

City and County of Swansea Pension Fund Actuarial Valuation as at 31 March 2022

*Cronfa Bensiwn Dinas a
Sir Abertawe*

*Prisiad Actiwaraidd ar y
31 o Fawrth 2022*

Valuation results presentation to Pension Fund Committee
Cyflwyniad canlyniadau y prisiad i'r Pwyllgor Cronfa Bensiwn



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Date: 15 March 2023

Agenda

Agenda

2022 valuation
results
*Canlyniadau
prisiad 2022*



Valuation process and
assumptions
*Proses a thybiaethau y
prisiad*

Valuation process and assumptions

Proses a thybiaethau y prisiad

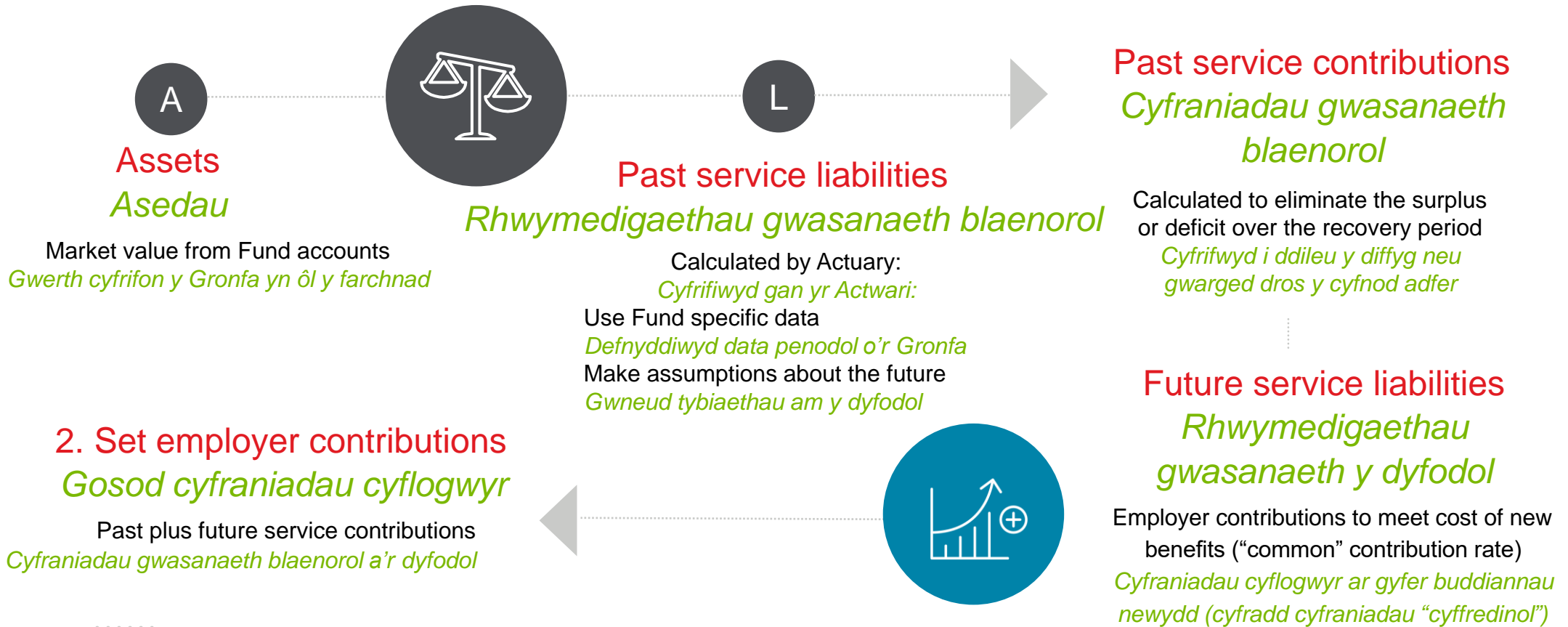


What is a triennial actuarial valuation?

Beth yw prisiad actiwaraidd pob tair blynedd?

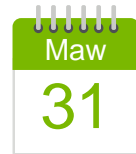
1. Assess financial health *Asesu iechyd ariannol*

A/L = funding level (ratio); A – L = Shortfall or surplus *A/L = lefel cyllid (cymhareb); A – L = Diffyg neu gwarged*



Regulatory requirement (Reg 62) / Gorchymyn rheoleiddiol (Rheol 62)

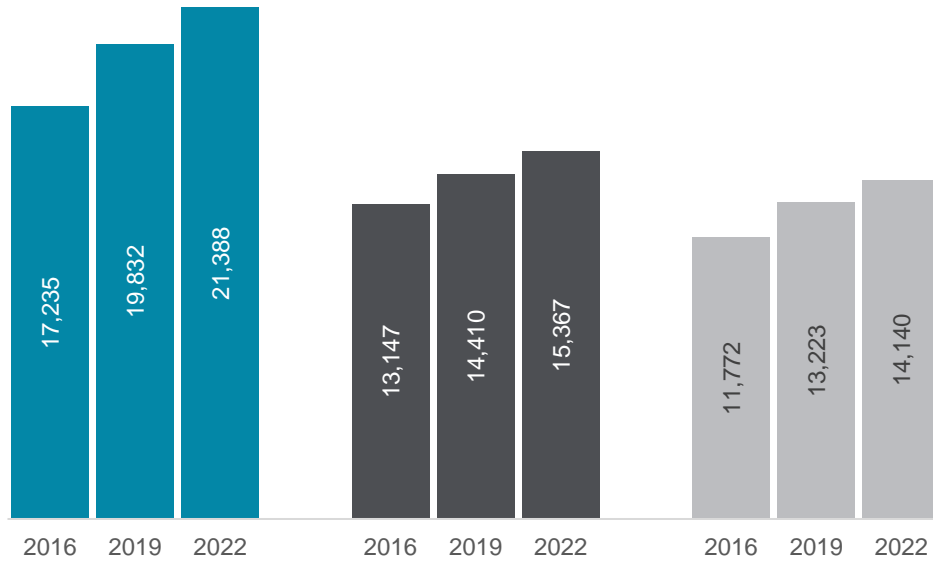
LGPS Regulations require the Administering Authority to obtain and valuation and rates and adjustments certificate every three years, to be finalised within a year of the valuation date.



Mae Rheoliadau LGPS yn galw ar yr Awdurdod Gweinyddol i gael prisiad a chytuno ar gyfraniadau pob tair blynedd. Rhaid i'r gwaith orffen o fewn blwyddyn i ddyddiad y prisiad.

Data, experience and assumptions

Data, profiadau a thybiaethau



Financial experience affecting benefit payments

Profiadau ariannol sy'n effeithio ar daliadau buddion

	Tybiad 2019 assumption	Experience Profiad	Tybiad 2022 assumption
CPI increase <i>Cynnydd CPI</i>	2.1% pa	1.7%, 0.5%, 3.1%	2.3% pa ⁽¹⁾
Pay growth <i>Cynnydd cyflog</i>	3.6% pa ⁽²⁾	c3.3% pa	3.8% pa ⁽²⁾

- (1) Plus a liability adjustment of 10% to allow for short-term inflation
Yn cynnwys addasiad rhwymedigaethol o 10% i ganiatau am chwyddiant tymor byr
- (2) Plus an age-related promotional pay scale
Yn cynnwys graddfa cyflog sy'n ddibynnol ar oedran

Average ages (unweighted)

Oedran canolrifol (amhwysol)

	Actives <i>Aelodau Actif</i>	Deferreds <i>Aelodau Gohiriedig</i>	Pensioners <i>Pensiynwyr</i>
2016	44.6	43.8	70.1
2019	44.7	44.8	70.5
2022	45.4	45.6	71.4



Assumptions best estimate except discount rate
Amcangyfrif gorau, heblaw cyfradd llog

Elements of funding strategy

Elfennau sy'n dylanwadu ar strategaeth cyllid

Prudence

Cynildeb

Built into the calculation of the liabilities (funding target)

Wedi ei ystyru pan yn cyfrifo rhwymedigaetha (targed ariannu)

Employer risk

Risg cyflogwr

Higher risk employers have a more prudent funding target

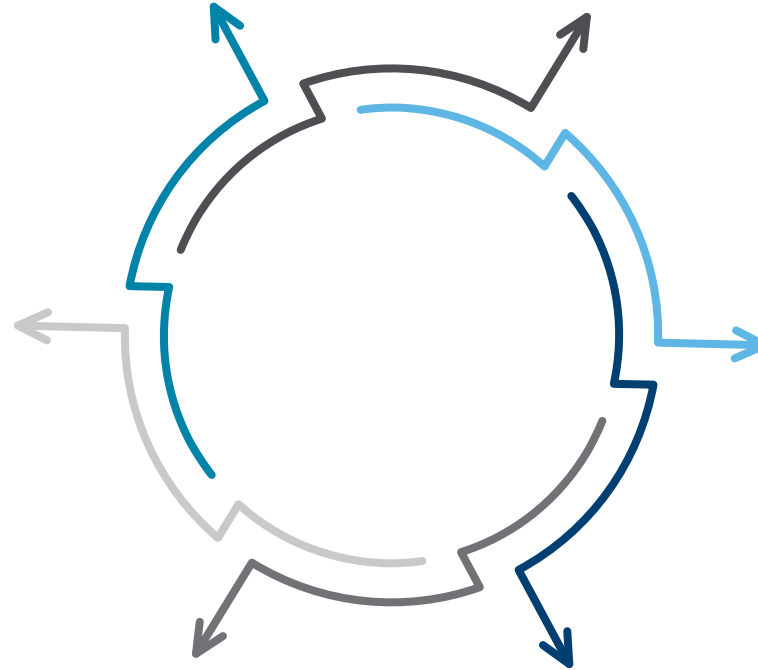
Mae cyflogwyr sydd â risg uchel yn derbyn targed ariannu mwy cynnil

Deficit recovery period

Cyfnod adfer i'r diffyg

Average future working lifetime / contract length

Cyfartaledd oes gweithio dyfodol / hyd cytundeb



Security

Diogelwch

Guarantee, bond or indemnity, commitment to subsume

Gwarant, bond neu indemniad, ymrwymiad i ymostwng

Risk/cost sharing

Rhannu risg/cost

Pooling of risks between employers

Rhannu risgiau rhwng cyflogwyr

Smoothing

Llyfnu

Stabilisation / stepping

Sefydlogi / camu



All affect the level of employer contributions actually payable

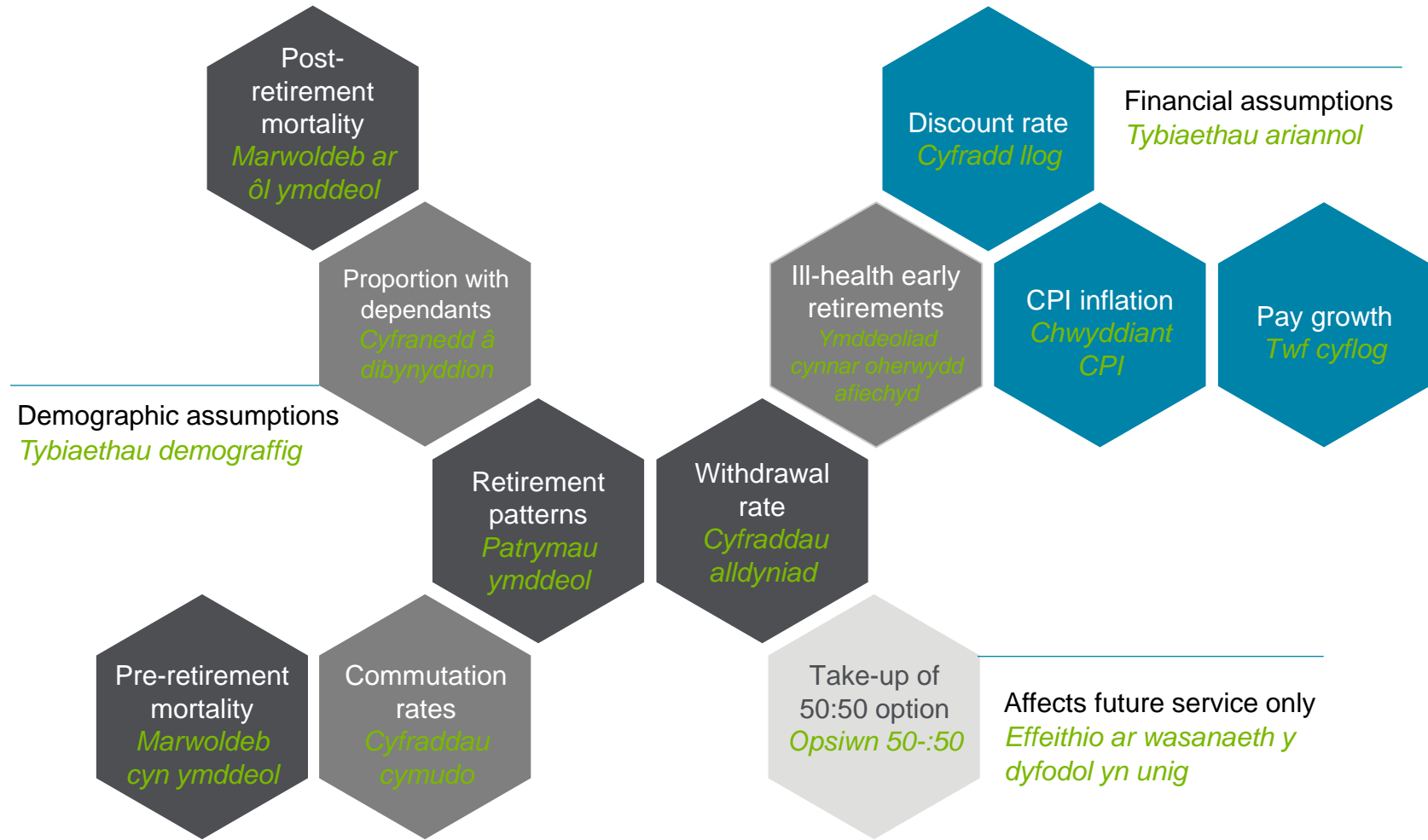
Mae'r elfennau hyn yn effeithio ar gyfraniad y cyflogwyr

Funding strategy varies by Fund (and employers)

Mae'r strategaeth cyllid yn amrywio yn dibynnu ar y Gronfa (a chyflogwyr)

Valuation of liabilities – assumptions

Tybiaethau prisiad y rhwymedigaethau



Post-retirement mortality

Marwoldeb ar ôl ymddeol

Base mortality

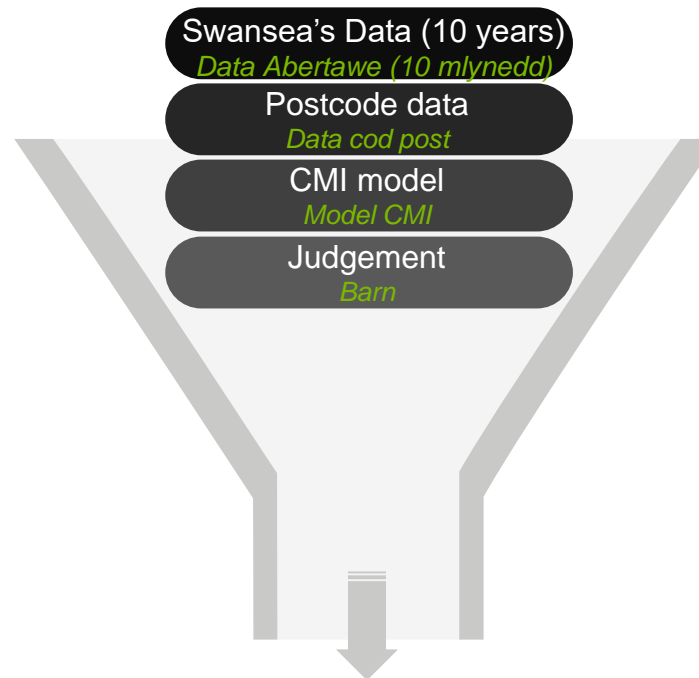
Marwoldeb sylfaenol

Analysed using Demographic Horizons™

Dadansoddi gyda Demographic Horizons™

Combination of Swansea Pension Fund experience and postcode data
Cyfuniad profiad y Gronfa a data cod post

Adjustment for experience over pandemic
Addasu i brofiad y pandemig



Best estimate Fund-specific assumptions
Tybiaethau amcangyfrif gorau i'r Gronfa

Future improvements

Gwelliannau'r dyfodol

Short-term - (CMI 2021, updated from CMI 2018) plus
Tymor byr – (CMI 2021, diweddaru o CMI 2018) a

Long-term – 1.5% per annum (same as 2019)
Tymor hir – 1.5% y flwyddyn (fel 2019)

Allowance for pandemic
Lwfans am y pandemig

Life expectancy from age 65 (normal health retirements)

Disgwiliad byw o oed 65 (ymddeol arferol)

Years Blynyddoedd	2019*	2022	Change Gwahaniaeth
Males (active currently 45) Gwrywod (gweithwyr 45 mlwydd oed)	23.4	22.8	-0.6
Males (currently 65) Gwrywod (65 mlwydd oed)	22.4	22.1	-0.3
Females (active currently 45) Menywod (gweithwyr 45 mlwydd oed)	25.9	25.7	-0.2
Females (currently 65) Menywod (65 mlwydd oed)	24.4	24.6	+0.2

Key takeaway

Ffactor allweddol

The overall impact on liabilities of our proposed mortality assumption changes is a liability reduction of less than 1%.

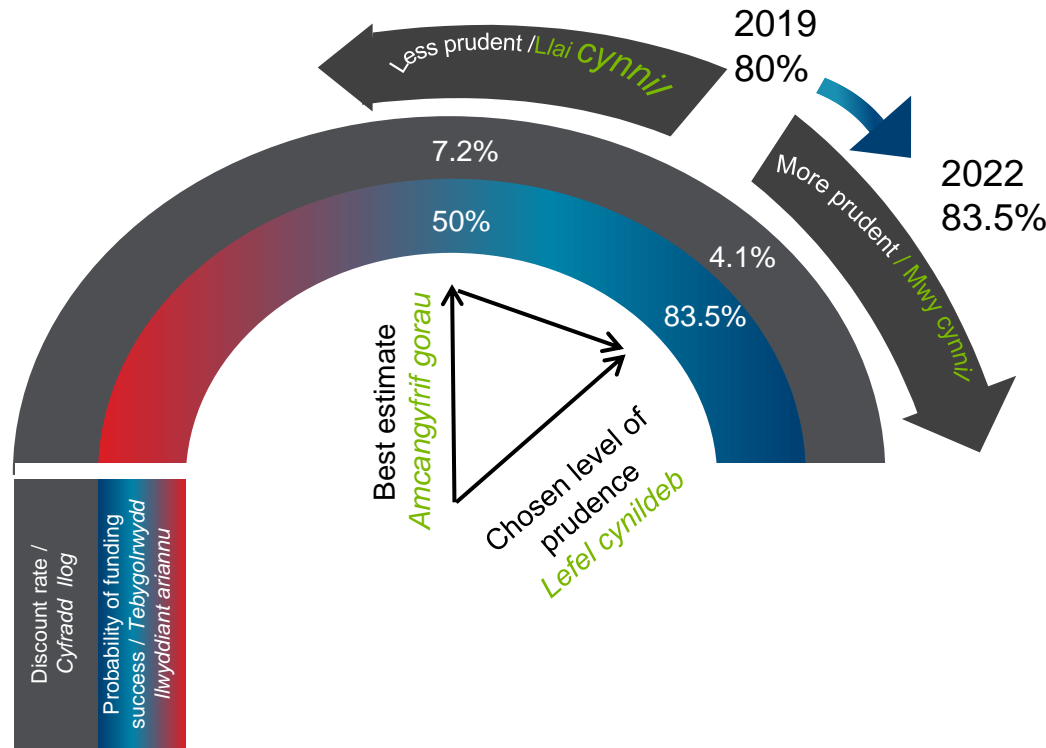
Rhwymedigaethau wedi gostwng llai na 1% o ganlyniad i newid y tybiaeth marwoldeb.

*Life expectancy for a member aged 45/65 at 31 March 2022 using the 2019 valuation assumptions
Disgwiliad byw aelod sy'n 45/65 mlwydd oed ar 31 Mawrth 2022 yn defnyddio tybiaethau 2019

Setting the discount rate – most employers

Gosod y cyfradd llog – mwyafrif y cyflogwyr

- Expected returns based on the Fund’s investment strategy
Enillion disgwyledig yn seiliedig ar strategaeth buddsoddiad
- Risk based – level of prudence – “probability of funding success”
Seiliedig ar risg – lefel cynildeb – “tebygolrwydd llwyddiant ariannu”



Sensitivity to discount rate

Sensitifrwydd i'r cyfradd llog

Discount rate <i>Cyfradd llog</i>	Cost now of paying £100 in 20 years' time <i>Cost heddiw o dalu £100 mewn 20 mlynedd</i>
4.6%	£41 (c10% lower / <i>llai</i>)
4.1%	£45
3.6%	£49 (c10% higher / <i>uwch</i>)



Supported by Aon’s Capital Market Assumptions

Cefnogwyd gan Dybiaethau Aon o'r Farchnad Gyflafaf

Level of risk in strategy reduced compared to 2019 strategy

Mae'r lefel o risg yn y strategaeth yn llai o'i gymharu â strategaeth 2019

Summary of key financial assumptions

Crynodeb o'r prif dybiaethau ariannol

% p.a.	2019	2022
Probability of Funding Success / <i>Tebygolrwydd llwyddiant ariannu</i>	80%	83.5%
Discount rate – scheduled / subsumption employer bodies / <i>Cyfradd llog cyflogwyr sefydlog tymor hir</i>	4.25%	4.10%
Discount rate - ongoing orphan bodies/ <i>Cyfradd llog cyflogwyr llai sefydlog</i>		
In service / <i>Mewn gwaith</i>	4.25%	4.10%
Left service / <i>Wedi gadael gwaith</i>	1.60%	0.80%
CPI pension increases / <i>Cynnydd CPI ar bensiynau</i>	2.10%	2.30%
Post 88 GMP pension increases (p.a.) where SPA pre 2016 / <i>Cynnydd Post 88 GMP ar bensiynau (p.a.) ble mae SPA cyn 2016</i>	1.90%	2.00%
Pay growth⁽¹⁾ <i>Cynnydd cyflog</i>	3.60%	3.80%
Short-term inflation loading / <i>Lwfans chwyddiant tymor byr</i>	n/a	10%

(1) Plus an age-related promotional pay scale. / *Yn cynnwys graddfa cyflog sy'n ddibynnol ar oedran*

Long term (in service) discount rate slightly lower than in 2019 (reduced 0.15% p.a.)

Cyfradd llog tymor hir (mewn gwaith) ychydig yn llai nag yn 2019 (0.15% y flwyddyn yn llai)

Long term best estimate inflation assumption slightly increased (additional allowance for current high levels of inflation)

Tybiaeth amcangyfrif chwyddiant tymor hir ychydig yn uwch (lwfans ychwanegol oherwydd lefelau uchel chwyddiant ar hyn o bryd)

Assumptions subject to agreement by Pension Fund Committee

Tybiaethau i'w cadarnhau gan Bwyllgor y Gronfa Bensiwn





2022 valuation results

Canlyniadau prisiad 2022

2022 whole fund past service position

Sefyllfa gwasanaeth blaenorol y Gronfa yn 2022

£M	2019	2022
Value of past service benefits for: <i>Gwerth buddion gwasanaeth blaenorol i:</i>		
Actives / <i>Aelodau Actif</i>	958.4	1,327.5
Deferreds / <i>Aelodau Gohiriedig</i>	259.6	336.1
Pensioners / <i>Pensiynwyr</i>	1,016.6	1,257.8
Value of liabilities / <i>Gwerth Rhwymedigaethau</i>	2,234.6	2,921.4
Value of assets / <i>Gwerth Asedau</i>	2,044.0	2,924.2
Past service surplus/(deficit) / <i>Gwarged/(diffyg) gwasanaeth blaenorol</i>	(190.6)	2.9
Funding ratio / <i>Lefel cyllid</i>	92%	100%

83.5% Probability of Funding Success

Tebygolrwydd o lwyddiant yw 83.5%

Additional short-term inflation allowance / risk margin in 2022 results (applying to scheduled body / subsumption funding target only)

Mae lwfans ychwanegol wedi ei gynnwys ar gyfer chwyddiant tymor byr / maint y risg yng nghanlyniadau 2022 (cyflogwyr sefydlog tymor hir)

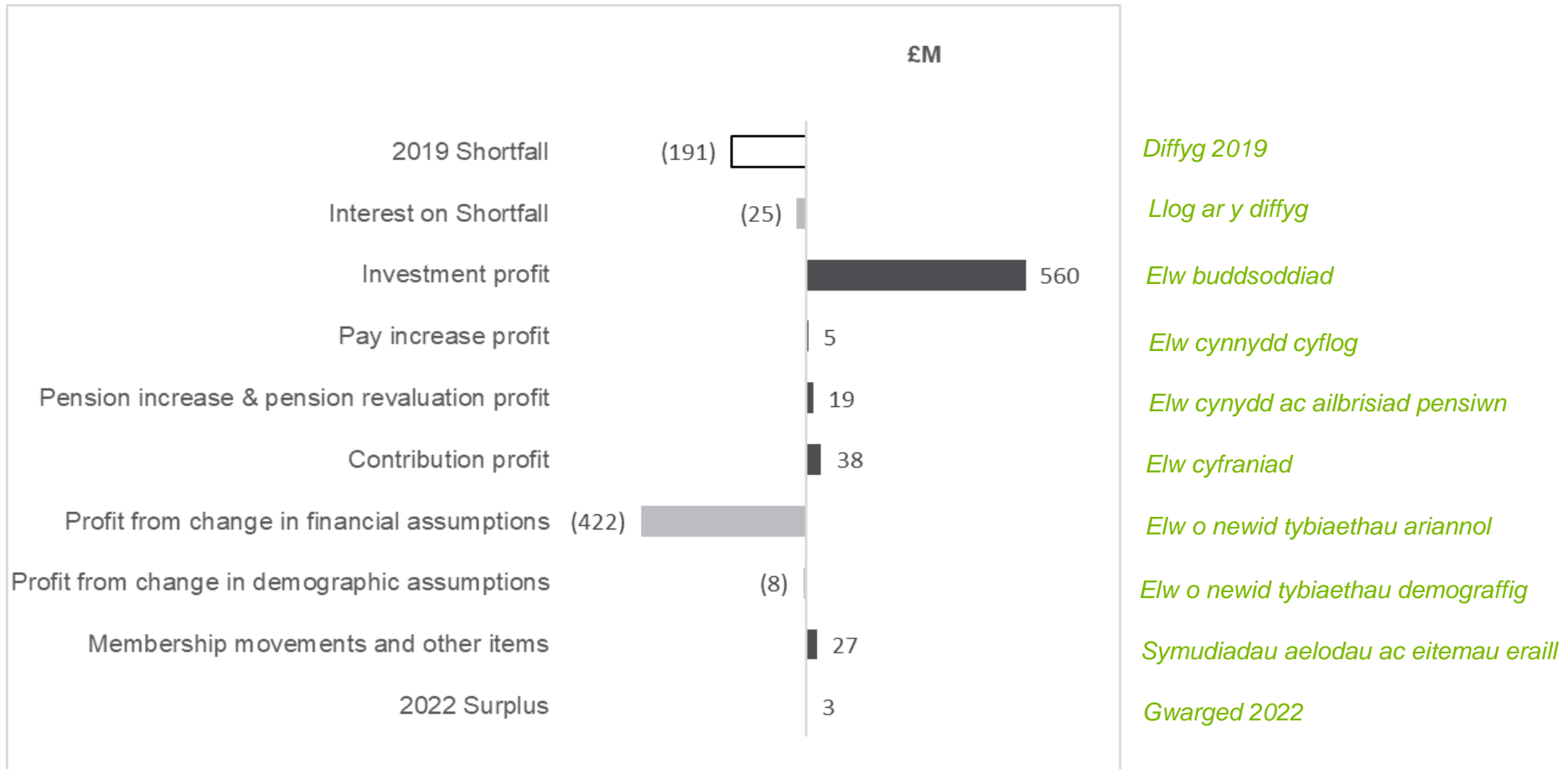


Change in funding position (2019 to 2022)

Newid yn y sefyllfa ariannu (2019 i 2022)

The deficit of £191M at the 2019 valuation has changed to a surplus of c£3M at the 2022 valuation.

Mae'r diffyg o £191M yn y sefyllfa ariannu yn 2019 wedi newid i warged o tua £3M yn 2022.



Investment gains partially offset by changes in financial assumptions

Elw buddsoddiad wedi ei rhannol gwrthbwysu gan newid yn y tybiaethau ariannol

2022 whole fund employer contributions

Cyfraniadau cyflogwyr 2022

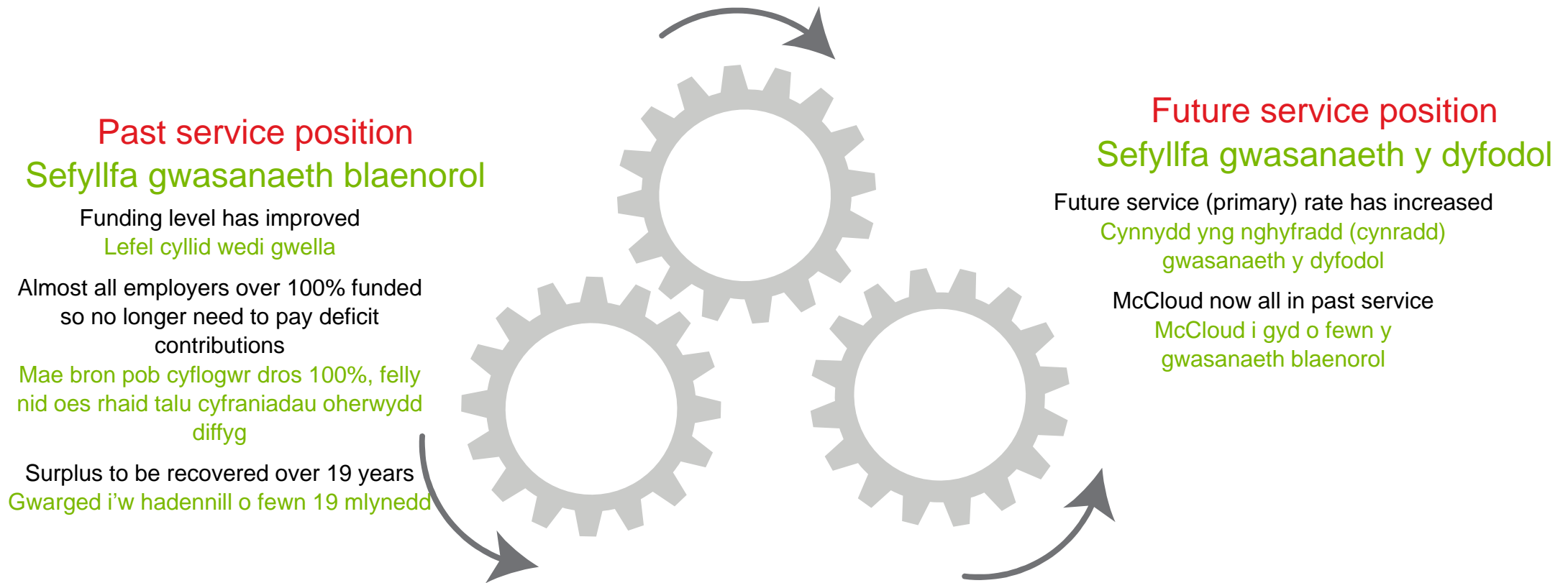
% of Pensionable Pay / % Cyflog Pensiynadwy	2019	2022
Value of benefits accruing / <i>Gwerth buddion yn cronni</i>	26.0%	27.1%
Expenses / <i>Treuliau</i>	0.5%	0.5%
Member contributions / <i>Cyfraniadau aelodau</i>	(6.3%)	(6.3%)
Net employer cost (Primary Rate) / <i>Cost i'r cyflogwr</i>	20.2%	21.3%
Surplus only recovered above / <i>Yr unig warged wedi ei adennil uchod</i>	110%	110%
Past service (Secondary) contribution rate / <i>Cyfradd cyfraniad gwasanaeth blaenorol (Eilradd)</i>	3.3%	0.0%
Allowance for regulatory uncertainty / <i>Lwfans ar gyfer ansicrwydd rheoleiddiol</i>	1.5%	n/a
Total employer rate as % Pay / <i>Cyfradd cyflogwr, % o tal</i>	25.0%	21.3%

Notes:

- Value of benefits accruing includes value of death in service lump sum benefit.
Mae gwerth y buddion sy'n cronni yn cynnwys cyfandaliad buddion marwolaeth mewn swydd.
- The employer rate certified in 2019 included an uplift for regulatory uncertainties (McCloud and Cost Management). In the 2022 valuation, the expected McCloud cost is included wholly within the past service liabilities because the remedy period ended on the valuation date.
Roedd cyfradd cyflogwyr 2019 yn cynnwys lwfans am ansicrwydd rheoleiddiol (McCloud a Rheoli Cost). Ym mhriiad 2022, mae cost McCloud wedi'i gynnwys o fewn rhwymedigaethau gwasanaeth blaenorol gan fod y cyfnod rhwymedi wedi gorffen ar ddyddiad y prisiad.
- The 2019 valuation contribution rates were based on a 19 year deficit recovery period
Roedd cyfraddau cyfraniadau prisiad 2019 wedi'u selio ar gyfnod rhwymedi o 19 mlynedd

Results for scheduled and subsumption body employers

Canlyniadau ar gyfer cyflogwyr sefydlog yn y tymor hir



Individual employer rates apply (other than future service / primary rates for the Town and Community Councils Group) – almost all employers see a reduction in contributions

Mae cyfraddau cyflogwyr unigol yn cael eu gweithredu (heblaw am gyfraddau gwasanaeth y dyfodol / sylfaenol ar gyfer Grŵp Cynghorau Tref a Chymuned) – mae bron pob cyflogwr yn profi gostyngiad yng nghyfraniadau

Ongoing orphan employer is subject to different strategy = higher contributions

Mae cyflogwr amddifad cyfredol yn dilyn strategaeth gwahanol = cyfraniadau uwch

Risks and uncertainties

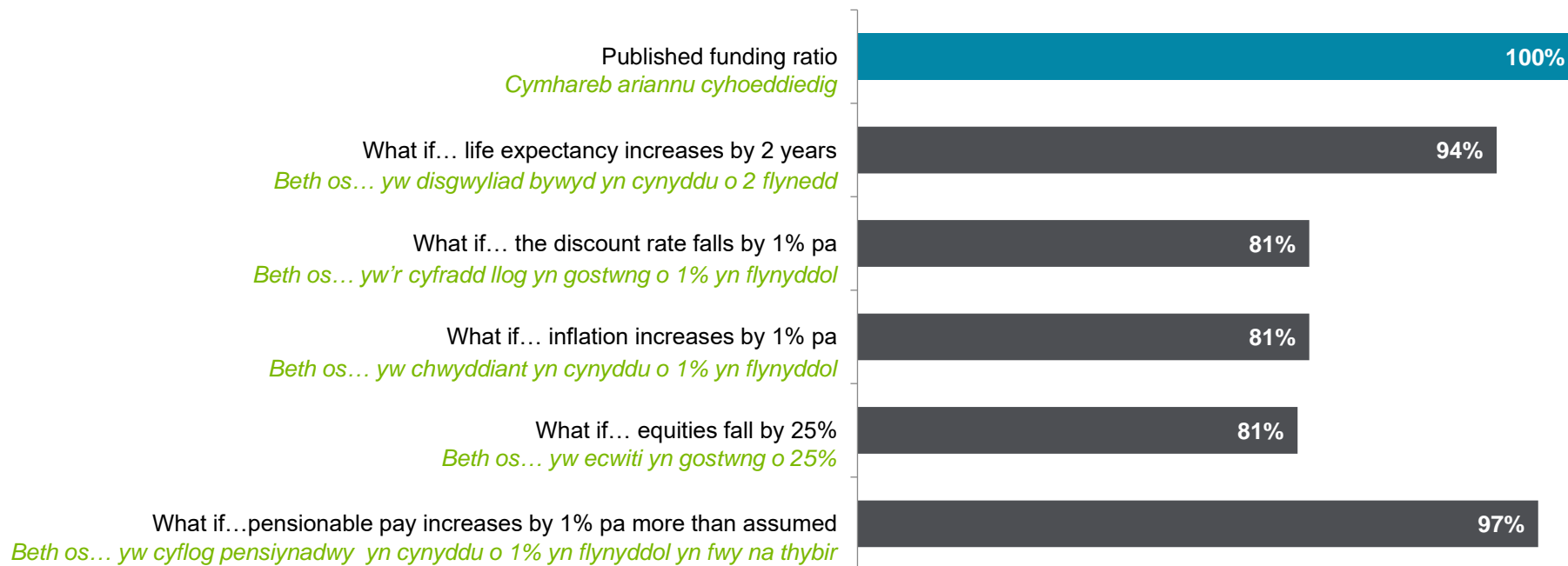
Risgiau ac ansicrwydd

The Fund faces a number of key risks

The chart below shows approximate impact of changes to assumptions / fund experience

Mae'r Gronfa yn wynebu nifer o risgiau allweddol

Mae'r siart yn amcangyfrif yr effaith o newid tybiaethau / profiad y Gronfa



Short-term inflation uncertainty is a key consideration for the 2022 valuation

Mae ansicrwydd chwyddiant tymor byr yn ystyriaeth allweddol o fewn prisiad 2022

The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation)

Gall y senarios ddigwydd mewn cyfuniad (yn hytrach nag ar wahan), a rhaid pwysleisio nad yw'r senarios yn dangos y sefyllfa gwaethaf posib.

Market movements since 31 March 2022

Symudiadau y farchnad ers 31 Mawrth 2022

2023 PI

CP 2023

To be 10.1% (set based on Sept CPI increase)
10.1% (wedi ei selio ar CPI mis Medi)

Liabilities

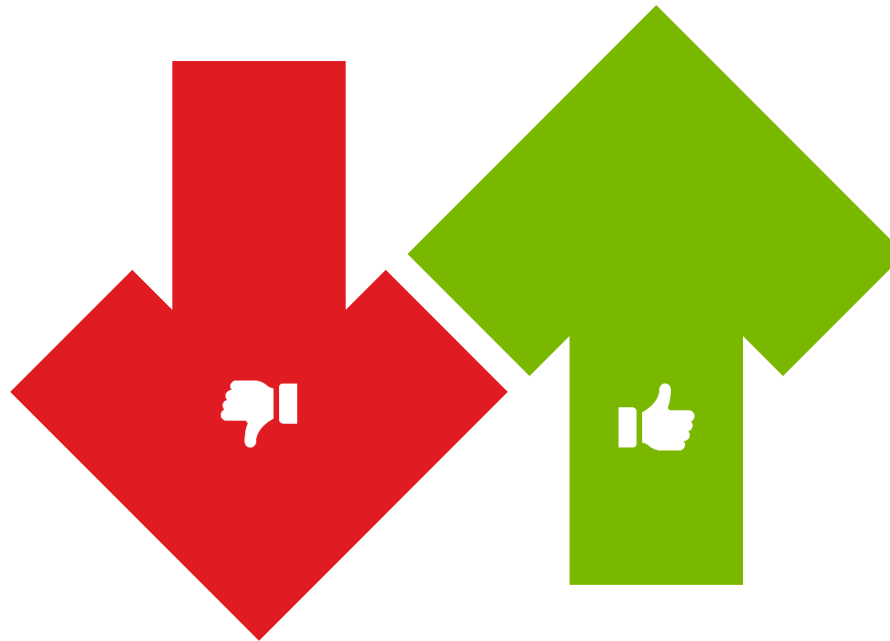
Rhwymedigaethau

Group net discount rate up c0.45% (31 December 2022)
Cyfradd llog wedi cynyddu tua 0.45% (31 Rhagfyr 2022)

Assets

Asedau

Investment return -4% (to 31 December)
Elw buddsoddiad -4% (i 31 Rhagfyr)



We have considered post valuation experience when setting employer contributions, keeping in mind the overriding objective of stability of contributions.

Rydym wedi ystyried profiad ar ôl 31 Mawrth 2022 pan yn cyfrifo cyfraniadau cyflogwyr, gan gofio'r nôd pennaf o gadw'r cyfraniadau yn sefydlog.

Any questions?
Unrhyw gwestiwn?





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