

EXECUTIVE DECISION RECORD

REF No 448.22

A1 Service Area	Finance
A2 Title	Pension Fund Contributions 2023/24 to 2025/26
A3 Decision Taken By	Deputy Leader
A4 Chief Officer	Please print name: Sal Khan Please sign name: Approval by email 280722
A5 Leader / Deputy Leader	Please print name: Cllr S Sankey Please sign name: Approval by email 310722
A6 Date of Decision	3 rd August 2022

Confidentiality

A7 Is this Decision confidential by containing exempt information as described in Schedule 12A of the Local Government Act 1972?	No
A7.1 If yes, please state relevant paragraph from Schedule 12A LGA 1972.	-

Scrutiny

A8 Which Scrutiny Committee should this decision be submitted to? *(Please tick as appropriate)* ✓

- Scrutiny Community Regeneration Committee
- Scrutiny Environment and Health and Well Being Committee
- Scrutiny Value for Money Council Services Committee

<p>B1 What is the Decision?</p>	<p>To note proposals made by the actuary for East Staffordshire to freeze employers pension contributions rates from 1st April 2023 arising from the triennial review of the Staffordshire Pension Fund; and To approve a lump sum pension pre-payment in April 2023.</p>
<p>B2 What are the reasons for the Decision?</p> <p><u>Background</u> East Staffordshire Borough Council along with the other local authorities in the County participates in the Staffordshire Pension Fund administered by Staffordshire County Council.</p> <p>Staffordshire County Council appoint a scheme actuary who amongst other responsibilities undertakes a triennial review of the pension fund to set pension contribution rates for employers for the next three years. This review is undertaken in line with the requirements set out centrally by Government. The latest review at March 2022 will formalise employer contribution rates for 2023/24 to 2025/26.</p> <p>It should be noted that the assets and liabilities for each employer within the scheme are separately maintained.</p> <p>The aim of the funding strategy and triennial reviews is to ensure that future investment returns plus future contributions equal the cost of benefits (i.e. payments to pensioners/benefits earned by scheme members). For long term and secure employers like ourselves a long term view is taken in order to smooth any short term volatility, this is usually 20 years.</p> <p>In order to assess the required level of future contributions, bearing in mind that employee contributions are set nationally, there is a recognition that markets are unpredictable and therefore a range of possible strategies are tested against future possible economic conditions and a decision matrix is utilised to determine an acceptable funding strategy.</p> <p><u>Proposed Funding Strategy</u> The current funding strategy which ends in 2022/23 increased contributions by 2% year on year and the MTF5 assumed further increases. However the actuary as advised that asset returns have performed well since the last review in 2019, despite the dip in March 2020 due to the Pandemic, although there are concerns associated with rising inflation which increases the cost of benefits.</p> <p>The actuary therefore proposes to <u>freeze</u> East Staffordshire contribution rates, although the level of actual contributions will vary depending on pay increases and payroll/staffing levels.</p>	

Upfront Lump Sum Pre-payment – April 2023

In line with the last two triennial reviews the Actuary is providing the option to pay the secondary contribution as one lump sum of £4.3m in April 2023. The benefit of this is that it includes a discount of £0.3m or 4.6%. Whilst there would be a loss of investment income from the upfront payment, forecast investment rates are lower than the 4.6% discount and therefore the upfront payment would result in a saving to the Council.

Recommendation

That the freeze in contribution rates for 2023/24 to 2025/26, as proposed by the actuary be noted, and approval of the upfront lump sum payment of the secondary contribution of £4.297m in order to benefit from the discounting on offer.

B3 What are the contributions to Corporate Priorities?	Value for Money
B4 What are the Human Rights considerations?	There are no Human Rights issues arising from this decision.

Financial Implications

B5 What are the financial implications?	The main financial issues arising from this decision are as follows:
<p>The MTFS assumed that pension contribution rates would continue to increase and therefore, as shown in the table 2 below, the proposals indicate a saving against the MTFS provisions of £0.121m in 2023/24 and £0.243m in 2024/25.</p> <p>The pre-payment is for cash flow purposes only and will be funded over the three year period 2023/24 to 2025/26 as shown in the table below.</p> <p>The actuary has also provided an outline guide to future contribution rates beyond 2025/26 to facilitate early financial planning. This indicates that the rate is likely to increase or decrease by no more than +/- 1%.</p>	

2022/23 £'000	Proposal (*Assumes upfront lump sum payment)	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
15.2%	Primary Rate (as a % of pay)	22%	22%	22%	-
1,066	Primary Value	1,585	1,617	1,649	4,851
1,750	Secondary Contribution*	1,459	1,432	1,406	4,297
2,816	Total Estimated Cost	3,044	3,049	3,055	9,148

MTFS Provision	3,165	3,292
Estimated MTFS Saving	0.121	0.243

Note – The actuary has changed percentage of the primary rate to now better reflect current more expensive long term costs.

The finance section has been approved by the following member of the Financial Management Unit:

Please print name:
Lisa Turner

Please sign name: [Approval by email](#)
[020822](#)

Policy Framework

B6 Is the Decision wholly in accordance with the Council's policy framework?	Yes
B6.1 If No, does it fall within the urgency provisions (Part 3 of the Constitution)?	NA
B6.2 Has it got the appropriate approvals under those provisions?	NA
B7 Is the Decision wholly in accordance with the Council's budget?	Yes
B7.1 If No, does it fall within the urgency provisions (Part 3 of the Constitution)?	NA
B7.2 Has it got the appropriate approvals under those provisions?	NA

Equalities Implications

B8 What are the Equalities implications:
B8.1 Positive (Opportunities/Benefits): NA
B8.2 Negative (Threats): NA
B8.3 The subject of this decision is [not] a policy, strategy, function or service that is new or being revised. An equality impact assessment is not required
B8.4 The equality impact assessment identified the following actions to be carried out: NA

Risk Assessment

B9 What are the Risk Assessment implications:
B9.1 Positive (Opportunities/Benefits): The actuary's proposal to freeze contribution rate releases financial resources for service provision. Opportunity to make cost savings by making a lump sum pre-payment.

B9 What are the Risk Assessment implications:

B9.2 Negative (Threats):

The economic conditions and high inflation may result in future increases in pension contributions. In line with the stabilisation mechanism for long term secure employers the actuary has set out that rates should not rise by more the 1% at the next review for the Council.

B9.3 The risks are referred to in the Risk Register.

Legal Considerations

B10 What are the Legal Considerations:

B10.1

Pension Fund Pre-payments are now well established within the Local Government Sector and clearly represent value for money for the employing authority.

The Local Government Pension Scheme (Administration) Regulations 2008 are silent on whether the upfront secondary contribution can be made. Employing authorities can make a business case to establish a vires trail by relying on the general power of competence to demonstrate that the arrangement reflects continuous improvement of the way its functions are carried out, pursuant to its best value duty.

Whilst there is no restriction on the upfront payment of the secondary contribution it is advisable, to be absolutely clear, that the actuary makes the necessary disclosures in the rates and adjustments certificate in line with previous reviews and associated legal advice.

This section has been approved by the following member of the Legal Team

Please print name: Sherrie Grant

Please sign name: Approval by email 280722

Sustainability Implications

B11 What are the Sustainability implications:
B11.1 The proposal would not result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures).
B11.2 Positive (Opportunities/Benefits): NA
B11.3 Negative (Threats): NA

Health & Safety Implications

B12 What are the Health & Safety implications:
B12.1 A Risk Assessment has not been carried out and entered into Safety Media for all significant hazards and risks because there are no significant hazards or risks arising from this decision.

Key Decision

B13 Is this a Key Decision? Yes

Note: A Key Executive Decision is one where:

1. **REVENUE** – Any contract or proposal with an annual payment or saving of more than £100,000
2. **CAPITAL** – Any capital project with a value in excess of £150,000
3. A decision which significantly affects communities living or working in an area comprising two or more wards.

B13.1 If this is a Key Decision, is this an urgent decision such that a delay caused by use of the Call-in Procedure would <u>seriously</u> prejudice the public interest?	No
B13.2 If yes, has the Mayor or in his/her absence the Deputy Mayor or in his/her absence the Chair of the relevant Scrutiny Committee agreed that the decision will be exempt from Call-in?	NA

NOTE: If this decision is subject to the Call-in Procedure it will come into force, and may then be implemented, on the expiry of 3 working days after publication – unless 10 Members of the Council call in the decision.

Please send the original signed document to andrea.davies@eaststaffsbc.gov.uk