

London Borough of Camden Pension Fund

Actuarial valuation at 31 March 2022

Initial results

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For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is authorised and
regulated by the Financial Conduct Authority



Fund-level results

Funding position as at 31 March 2022

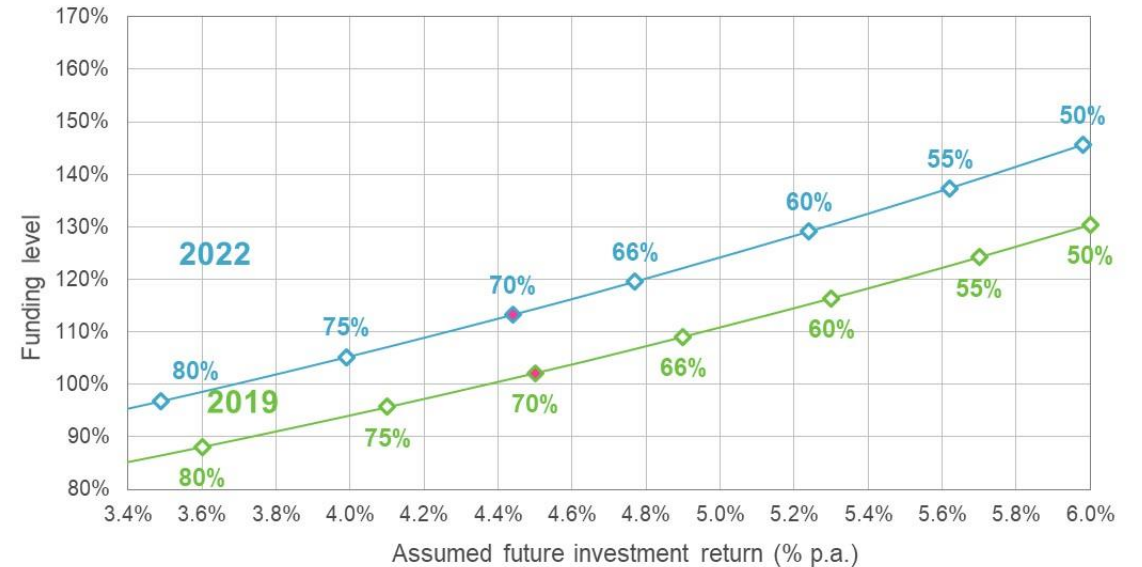
We can place a single value on all the future projected benefit payments for current members, called the liabilities. Comparing the liabilities to the market value of the Fund's assets at the valuation date provides the funding level (assets divided by liabilities).

To calculate the liabilities, we discount the benefit payments with an assumed future investment return (the 'discount rate'). Future investment returns are uncertain, so we calculate the liabilities and funding level across a range of future investment returns.

To help stakeholders better understand funding risk, we also calculate the likelihood of the Fund's investment strategy achieving certain levels of return.

- The funding level is 100% if future investment returns are c.3.7% pa
- The likelihood of the Fund's assets yielding at least this return is around 78%.
- The comparator at 2019 was a return of 4.3% pa which had a likelihood of 72%.
- The funding position at 2022 is stronger than 2019.
- There is a 50% likelihood of an investment return of 6.0% pa. So the best-estimate funding level is 146% at 31 March 2022 (128% at 2019).

Funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that return at the valuation date

Single funding position as at 31 March 2022

The chart on the previous page provides stakeholders with a better understanding of the funding position. However, we are still required to report a single funding position at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.4% pa has been used. There is a 70% likelihood associated with a future investment return of 4.4% pa.

This table details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison (NB at 2019 the reported position used a discount rate with a 70% associated likelihood).

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position on 31 March 2022. There are limitations:

- The liabilities are calculated using a single set of assumptions about the future, so are very sensitive to the choice of assumptions.
- The market value of assets changes daily

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	516	431
Deferred Pensioners	397	395
Pensioners	828	787
Total Liabilities	1,741	1,613
Assets	1,973	1,657
Surplus/(Deficit)	233	43
Funding Level	113%	103%

Important: the reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.

Reconciling the overall change in funding position

The tables below provide insight into the funding position changes between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen, which relate mostly to items on the asset side. Then the impact of actual experience, which mainly affects the liabilities.

Expected development

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	1,657	1,613	43
Cashflows			
Employer contributions paid in	167	0	167
Employee contributions paid in	39	0	39
Benefits paid out	(197)	(197)	0
Net transfers into / out of the Fund*	(202)	(184)	(18)
Other cashflows (e.g. Fund expenses)	(10)	0	(10)
Expected changes			
Expected investment returns	240	0	240
Interest on benefits already accrued	0	225	(225)
Accrual of new benefits	0	138	(138)
Expected position at 31 March 2022	1,694	1,595	98

* Principally relates to the IDeA bulk transfer which took place shortly after the valuation date, but has been allowed for.

Impact of actual events

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	1,694	1,595	98
Events between 2019 and 2022			
Salary increases greater than expected	0	32	(32)
Benefit increases less than expected	0	(23)	23
Early retirement strain (and contributions)	2	3	(1)
Ill health retirement strain	0	0	0
Early leavers more than expected	0	0	0
Commutation less than expected	0	2	(2)
McCloud remedy	0	2	(2)
Other membership experience	0	(3)	3
Higher than expected investment returns	278	0	278
Changes in future expectations			
Lower investment returns	0	14	(14)
Higher inflation	0	107	(107)
Similar salary increases	0	1	(1)
Greater longevity	0	6	(6)
Other demographic assumptions	0	5	(5)
Actual position at 31 March 2022	1,973	1,741	233

Numbers may not sum due to rounding

Initial employer results

Individual employer funding levels

The Fund is composed of around 93 employers (including those who have no active members, or who are pooled with the Council), each of which has its own funding position and contribution plan. The Fund’s overall funding position is the combination of all these employers’ results.

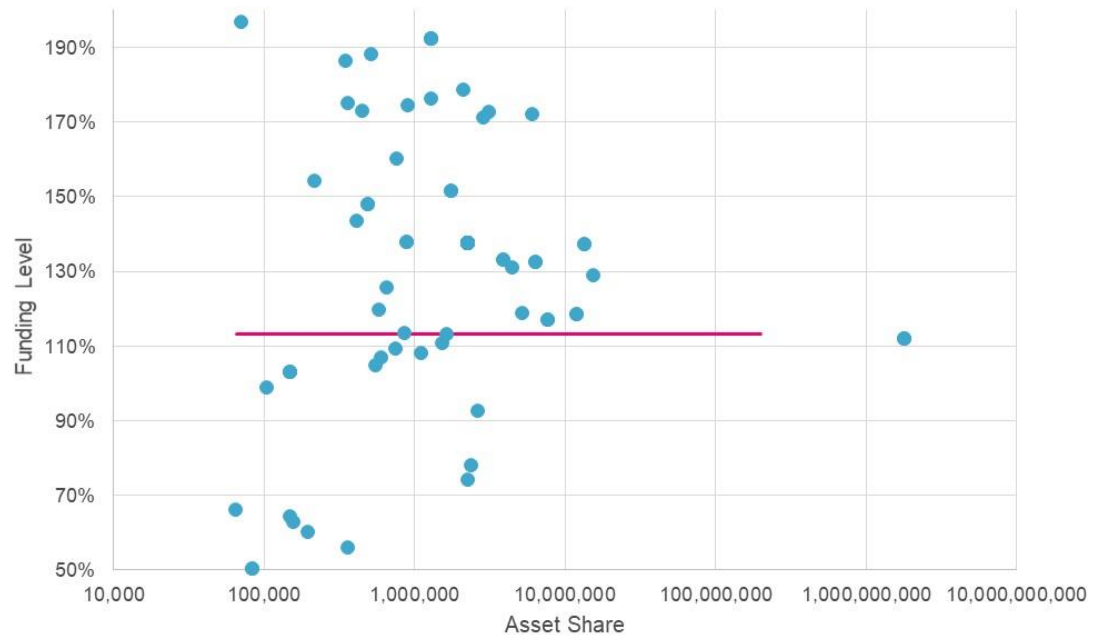
This chart shows the range of employer funding positions. Each dot represents an employer and shows:

- The employer’s share of the Fund assets, horizontal scale (NB this is a logarithmic scale, to accommodate the great range in size of employer from smallest to largest).
- The employer’s funding level on 31 March 2022, vertical scale.

The red line is the Fund’s overall funding level and shows that it does **not** relate to the average of the employer results. Instead, the whole Fund position is driven by the largest employers (right-hand side of the chart).

This shows the importance of considering individual employer results as well as the whole Fund position.

Employer funding level vs asset share



Reliances and limitations

Reliances and limitations

We have been commissioned by London Borough of Camden (“the Administering Authority”) to carry out a full actuarial valuation of the London Borough of Camden Pension Fund (“the Fund”) as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”).

This paper is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of:

- summarising the preliminary current funding position using a range of actuarial assumptions
- explaining why the funding position has changed since the previous valuation in 2019

It has not been prepared for any other purpose and should not be used for any other purpose. For the full results analysis please see the separate paper produced for officers, dated September 2022 (which also includes the background to the assumptions used and other explanatory material).

This paper has been produced for the Administering Authority of the Fund. We accept no liability to third parties and/or for any other purpose than above, unless expressly accepted in writing.

This paper does not meet the Technical Actuarial Standards as it is a summary document, however our full formal advice to officers does meet the TAS requirements.

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