

Report for: Pension Fund Committee

Date of Meeting:	23 November 2022
Subject:	Triennial Valuation 2022 – Draft Funding Strategy Statement
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1 – Draft Funding Strategy Statement (Hymans Robertson) – (To Follow)

Section 1 – Summary and Recommendations

This report provides the Committee with a draft Funding Strategy Statement reflecting the results of the 2022 valuation and requests approval to send this draft to consultation with stakeholders.

Recommendations:

The Committee is recommended to:

1. Approve the draft Funding Strategy Statement.
2. Endorse the proposals for consultation with employers and other stakeholders as set out in paragraph 6 below.

Section 2 – Report

1. The LGPS Regulations require each LGPS Fund to carry out a triennial valuation of its assets and liabilities. As previously reported, work is underway to produce the valuation, which will report the Fund's position as at 31 March 2022. The valuation is being carried out by the Fund's Actuary, Steven Law, of Hymans Robertson LLP.
2. At the end of the process, the actuary will produce a report setting out details of the Fund's assets and liabilities at the valuation date, and the probability of the scheme being fully funded in the future. The actuary will also issue a Rates and Adjustments Certificate, which will set out details of the required employer contributions for each of the Fund's employers for the three years 1 April 2023 to 31 March 2026. The final report will be submitted to the Committee in March 2023.
3. The Committee has previously received briefings and reports about the Valuation process as follows:
 - before the meeting on 24 November 2021, a training session setting out the process and timetable for the valuation.
 - 9 March 2022 a report and presentation covering the key assumptions to be used in the Valuation
 - 12 October 2022 a report and presentation detailing the initial "whole fund" results and a proposed contribution strategy for the Council (the main employer, accounting for over 80% of scheme members)
4. The valuation process is continuing. A key requirement once the results are known is the approval of a Funding Strategy Statement (FSS) – this document sets out how the Fund proposes to ensure that, over the life of the Fund it will be able to meet its present and future liabilities in full. Hymans Robertson have prepared a draft FSS – this is attached at **Appendix 1**. To simplify the FSS, some items previously included in the body of the Statement are now in appendices as follows:
 - Regulatory Framework
 - Roles & responsibilities
 - Risks and Controls
 - Actuarial assumptions
5. The FSS includes some key policies as appendices:
 - Cessations
 - Contribution Reviews
 - Pass Through Arrangements

These will clarify and standardise arrangements with any admitted bodies.

6. Before finally approving the FSS, the LGPS Regulations require the Fund to consult with "*persons the administering authority considers appropriate*", and that this must include "*...meaningful dialogue with representatives of other participating employers*". To meet this requirement, an employers' forum will

be held on 8th December 2022, at which Steven Law will present the Valuation results and FSS. This will be an online event which it is hoped will encourage good attendance. We will also publish the document on the Harrow Pension Scheme website, and it will be referred to the Pension Board's next meeting on 1st December 2022.

7. Detailed results for the remaining employers will be available in the last week of November – these will be shared with employers in advance of the employer's forum. Further to the issue reported at the Committee's last meeting, data to make the calculations without the need for a "work around" was finally obtained from the Avanti Group of academy schools.

Next Steps

8. The actuary is working to produce a long-term cash flow forecast, highlighting in particular the potential impact of the likely inflation increase in benefits payable from April 2023 and the reductions in employer contribution rates. This will be used to inform the Investment Strategy Review which will begin in Q1 of 2023.
9. The timetable for the remainder of the Triennial Valuation process is summarised as follows:
 - Employer Forum - 8 December 2022
 - PF Committee – 29 March 2023
 - Final valuation report
 - Approval of Funding Strategy Statement
 - By 31 March 2023 (statutory deadline) – Final Report including Rates and Adjustments Certificate issued
 - From 1 April 2023 onwards – new contribution rates payable by employers.

Legal Implications

10. There are no direct legal implications arising from this report.
11. The Pension Fund Committee has the following powers and duties:
 - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and

- v. to appoint and determine the investment managers' delegation of powers of management of the fund;
- vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

Financial Implications

- 12. 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. The impact of any change in the employer contribution rate will be reflected in the Council's budget and medium-term plan.

Risk Management Implications

- 13. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review appears elsewhere on the agenda for this meeting.
- 14. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 11/11/2022

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 10/11/2022

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 11/11/2022

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager
Email: Jeremy.randall@harrow.gov.uk
Telephone 020 8736 6552

Background Papers: None