

Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	2022 Triennial Valuation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Slide Presentation by Fund Actuary Appendix 2 - Funding Strategy Statement (to follow)

Section 1 – Summary and Recommendations

This report summarises latest position in respect of the 2022 triennial valuation. It also includes the Funding Strategy Statement and associated policies which will be submitted for approval to the Pension fund Committee on 29 March 2023.

Recommendations:

The Board is requested to note the report, to ask questions of the Actuary as necessary, and make any comments it wishes to be passed to the Pension Fund Committee in regard to the Funding strategy Statement and associated policies.

Section 2 – Report

1. The LGPS Regulations require each LGPS Fund to carry out a triennial valuation of its assets and liabilities. The valuation process, which reports the Fund's position as at 31 March 2022 is nearing completion. The valuation is being carried out by the Fund's Actuary, Steven Law, of Hymans Robertson LLP. Steven will attend the meeting, at which he will give a

presentation and answer any questions that Board members may have about the process and results. Steven's slides are enclosed as **appendix 1**.

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 report will also include an appendix prepared by the Government Actuary's Department (GAD) which addresses the "section 13" process through which GAD considers the valuation results and approved employer contribution rates for all LGPS Funds. The Actuary's final report will be submitted to the Pension Fund Committee in March 2023.
3. The Pension Fund Committee has to date 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
 - 13 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) – see paragraph 4 below
 - On 23 November it received a further report and presentation and approved the draft Funding Strategy Statement for Consultation.

Initial Valuation Results

4. These were reported to the Pension Fund Committee on 12th October 2022 and to the Board on 1 December 2022. They indicate that the funding position has improved, to 96% at 31 March 2022, and that the overall position indicated that a reduction in employer contribution rates is sustainable without jeopardising the long term objective of being fully funded in 20 years' time.
5. To meet the requirements placed upon actuaries, the proposed contribution strategies were "stress tested" against a number of scenarios to ascertain whether these were robust.
6. Detailed results for all employers (including proposed contribution rates for the period 1 April 2023 to 31 March 2026 have now been shared with all employers, and these will be implemented from April. Many employers have seen a small reduction in contribution rates payable from April.

Funding Strategy Statement

7. 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. The draft FSS (which included as appendices some key policies which had previously been in the body of the FSS) was considered by the Board on 1 December 2022. The consultation process has

been completed, and no significant comments were received. The final draft version will be submitted to the Pension Fund Committee for approval on 29 March 2023. The latest Draft Funding Strategy Statement is attached – **appendix 2.**

Next Steps

8. From 1 April 2023 the Fund's cash flow position will "worsen" in that pensions payable are expected to increase by 10.1% (the Regulations confirming this are awaited at the time of publishing this agenda), while employer contributions are reducing in aggregate as indicated in paragraph 6 above. Therefore, at LBH's request, the actuary has produced a long term cash flow forecast. This has been shared with the Fund's Investment Consultants, Aon, and will be used to inform the Investment Strategy Review which is now beginning. The Committee will consider the next steps for that review at its meeting on 29 March 2023.

Legal Implications

9. There are no direct legal implications arising from this report.
10. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
11. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist 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 (LGPS) including:
 - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
12. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
13. In its role, The Board will have oversight of the administration of the fund including:
 - a. The effectiveness of the decision-making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
14. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

15. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
16. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

17. There is a cost of engaging Aquila Heywood to assist in the collection of employer data in readiness to implement fully the McCloud Judgement when the new Regulations become available. The work to deliver the triennial valuation will result in additional fees payable to the Fund's actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

Risk Management Implications

18. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
19. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

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

Council Priorities

22. 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: 21/02/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 16/02/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 21/02/2023

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