

Harrow Pension Fund

Overview of 2022 formal valuation



What is a valuation?



How the Fund works



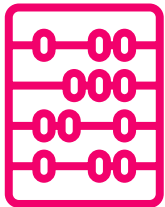
Collect money
(contributions)



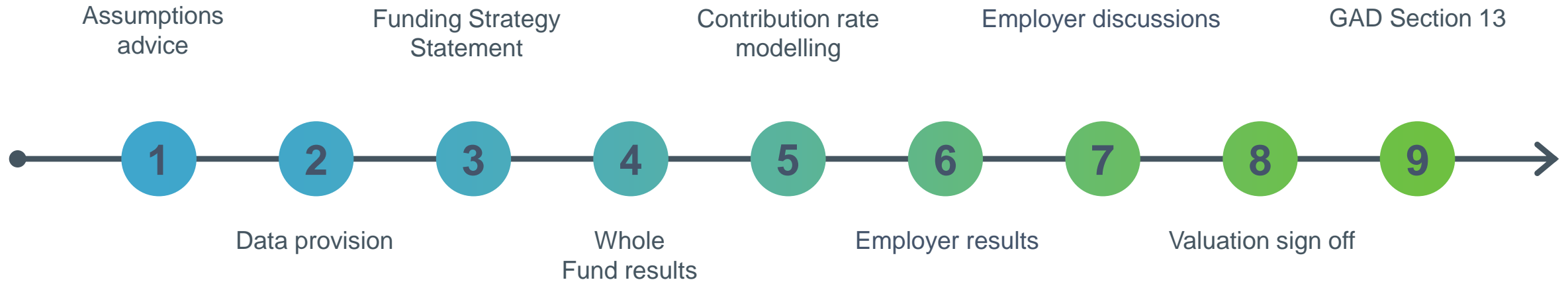
Invest money
(its assets)



Pay money out
(benefits)



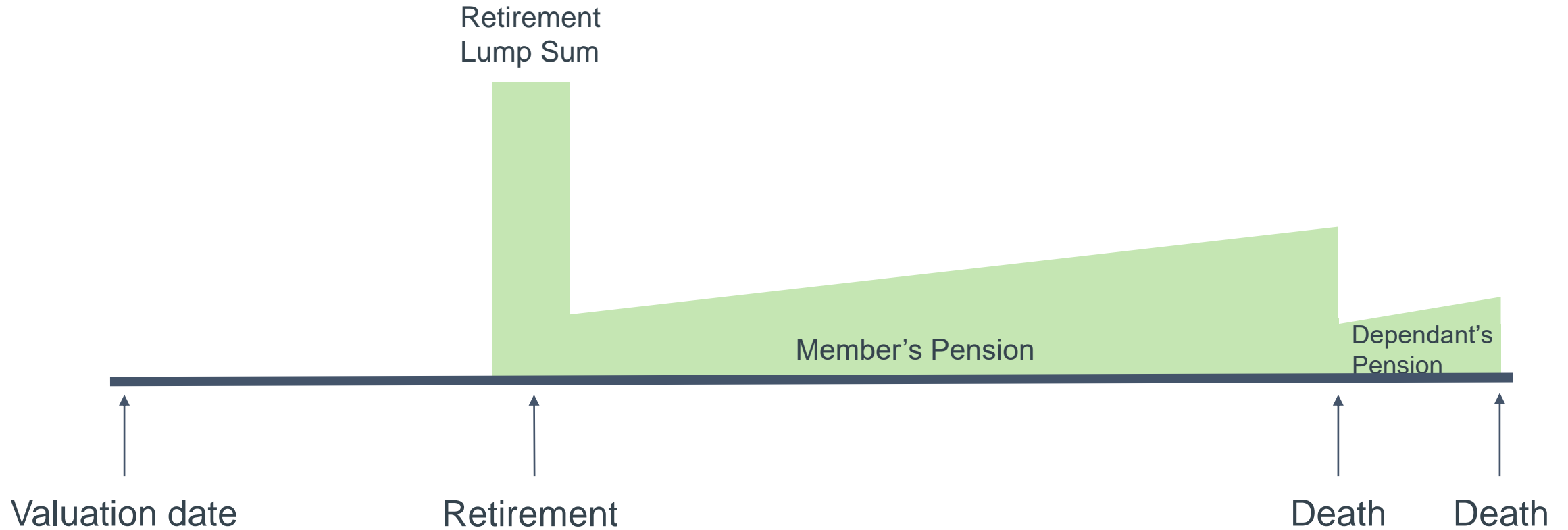
The valuation process



Assumptions



Why do we need assumptions?



Financial assumptions

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.4% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 70% likelihood of returning above the discount rate.	4.3% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.0% pa

No material change in how assumptions were derived vs 2019

Demographic assumptions

Longevity	31 March 2022	31 March 2019
Male pensioner	22.2 years	22.0 years
Male non-pensioner	23.1 years	23.1 years
Female pensioner	24.8 years	24.3 years
Female non-pensioner	26.4 years	26.3 years

Pensioners are assumed to be aged 65 at the respective valuation date and non-pensioners are assumed to be aged 45.

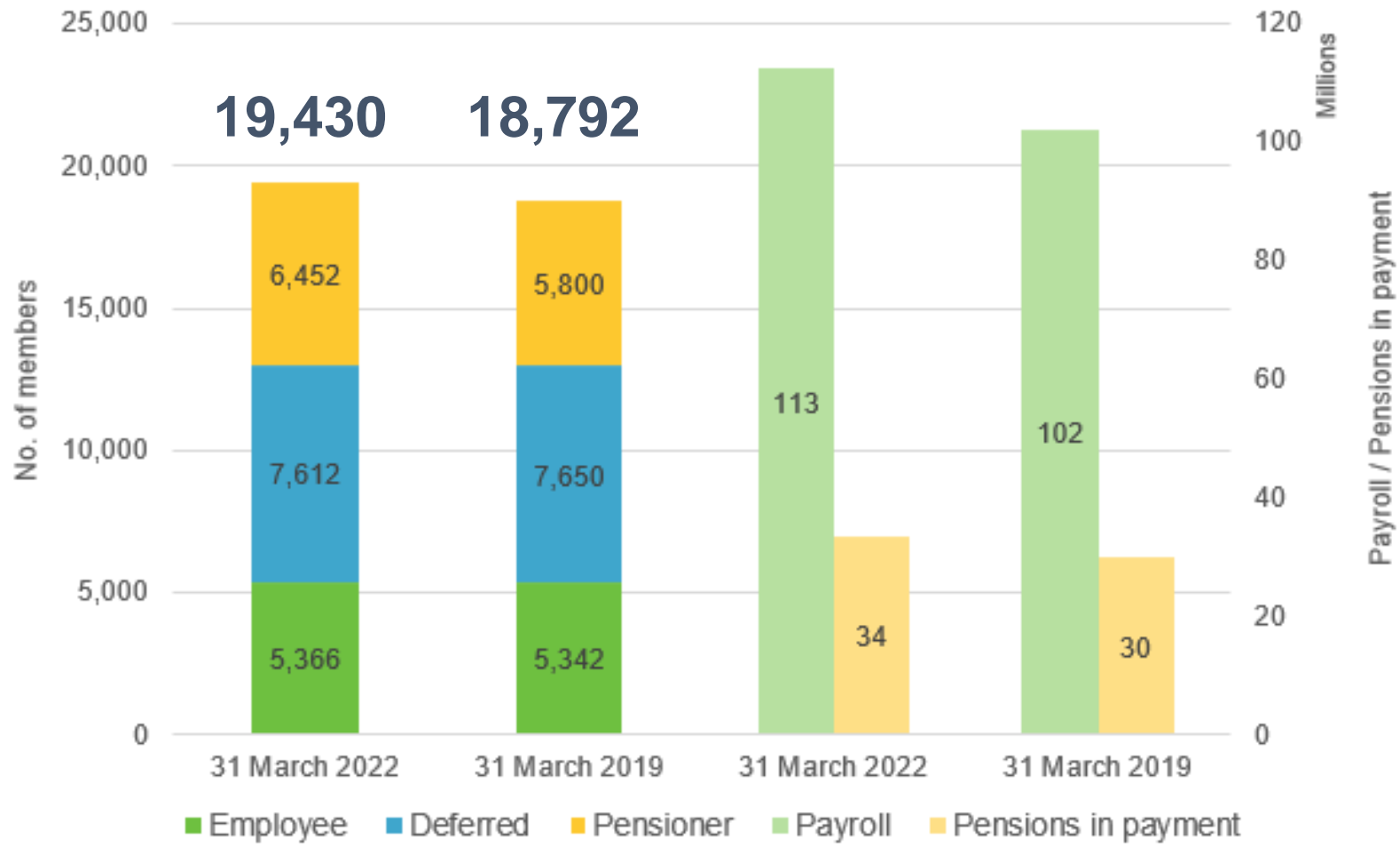
Other demographics:

- Commutation
- 50:50 Scheme
- Withdrawal
- Death in Service
- Survivors
- Death in Deferment
-

Data



Membership



Other data

- Fund accounts
- Employer level cashflows
- Investment strategy (current, strategic and planned changes)
- Membership experience
- Market data
- National membership data Mortality 'curves'

Funding Strategy Statement

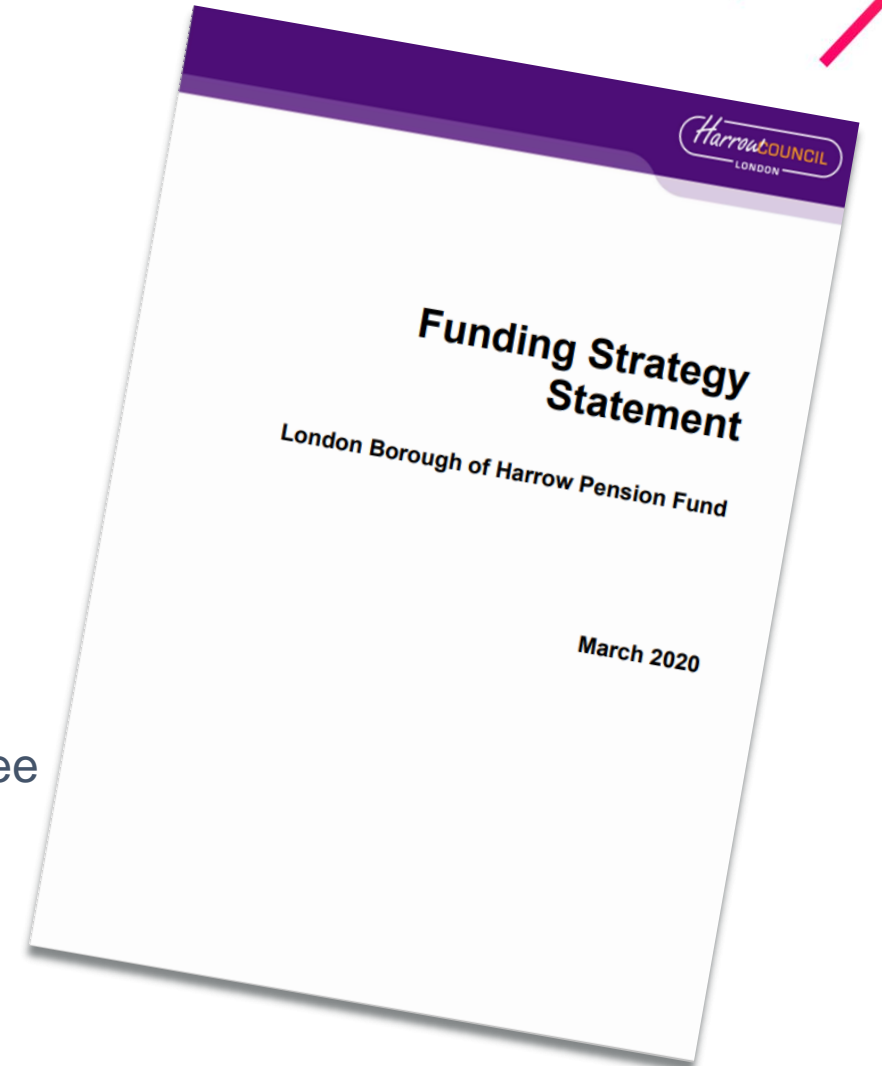
What is it?

Setting out the Fund's approach to:

- Risk management
- Setting employer contributions
- Important funding policies

Governance process includes:

- Regulatory requirement to maintain FSS
- Reviewed and updated triennially (or more frequently)
- Consulted on with employers followed by approval from Committee



Key updates

	Before	After
Layout	42 pages	24 pages + satellite policies
McCloud	Extra prudence in rates	Explicit allowance in liabilities
Contractors	80% likelihood of full funding	50-80% to manage exit credit risk
Pass-through	Optional	Default

New policies

Exit credits

- Ceasing employer in surplus
- Admin Authority determines exit credit to be paid
- FSS sets out process

Deferred Debt Agreements

- Ceasing employer in deficit
- Employer remains in fund and continues to pay contributions
- FSS sets out when this may be considered

Deferred Spreading Arrangements

- Ceasing employer in deficit
- Effectively a payment plan
- FSS sets out when this may be considered

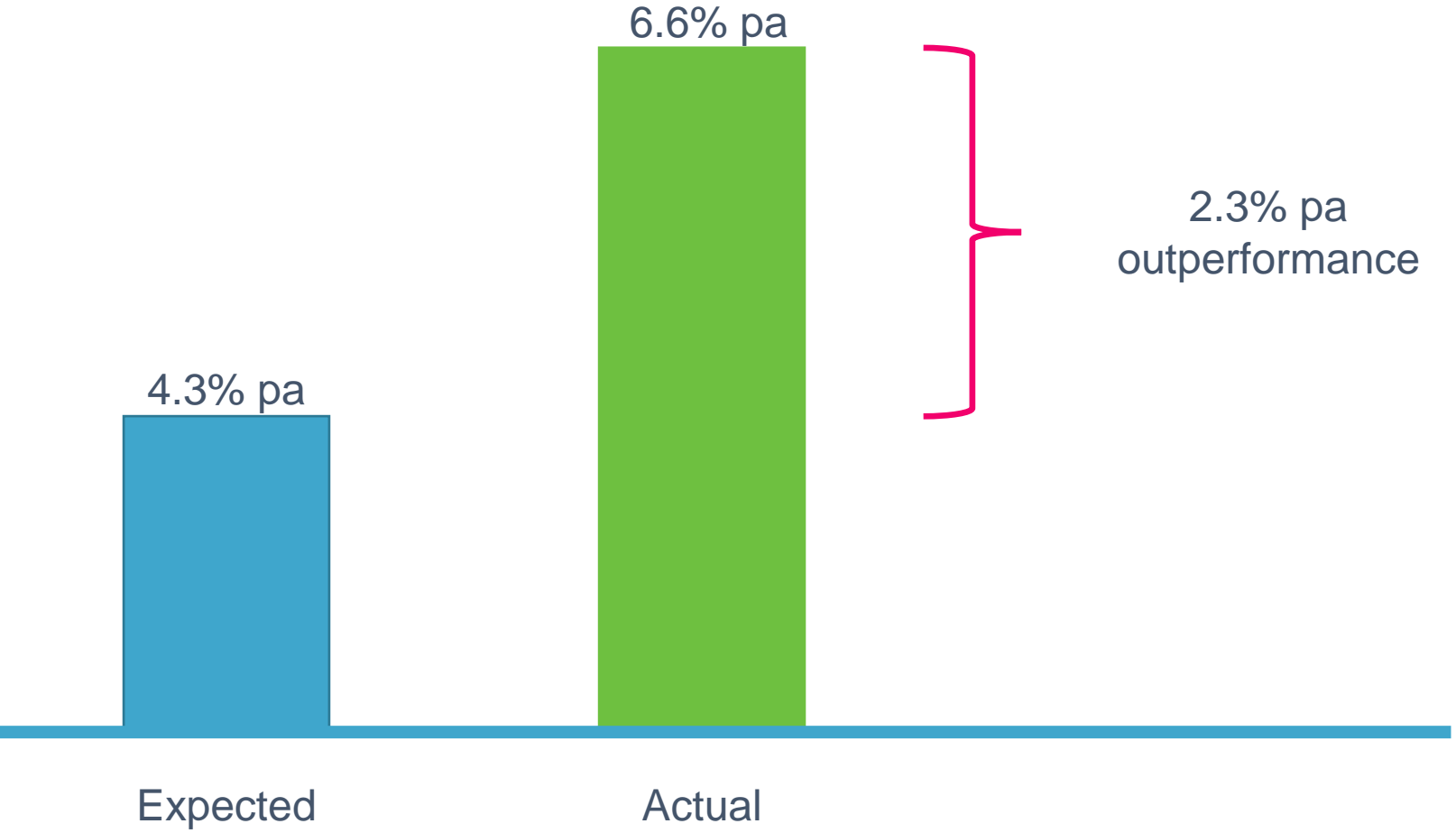
Contribution Rate Reviews

- Rates can be reviewed between valuations
- Fund or employer can request a review
- FSS sets out process and circumstances

Results - solvency



Investment returns



+£66m

Consumer's Price Inflation

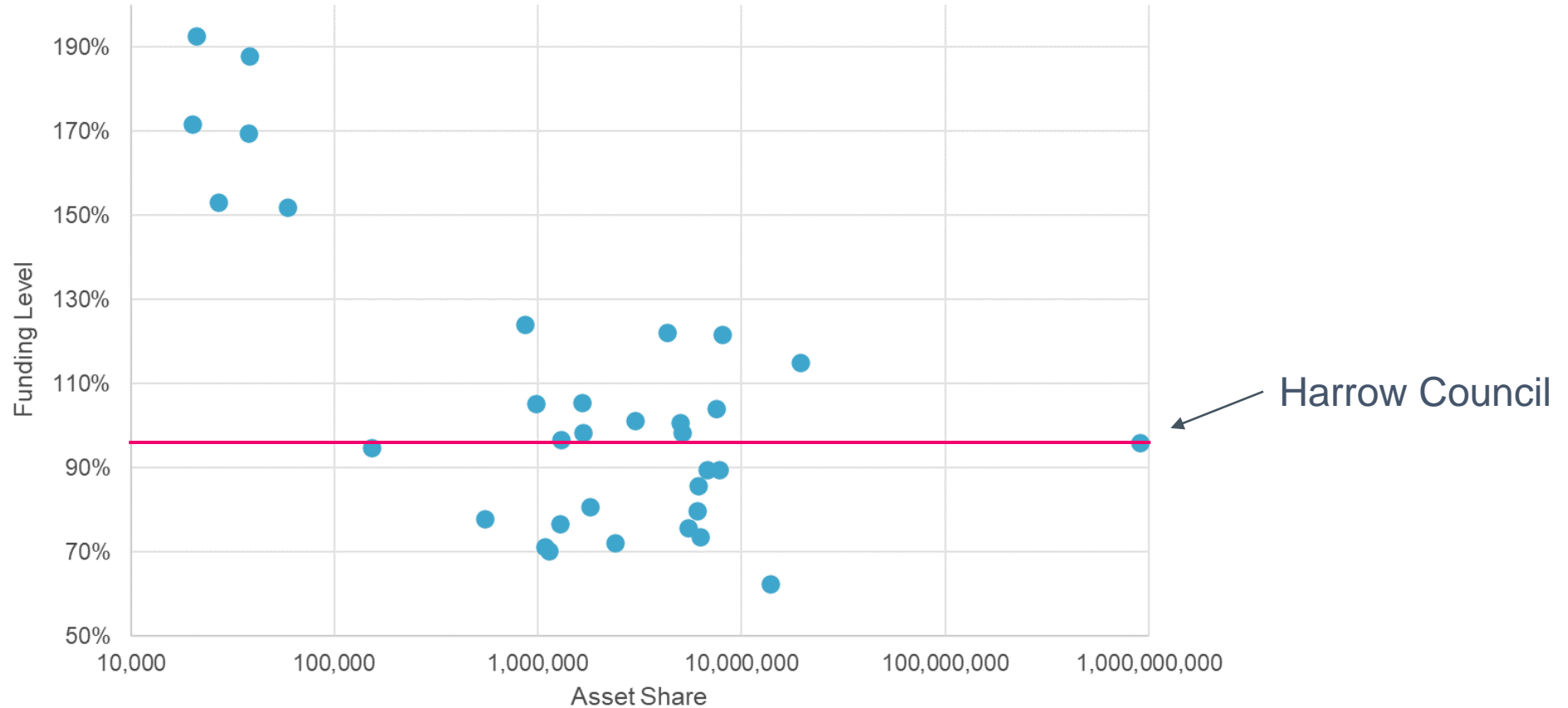


-£65m

Single reported 2022 funding position

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	344	278
Deferred Pensioners	207	178
Pensioners	506	447
Total Liabilities	1,057	903
Assets	1,018	851
Surplus/(Deficit)	(39)	(52)
Funding Level	96%	94%

Employer funding levels



Funding is carried out at individual employer level

Results - contributions



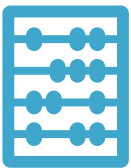
How do we set employer rates?



Level of assets we ideally want each employer to have to meet it's liabilities



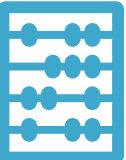


Amount of time we give employer to reach their target level of assets



The minimum likelihood of achieving the target over the given time horizon

LB Harrow

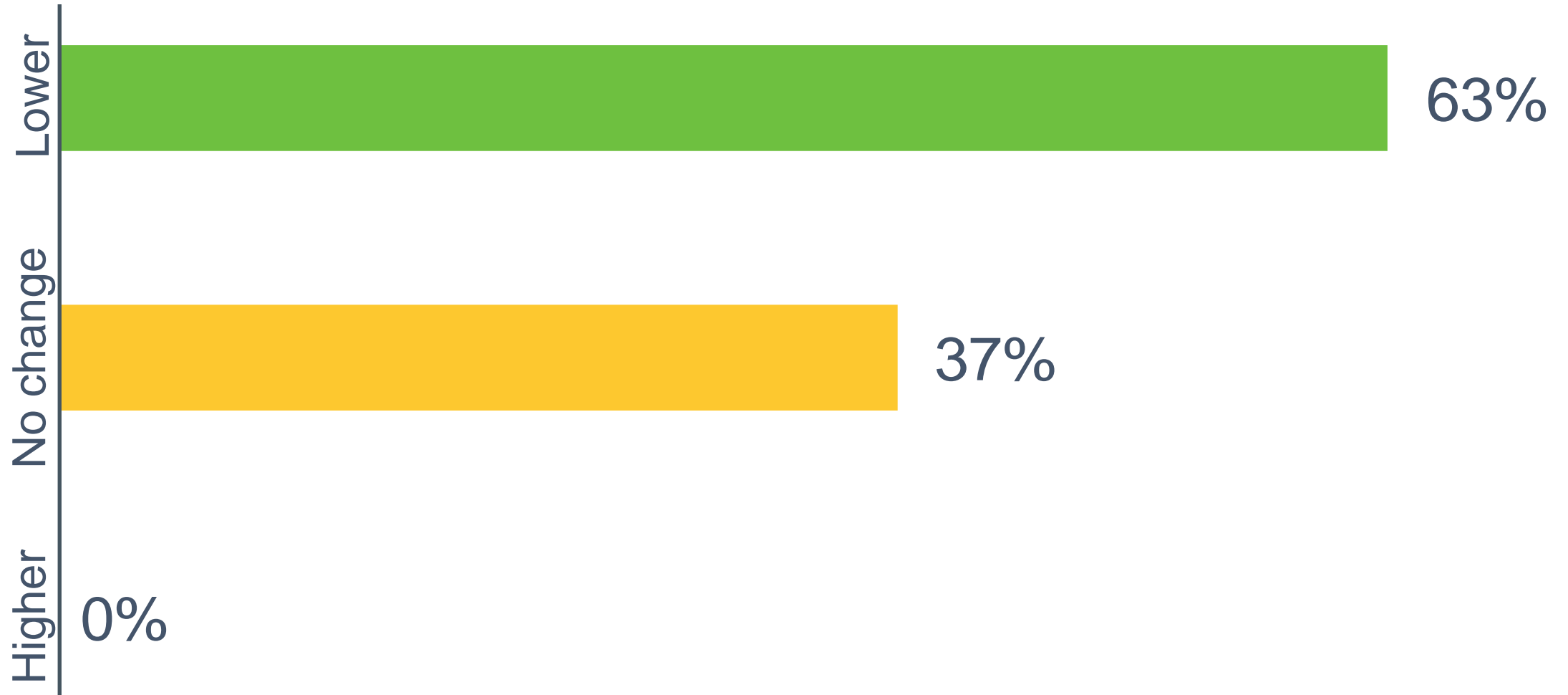
	Scheduled bodies	'community' admission bodies	Contractors
	4.4% p.a. returns	1.75% p.a. returns	3.4% p.a. returns
	20 years Maximum	15 years Maximum	Same as letting authority
	70% Minimum	70% Minimum	50-80%

Setting employer rates

Sustainability

Stability

Contribution rate changes from 1 April



Next Steps



Next steps

- Final sign-off (by 31 March)
- Monitor major risks from valuation
 - Benefit increases
 - Benefit changes
 - Cashflow
- Investment review (ISS)
- GAD Section 13 Valuation

Thank you

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