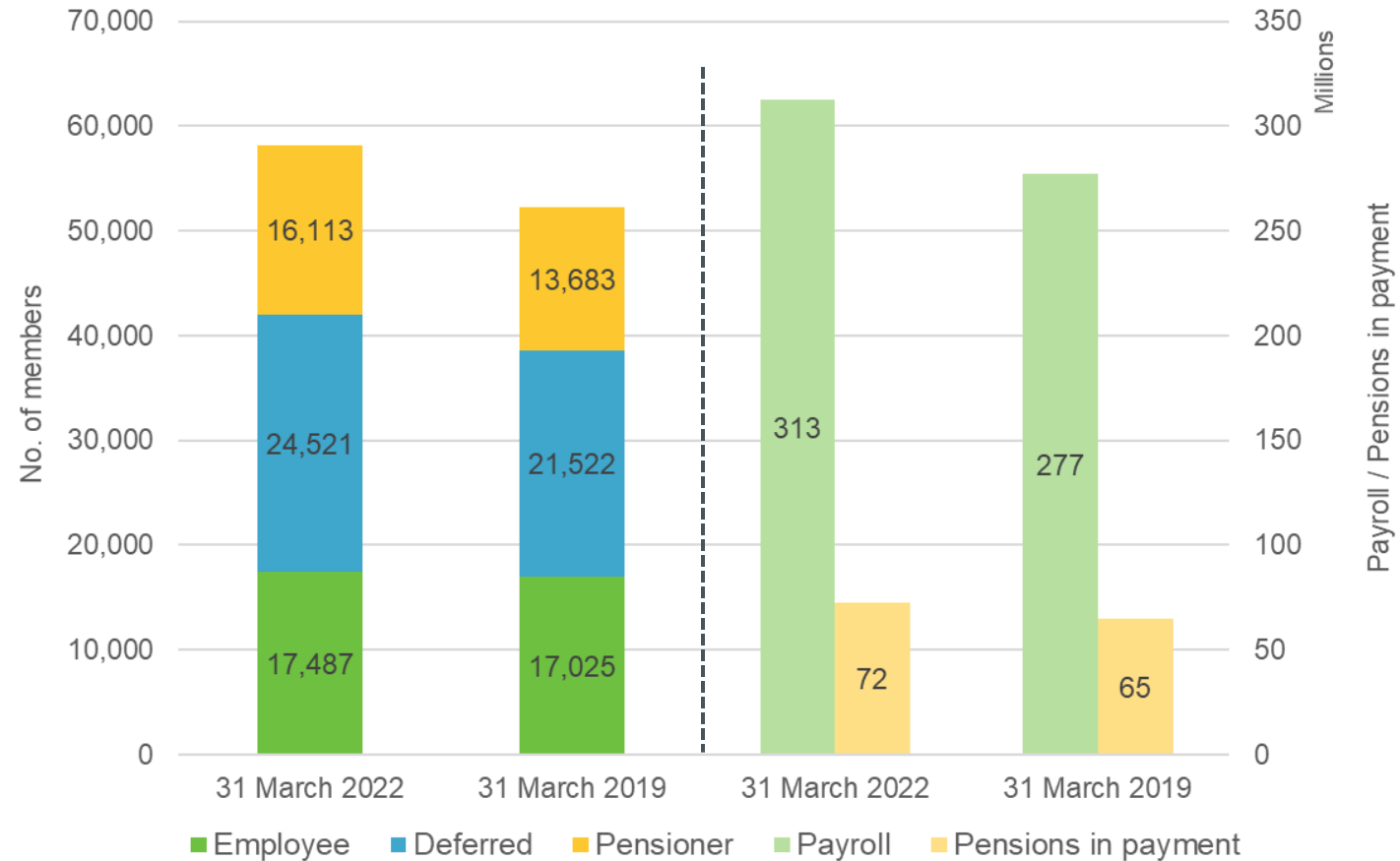
1 April 2023

New employer contributions start to be paid



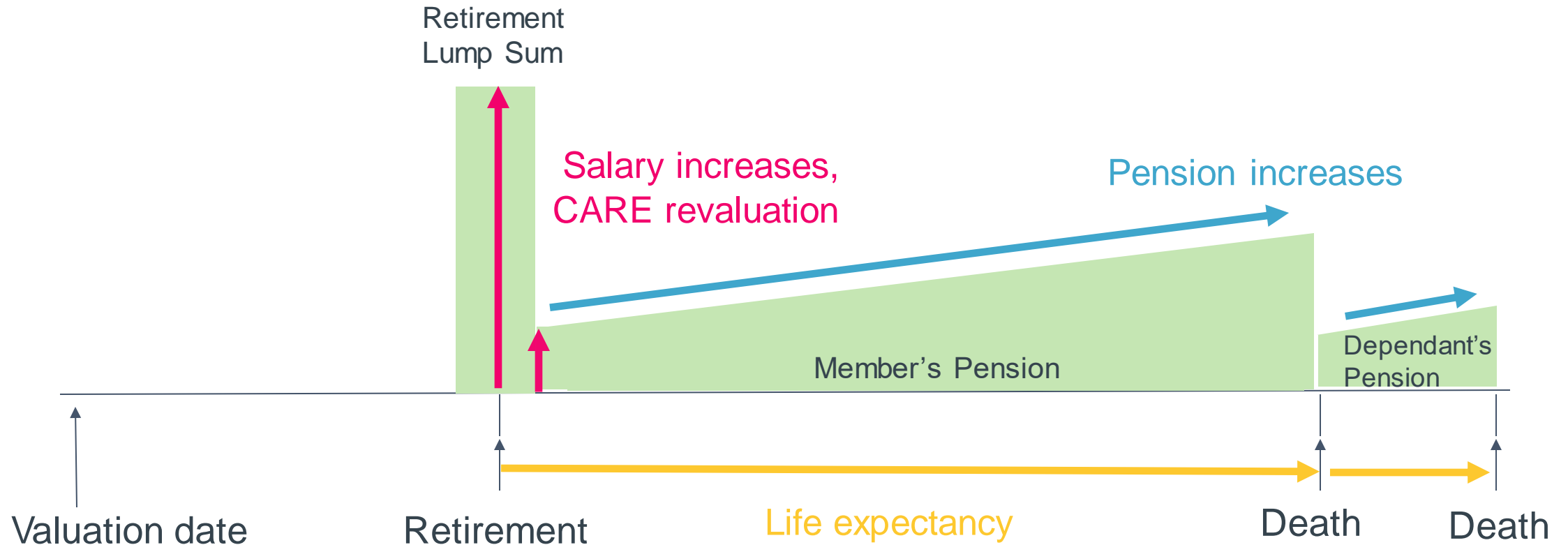
Inputs at 2022

Membership data as at 31 March 2022



High quality membership data – thank you!

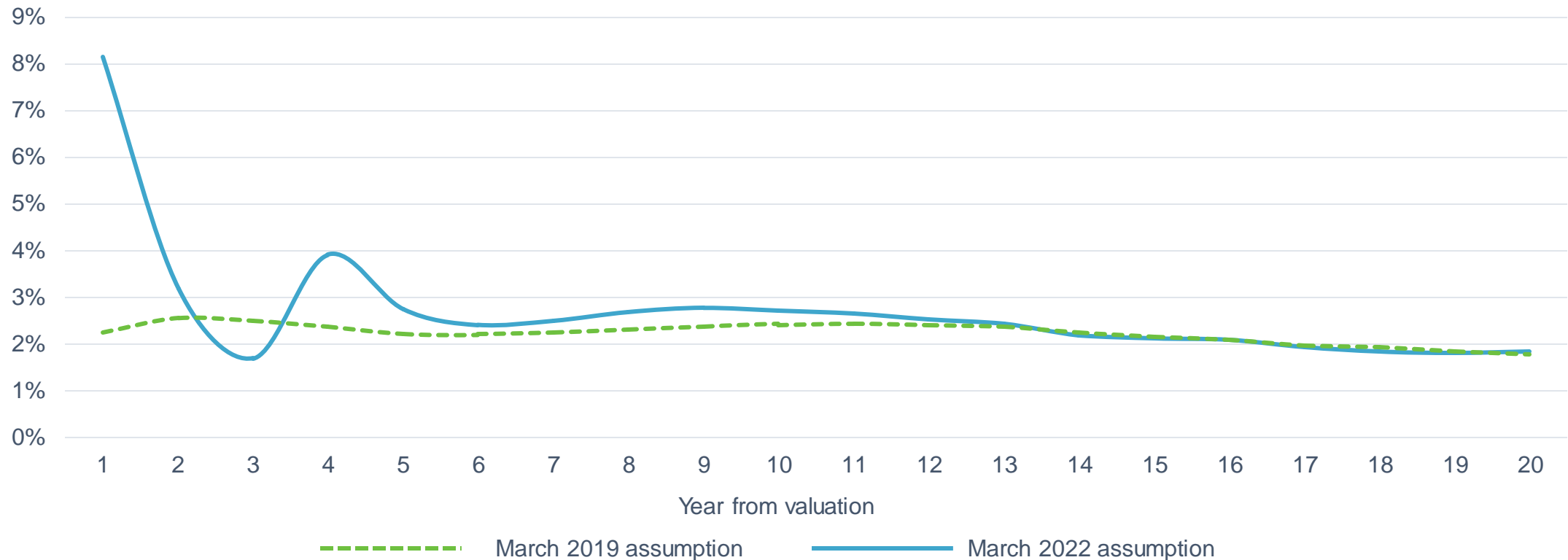
Assumptions – why they are needed



No significant changes in assumptions, except for inflation...

CPI inflation – 2019 vs. 2022

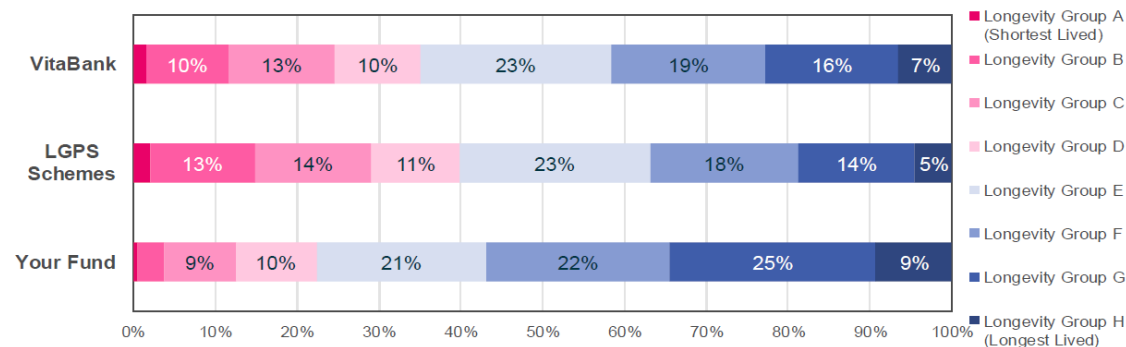
Annual CPI inflation – 2019 vs. 2022



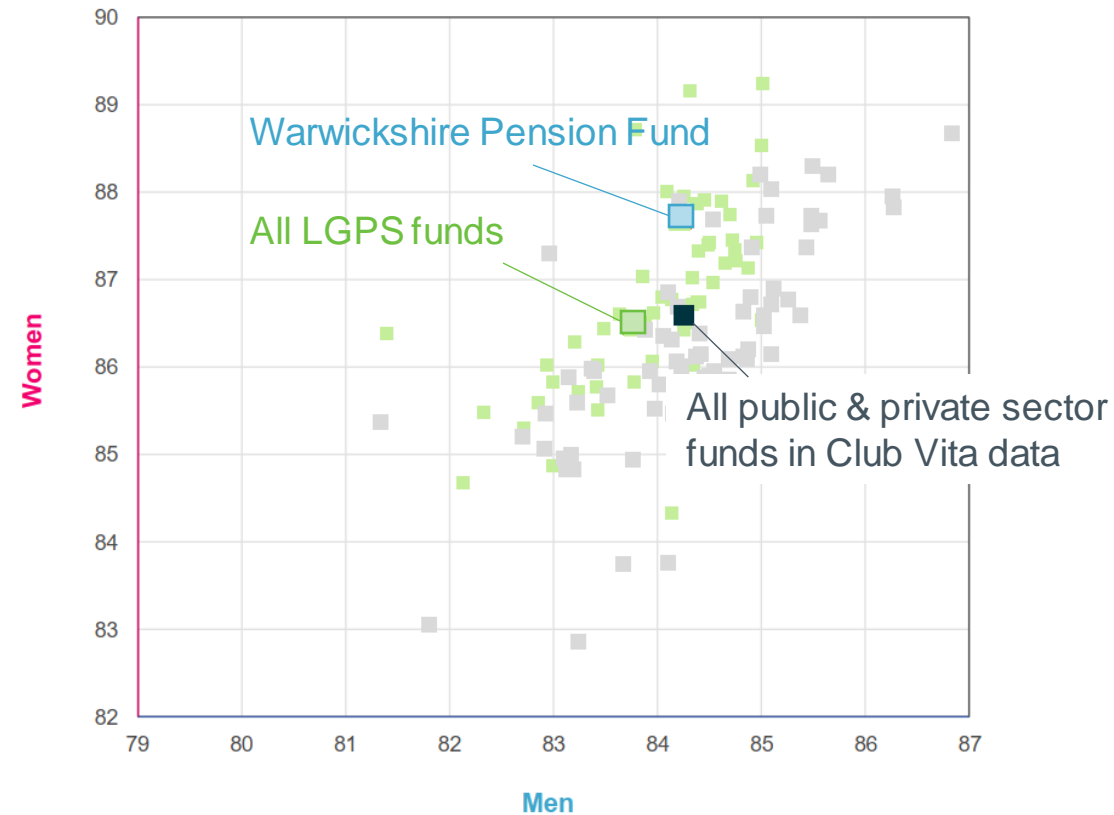
Average level of future inflation: 2019 = 2.3% pa, 2022 = 2.7% pa

Spotlight on life expectancy

- Variance in member life expectancy is captured by using Club Vita analysis
- Fund's membership has a higher average life expectancy than the LGPS average
- Larger proportion of members in 'longest-lived' longevity group



Life expectancy at age 65 between schemes (baseline only)



Strategy – recap

2019 valuation funding strategy

Employer type	Funding target	Time horizon	Likelihood of success	Stabilised contributions
Councils	Ongoing	Long	70%	Yes
Academies	Ongoing	Long	70%	No
Colleges	Ongoing	Long	80%	No
Transferee Admission Bodies	Ongoing	Short	70%	No
Community Admission Bodies	Cessation	Medium/Short	80%	No

Strategy – updated

2022 valuation funding strategy

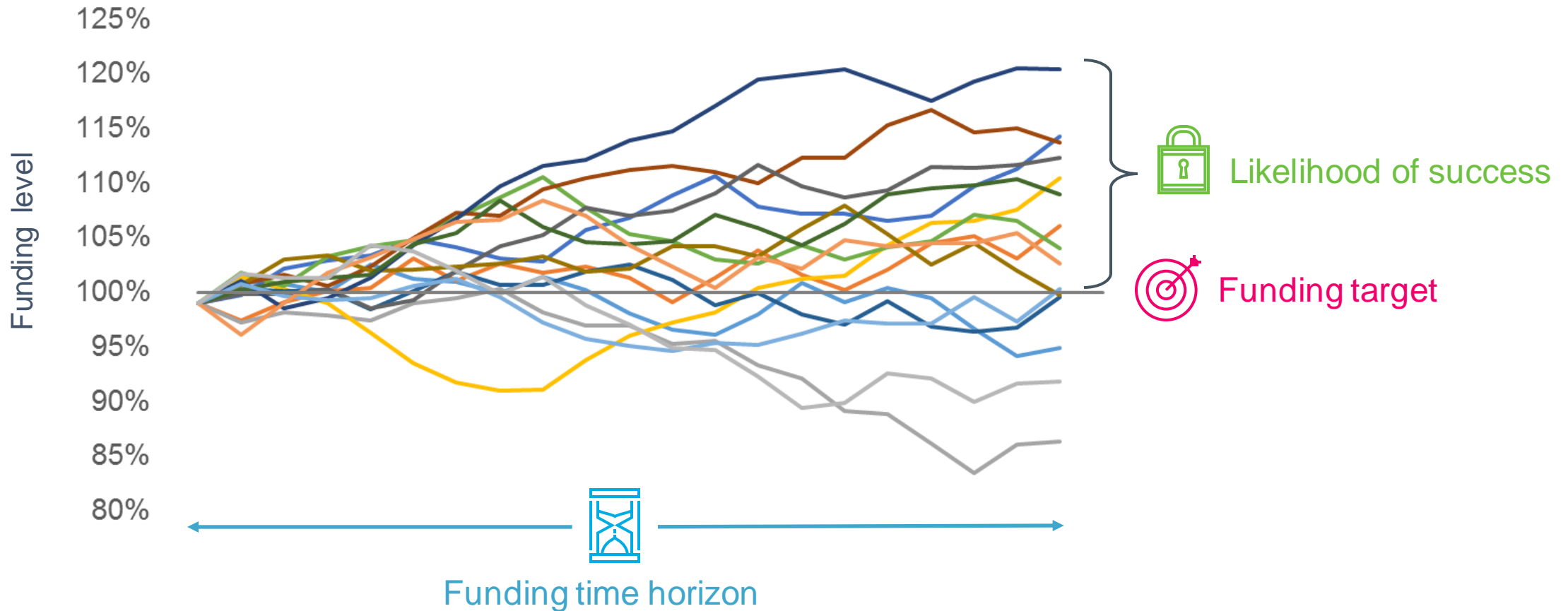
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Continuity in long-term strategy and funding plans

Models

(this will be quick, we promise!)

Setting risk-based contribution rates



Set contribution rate to have sufficiently high likelihood of meeting the funding target at the end of the time horizon

2022 valuation results (outputs)

Single reported 2022 funding position

- Funding position has improved since 2019
- Important to remember limitations with funding level
 - It only considers past service
 - It is a snapshot on one particular day, it will fluctuate

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	917	809
Deferred Pensioners	616	503
Pensioners	1,147	1,033
Total Liabilities	2,680	2,346
Assets	2,782	2,166
Surplus/(Deficit)	101	(180)
Funding Level	104%	92%

Numbers may not add up due to rounding

Funding level improvement comparable to LGPS peers*

What's changed since 2019

Expected development

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	2,166	2,346	(180)
Cashflows			
Employer contributions paid in	213	0	213
Employee contributions paid in	58	0	58
Benefits paid out	(254)	(254)	0
Other cashflows (eg expenses, transfers)	5	0	5
Expected changes			
Expected investment returns	245	0	245
Interest on benefits already accrued	0	272	(272)
Accrual of new benefits	0	286	(286)
Expected position at 31 March 2022	2,433	2,650	(217)

Impact of actual events

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	2,433	2,650	(217)
Events between 2019 and 2022			
Salary increases greater than expected	0	19	(19)
Benefit increases less than expected	0	(34)	34
Early retirement strain (and contributions)*	0	5	(5)
Ill health retirement strain	0	2	(2)
Early leavers more than expected	0	(5)	5
Commutation less than expected	0	1	(1)
Other membership experience	0	(3)	(3)
Higher than expected investment returns	350	0	350
Changes in future expectations			
Investment returns	0	(153)	153
Inflation	0	195	(195)
Salary increases	0	5	(5)
Longevity	0	9	(9)
Other demographic assumptions	0	(13)	13
Actual position at 31 March 2022	2,782	2,680	101

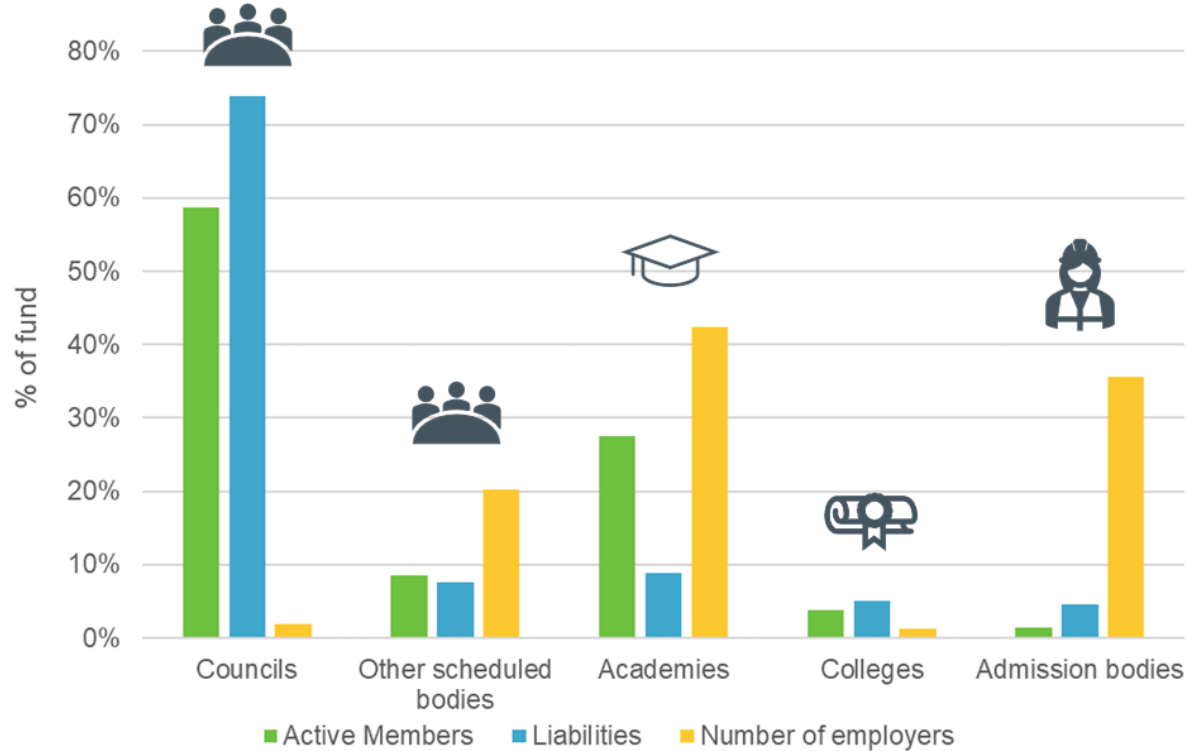
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Investment returns and future inflation, key drivers at 2022

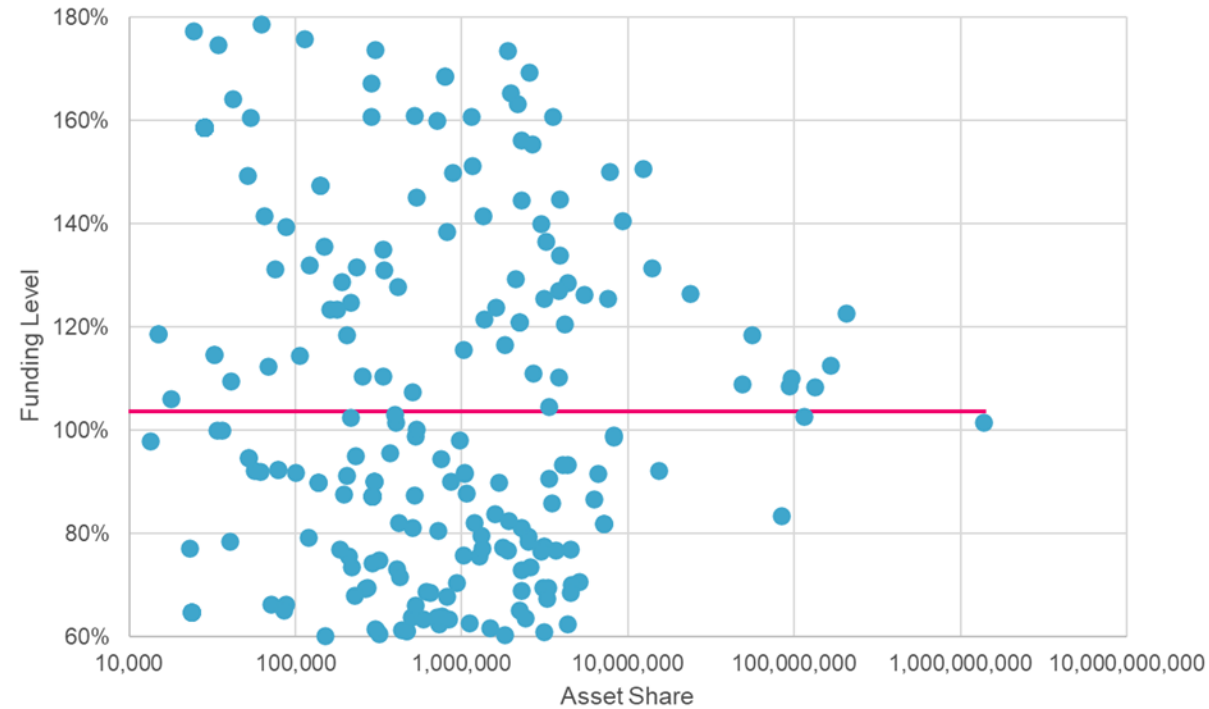
* We do not collect the level of detail necessary to value OFFICIAL on the liabilities as a result of transfers in/out

Employer-level results

Fund employers by type



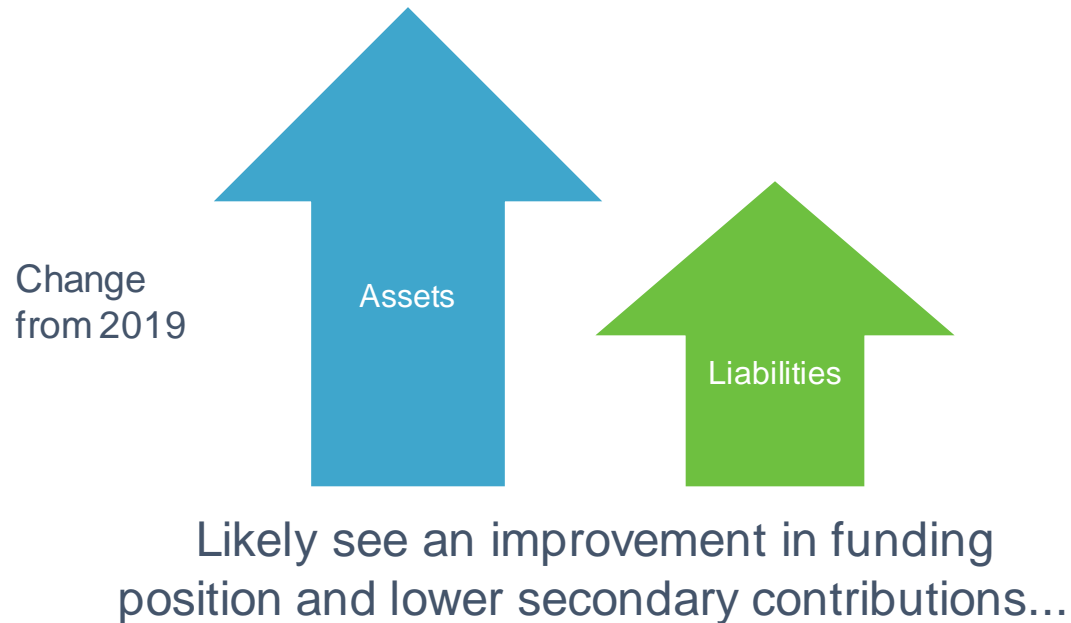
Employer funding level vs asset share



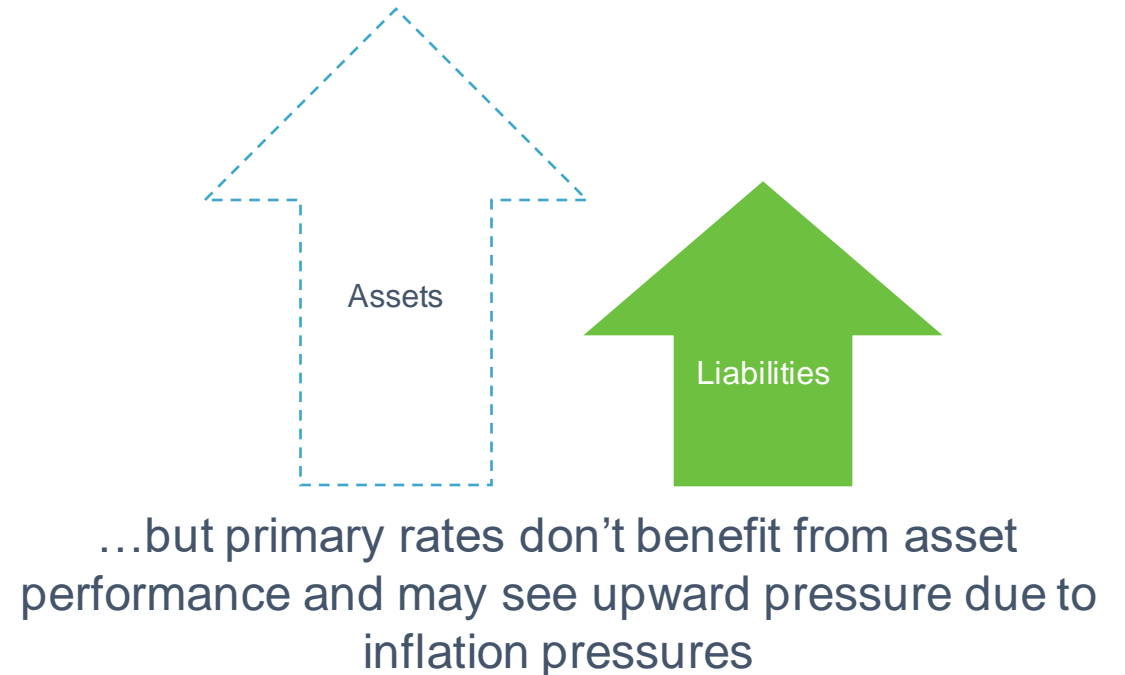
Funding is carried out at individual employer level

Funding theme at 2022 valuation

Funding position + secondary contributions



Primary contributions



Net impact will vary by employer, depending on funding profile

Other factors causing diversity in results

Funding profile

Balance between past and future service matters at 2022

Membership experience

Events such as ill-health retirements, salary increases will affect your funding position

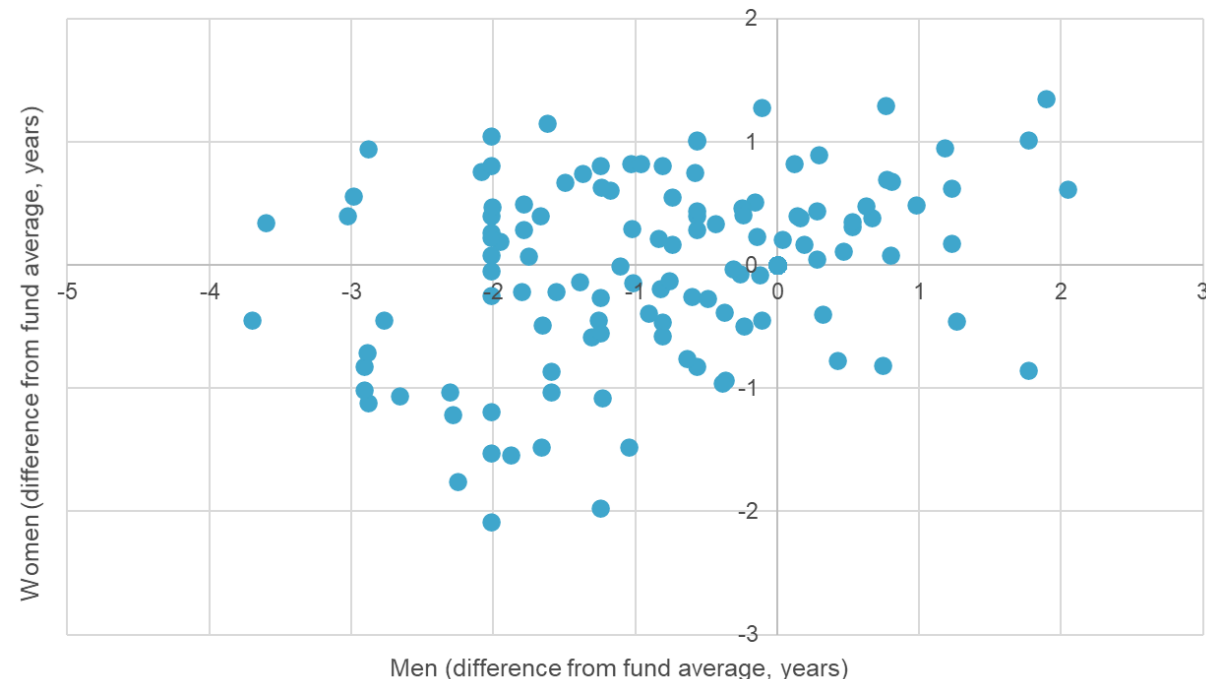
Membership profile

Differences such as age and gender will affect the contribution rate

Contributions being paid

Higher contributions will result in a larger funding level improvement

Difference in average life expectancy (from fund average) for each employer



No two employers are the same

Funding Strategy Statement review

- No material changes in funding strategy at 2022 valuation
- Used the opportunity to review structure and layout of the FSS
- Improve accessibility and navigation for stakeholders
- Updated FSS will be sent around for consultation to all employers



Please read, understand what it means for you and let the fund know any thoughts

Next steps

Q4 2021 – Q1 2022

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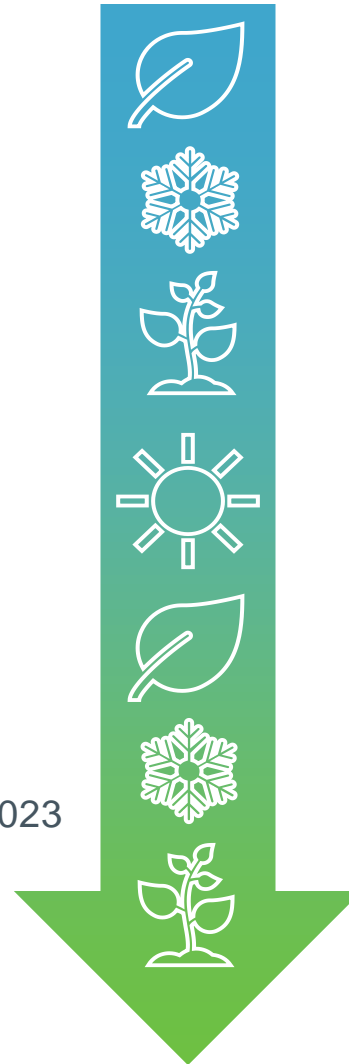
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1 April 2023

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What you need to do



Read the results schedule

Check the data is correct, understand your current funding position and the rate that will come into payment from 1 April 2023



Review the updated Funding Strategy Statement

Understand how the fund's strategy applies to your participation in the fund



Talk to the fund

Ask any questions and let them know about any possible changes in circumstances

Summary of 2022 valuation

1

Funding position

Past service funding position has improved since 2019

2

Reasons for change

Strong investment returns more than offset higher inflation

3

Contribution rates

Primary rate: upward pressure
Secondary rates: some relief
Overall impact will vary between employers

Please contact the fund if you have any questions about your results

Thank you

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