

Report for: Pension Board

Date of Meeting:	3 March 2022
Subject:	Government Actuary's Department (GAD) Section 13 Report on the LGPS 2019 Triennial Valuation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – GAD Section 13 Report Appendix 2 – Appendices to GAD Section 13 Report

Section 1 – Summary and Recommendations

This report summarises the key points in the Government Actuary's Department Report into the 2019 LGPS Triennial Valuation.

Recommendations:

The Board is recommended to note the report

Section 2 – Report

1. The purpose of Section 13 of the Public Services Pensions Act 2013 was to issues of compliance, consistency, solvency and long term cost efficiency across the range of LGPS Funds. To do this, it carries out a detailed analysis of each triennial valuation, with all funds' valuation calculations being rebased using a set of common assumptions. This provides a measure of

comparison between different funds whose actuaries use different valuation approaches, methods or assumptions.

2. The full report is lengthy, and its content quite technical. It is enclosed at Appendix 1, and the various appendices to the Report are included at Appendix 2.
3. The key findings of the Report are as follows:
 - The overall funding level of the LGPS has improved from the 2016 valuation – this is largely due to the impact of strong investment returns in the period 2016-19.
 - The size of funds (assets and liabilities) has increased significantly since 2016, while the budgets of the main employers (local authorities) have not done likewise. This means that should a future fall in funding levels require an increase in employer contributions, this will put a strain on those budgets, increasing the solvency risk to some funds.
 - GAD has raised warning “flags” where solvency and long term cost efficiency considerations have caused them some concern. These highlight funds where
 - Employer contributions appear too low when considered alongside GAD’s deficit period, required return and return scope. (2 funds)
 - Employer contributions are reducing while the deficit recovery period is extended further (in effect shifting the burden from current to future taxpayers (2 funds)
 - GAD also engaged with two further funds – as a result of the engagement and clarification, neither of these funds was “flagged”. The sic funds are named in the report.
 - It should be noted that Harrow was **not** one of the six funds referred to in the above points.
4. The report contains four recommendations, as follows:
 - i. The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.
 - ii. The Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.
 - iii. Fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard
 - iv. The Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.
5. The appendices (Appendix 2 to this report) contain more detailed analysis and explanation. The following are of particular interest, as they provide more “fund specific” detail.

- Chart B1 – this compares the “ranking” of Funds’ funding levels on a local basis (i.e. their own actuary’s valuation report) and on a standardised (GAD) basis. For LBH the position is
 - Local basis 94% (50th of 88)
 - GAD basis 101% (65th of 88)

The table highlights that many funds have very similar funding levels. There are 20 funds whose local funding level is between 92 and 96%, and 16 whose standard (GAD) funding level are between 99% and 103%.

The table also shows that, using a “local assumptions” basis, the best funded has a funding level of 125%, while the worst funded of the open schemes (there is one closed scheme – the Environment Agency) is at 70%. Using standard GAD assumptions, the best funded is at 147%, and the worst at 81%.

- Chart B3 The discount rates used by actuaries in respect of past service liabilities in the local valuations for the open funds vary between 3.5% and 5.4%. the rate used for Harrow was 4.6%.

6. The Fund’s actuary, Hymans Robertson, are reviewing the report, and they will take into account as necessary those aspects which affect the approach to the forthcoming 2022 valuation.

Legal Implications

7. There are no direct legal implications arising from this report.
8. The terms of reference for the Board include assisting the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme.

Financial Implications

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council’s priorities there are no impacts arising directly from this report.

Risk Management Implications

10. The Pension Fund’s Risk Register is reviewed regularly by both this Pension Fund Committee and by the Board. The next review is elsewhere on the agenda for this meeting.
11. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund’s investment strategy.

Equalities implications / Public Sector Equality Duty

12. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

13. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 22/02/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 09/02/2022

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 11/02/2022

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Background Papers: None