

Meeting:	Pensions Committee
Date:	26/06/2023
Title:	PENSION FUND EARLY RETIREMENT STRAIN COST FACTORS
Author:	Meirion Jones, Pensions Manager
Purpose:	Seek approval to use the new factors
Recommendation:	Approve the use of the new factors

1. Introduction

Where an employee leaves on the grounds of redundancy/business efficiency and is aged 55 and over (aged 57 and over from 6/4/2028), the member is entitled to immediate payment of their unreduced pension benefits.

As a result of these unreduced benefits being paid earlier than the normal pension age, an early retirement cost is payable by the employer to cover the pension fund strain cost.

The calculation of the cost is based on:

- The member's age
- Length of scheme membership
- Pay
- Length of time to their Normal Pensionable Age, and
- Factors produced by the Fund's actuary.

Following the completion of a valuation process, the Fund's actuary has been reviewing the early retirement strain cost factors being used. Please see the appendix for the full report.

2. New factors

Hymans recommend that the current Fund factors are replaced by those shown below:

Years to Funded Retirement Date	Early Retirement Reduction	
	Existing Factors	Proposed Factors
0 (or past FRD already)	0.00%	0.00%
1	4.35%	4.34%
2	8.38%	8.42%
3	12.13%	12.67%
4	15.61%	16.61%
5	18.82%	20.27%
6	21.82%	23.66%
7	24.60%	26.80%
8	26.67%	29.72%
9	28.57%	32.42%
10	30.33%	34.92%
11	31.96%	37.26%
12	33.49%	39.43%
13	34.94%	41.02%
14	36.32%	42.50%
15	37.64%	43.89%
16	38.91%	45.21%
17	40.13%	46.48%

The new Fund factors have been compared to those in place currently. This comparison shows that the current factors understate the strain cost in most circumstances, and therefore **adopting the new factors will generally give rise to higher strain costs required from employers.**

3. Implementation of the new factors

The new factors were received in April 2023. To safeguard the fund, we were keen to implement the factors as soon as possible. A request was made in May 2023 to the Chair and Vice-chair of the Pensions Committee to implement these factors with immediate effect before the new factors can formally be adopted at the Pension Committee on the 26th of June 2023. The Chair and Vice-chair agreed, and the factors were implemented for redundancy and efficiency cases.

4. Recommendation

The Committee are asked to consider and approve the strain costs proposed by Hymans Robertson, in the summary table above and detailed in the Appendix, to be used for the calculation of strain costs going forward.