

**Report Title; DERBYSHIRE PENSION FUND ACTUARIAL RESULT**  
**Submitted by: CHRISTINE MARLOW, RFO**

**To Note**

**Purpose of the Report**

To update the Finance Governance & Staffing Committee

**Background Information**

The Local Government Pensions Scheme (LGPS) is a defined benefit scheme subject to the statutory funding objective which means that it needs to have appropriate assets to cover its accrued liabilities to deferred, active and pensioner members.

Every three years, the Pensions Regulator requires the LGPS to undertake an actuarial valuation to determine each participating employer's funding position towards ensuring the LGPS "pension pot" is sufficient to pay current and future pension benefits. The results of this valuation sets the employer contribution rates for the three years from April 2023 and the outcomes are explained in the letter attached as Appendix A.

The Fund Actuary, Hymans Robertson LLP, delivered an online presentation to explain the results as part of Derbyshire Pension Fund's Valuation Seminar for employers held on 15 December 2022. This was attended by the RFO.

Feedback is invited on the draft Funding Strategy Statement (FSS) which has been published on the Derbyshire Pension Fund Website.

**Legislation & Guidance**

The Local Government Pension Scheme Regulations 2013

**Accessibility**

Not Applicable

**Climate Emergency Implications**

Not Applicable.

**Financial Implications**

The Employer Contribution Rate as a percentage of payroll is currently 18.2%. This will increase to 19.2% in April 2023 and to 20.2% from April 2024 to March 2026. The next actuarial valuation will take place in 2025/26.

It is estimated that the additional 1% will add £2,211 to the 2023/24 Payroll

Budget and this is reflected in Version 1.7.1 of the Budget Working Paper

## APPENDIX A



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[derbyshirepensionfund.org.uk](http://derbyshirepensionfund.org.uk)  
*Administered by Derbyshire County Council*



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### CONTROLLED

Dear 

#### **Local Government Pension Scheme (LGPS) – Derbyshire Pension Fund Belper Town Council - Actuarial Valuation Result**

##### **Employer Contribution Rate from 1 April 2023**

I am writing to confirm the outcome of Derbyshire Pension Fund's (the Fund) actuarial valuation as at 31 March 2022 and the employer contribution rate payable from 1 April 2023 to 31 March 2026.

The LGPS carries out an actuarial valuation every three years. There has been an improvement in the funding level of the Pension Fund from 97% at 31 March 2019 to 100% at 31 March 2022, with the 2019 whole fund deficit of £163m moving to a small surplus of £3m.

The Fund's overall funding level reflects the ratio of the market value of its assets (investments) to the current value placed on the accrued liabilities. The accrued liabilities represent the expected cost of members' pension benefits for scheme membership completed by the valuation date. Hymans Robertson LLP, the Fund's actuary, has adopted a risk-based approach to determine an appropriate investment return assumption for reporting the whole Fund results.

Since the last actuarial valuation, the impact of more positive actual and expected investment returns has outweighed the negative impact of higher future inflation expectations on the funding position of the Fund. The membership experience over the period was largely in line with expectations.

##### **Town and Parish Councils Pooling Arrangements**

Town and Parish Councils which have designated membership of the LGPS to some or all employees, participate in pooling arrangements. The pool in which you participate is named "Town and Parish Councils (Pre 2001) Pool" and includes designating Councils who were long standing participants in the LGPS when the pool was set up at the time of the 2004 valuation.

Pooling allows the impact on contributions, of changes in markets, and of the membership profile and experience (eg pay growth, ill-health retirements etc) to be shared between the pooled employers when determining the employer contribution rate. The Councils in the pool all pay the same contribution rate expressed as a percentage of pay. Membership of this pool has been



reviewed as part of the valuation process this year and I can confirm that pool membership continues to be appropriate.

The Town & Parish Councils (pre 2001) 2022 Valuation - Employer Results Report, included with this letter, has been prepared by Hymans Robertson.

The results for **Belper Town Council** are summarised below:

Funding level at 31 March 2022 **99%**

**Employer's Contribution Rate (% of payroll) and additional monetary payments**

Year	Employer Contribution Rate (% of payroll)	Annual monetary sum due	Monthly amount payable (1/12 <sup>th</sup> of annual rate)
2023/24	19.2%	£0	£0
2024/25	20.2%	£0	£0
2025/26	20.2%	£0	£0

Please arrange for these rates to be applied from 1 April 2023.

We will issue a new CR1 form in due course which will include the Pool employer contribution rate and any monetary amount payable from April 2023 onwards.

The breakdown between the Primary Rate (in respect of future benefit accrual) and the Secondary Rate (in broad terms, the balancing payment for pension benefits already accrued at the valuation date) is shown in the attached Employer Results Report. These rates are the minimum amounts required by the Fund.

In most circumstances, employers can pay additional contributions to improve funding positions. If you decide that you wish to pay a higher rate, please contact the Fund as soon as possible.

**McCloud**

Benefits accrued by certain scheme members between 2014 and 2022 may increase following the outcome of the McCloud age discrimination case. The actuary has made an allowance for the cost of these potential improvements, based on guidance issued by the Department for Levelling Up, Housing and Communities.

**Funding Strategy Statement Consultation**

As part of the valuation process, the Fund has reviewed its funding strategy to ensure that an appropriate contribution plan and investment strategy is in place. The funding strategy is set out in the draft updated Funding Strategy Statement (FSS) which is the Fund's key governance document in relation to the actuarial valuation. The draft FSS sets out the funding policies adopted, the actuarial assumptions used and the time horizons considered for each category of employer.

The draft FSS will be presented to the Fund's employers at the Employer Valuation Meeting on 15 December 2022. A period of consultation with the Fund's stakeholders, including scheme employers, will commence after the meeting and run until 31 January 2023.

It is anticipated that, following consideration of responses received during the consultation, a final version of the draft updated FSS will be considered for formal approval by Derbyshire County Council's Pensions and Investments Committee on 8 March 2023.



Please note that the valuation results are draft at this stage and will be finalised before the end of March 2023. If your valuation results are adjusted from this draft version, a revised schedule will be issued.

#### **Employer Meeting**

An invitation to join a virtual meeting of participating employers in the Fund was issued on 18 November 2022.

The meeting is being held between 10.00am and 12.00 noon on **Thursday 15 December 2022**.

The meeting will include a presentation delivered by Hymans Robertson about the valuation process and the draft FSS.

If you have not yet registered to join the virtual meeting, you can confirm your place by visiting our page on the external Eventbrite website.

Click on the link to visit the registration page: [Register for the event](#)

You can submit a question about the valuation process ahead of the meeting by completing our [online form](#)

#### **Further information**

Hymans Robertson has prepared two short videos to help employers understand the valuation process. The videos are available on the video sharing platform Vimeo and can be accessed by the following links.

- How are your contribution rates set? <https://vimeo.com/580219464/4ad805db3b>
- LGPS 2022 valuations – Understanding employer results <https://vimeo.com/758744777>

Yours sincerely,

A handwritten signature in black ink that reads 'Dawn Kinley'.

Dawn Kinley, Head of Pension Fund  
**Derbyshire Pension Fund**