

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Prepayment of Secondary Contributions	
REPORT OF: Executive Director Corporate Services Interim	
FOR SUBMISSION TO: Pension Committee	DATE: 18 March 2026
SUMMARY OF REPORT: This report sets out a proposal from the Council, as the major employer in the Fund, to prepay its secondary contributions early for 2026-2029.	
Local Government Act 1972 – Access to Information No documents required to be listed were used in the preparation of this report. Contact Officer: Saul Omuco Head of Finance Treasury & Pensions Finance Corporate Services 5 Pancras Square London N1C 4AG Telephone 0207 974 7116 Email saul.omuco@camden.gov.uk	
RECOMMENDATION: The Committee is requested to agree that the Council can prepay its secondary contributions on 1 April 2026, amounting to £39.604m, as set out in the report.	
Signed by Director of Finance: Agreed Date: 6 March 2026	

1 INTRODUCTION

- 1.1 All employers in the Fund pay for the ongoing benefits accruing to staff (known as primary contributions). The Fund's actuary, Hymans Robertson, sets this rate and for the Council and it is currently 20.2% for 2025/26. Services within the Council are charged an 'on cost' on each and every employee in the Fund to collect these contributions.
- 1.2 At the last valuation, in March 2022, the Council as an employer was 113% funded. Employers in the Fund may also pay secondary contributions which are the costs associated with sufficiently funding benefits accrued up to the valuation date. These contributions (for the Council) are repaid over a 17-year deficit recovery period and are cash payments rather than a percentage of employee costs. This ensures that given a reducing headcount employers still put in the necessary funds for deficit repair.
- 1.3 In the latest valuation of the Fund as at 31 March 2022 the Actuary set out the following secondary contributions for the Council:

2023/24	2024/25	2025/26
£19.666m	£17.666m	£16.166m

- 1.4 The Council had in the past prepaid the 2020/21, 2021/22, and 2022/23 secondary contributions early on 1 April 2020. It paid £57.323m rather than £19.675m, £20.421m and £21.166m in the subsequent three years from 2020/21 to 2022/23 (which total £61.262m).
- 1.5 The Council is now asking to make a further prepayment on 1 April 2026 for the three financial years 2026/27, 2027/28, and 2028/29. This forms the period of the next triennial valuation cycle.
- 1.6 In exchange for the Council paying its secondary contributions early it is proposed that the Fund would discount the cash amount by the asset outperformance assumption (5.7%) the actuary has set in the latest triennial valuation for asset growth of the Fund. This prepayment would effectively be put to use early in the asset strategy and so, as long as there is growth in the Fund's assets, would accrue growth in-line with the Fund's investment strategy earlier.

- 1.7 The table below shows the Fund's asset returns over the recent past and shows that in only one of seven years has the Fund experienced a negative return. Obviously past experience is not a predictor of future performance:

	18/19	19/20	20/21	21/22	22/23	23/24	24/25
	£'000s						
Fund Value (year end)	1,658,900	1,557,100	2,095,300	2,227,350	1,926,000	2,098,000	2,152,000
Growth	78,685	-101,800	538,200	132,050	-301,350	172,000	54,000
%	4.74%	-6.54%	25.69%	5.93%	-15.65%	8.20%	2.51%

- 1.8 The Funding Strategy Statement which governs how employers make contributions to the Fund allows for the Council (under stabilisation) to make additional payments over and above those certified by the Actuary.
- 1.9 Based on this it is estimated that paying the 2026/27 – 2028/29 secondary contributions early would amount to a saving of £3.389m in the amount the Fund would accept from the Council in order to receive their secondary contributions early on 1 April 2026 (instead of accruing monthly throughout the three years).
- 1.10 Therefore, the Fund could accept a one-off payment early on 1 April 2026 of £39.604m rather than payments of £14.331 in each of the next three years from 2026/27 to 2028/29 (which total £42.99m).
- 1.11 Our auditor, Mazars, have been consulted on this proposal and have made the following points:
- Any prepayment should be made on 1 April 2026 or shortly afterwards and not any earlier. The Council is planning to make this payment on the 1 April.
 - The Actuary should state in the Rates & Adjustments certificate that the secondary contributions are 'payable' for each year covered in the next valuation period and can be prepaid. The Actuary will ensure the wording reflects this.
 - That the prepayment represents value for money for the Council. This is not something for the Pension Committee to consider but given the £3.3.89m discount to the Council this can be demonstrated
 - That the Council should finance this prepayment from working balances and should not borrow for a revenue purpose. Whilst this is not a consideration for Pension Committee the Council has sufficient investment balances to be able to cash flow this.
- 1.12 It is also worth noting that Mazars were happy with the same proposal to prepay the 20/21, 21/22 and 22/23 contributions agreed by Pension Committee in March 2020 and this year have indicated that they will be happy to sign this off based on the above points.
- 1.13 If Pension Committee agrees this approach, then the approach will be

cleared with the Fund's Auditors, Mazars. If the auditor agrees the approach this Committee will need to agree how to deploy the assets it receives early for 2026/27-2028/29.

2 FINANCE COMMENTS OF THE DIRECTOR OF FINANCE

- 2.1 The finance comments of the Director of Finance are contained within the report.

3 LEGAL COMMENTS OF THE BOROUGH SOLICITOR

- 3.1 This report proposes that the Council, acts in accordance with the Local Government Pension Scheme Regulations 2016, and contributes to the fund in line with the triennial actuarial valuation. This includes making advance payments towards the pension fund deficit contribution, which has been calculated in the triennial valuation. The Council has a duty to ensure the proper administration and management of the fund. It is appropriate for the Committee to agree the recommendation to make the prepayment in order to reduce the pension deficit cost.