

REPORT FOR: Pension Fund Committee

Date of Meeting: 7 March 2017

Subject: Information Report - Actuarial Valuation

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1: Hymans Robertson LLP – 2016 Valuation Report including Rates and Adjustments Certificate
Appendix 2: 2016 Actuarial Valuation: LB Harrow Valuation Results and Contribution Strategy

Section 1 – Summary

This report advises the Committee of the receipt by the Council of the triennial Actuarial Valuation Report and the Council's employer's Valuation Results and Contribution Strategy produced by the Council's Actuary Hymans Robertson LLP.

FOR INFORMATION

Section 2 – Report

1. At their meeting on 9 March 2016 the Committee were reminded of the requirement of Regulation 62 of the Local Government Pension Scheme Regulations 2013 that every three years an actuarial valuation of the Pension Fund must be carried out. The last valuation had been carried out in 2013 with the results implemented from 1 April 2014. Another valuation was due and the Council had appointed the Actuary, Hymans Robertson LLP, as currently led by the partner, Ms Gemma Sefton, to carry out the work.

2. Some of the main features of the Regulations are as follows:

An administering authority must obtain—

- (a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;*
- (b) a report by an actuary in respect of the valuation; and*
- (c) a rates and adjustments certificate prepared by an actuary.*

Each of those documents must be obtained before the first anniversary of the date (“the valuation date”) as at which the valuation is made or such later date as the Secretary of State may agree.

The actuary must have regard to—

- (a) the existing and prospective liabilities arising from circumstances common to [the employers];*
- (b) the desirability of maintaining as nearly constant a common rate as possible;*
- (c) the current version of the administering authority’s funding strategy statement; and*
- (d) the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.*

3. At each of their subsequent meetings the Committee have received presentations from the Actuary covering progress on the valuation and, specifically, valuation assumptions, initial results, funding strategy and a risk based approach to setting contribution rates. The Committee has commented on the various issues raised.
4. As required by the Regulations, Appendix 1 comprises the Valuation Report including the Rates and Adjustments Certificate.
5. Appendix 2 comprises the Valuation Results and Contribution Strategy for the Council as the Fund’s main employer.

6. As previously advised to the Committee the summary on page 4 of Appendix 1 indicates that as at 31 March 2016 the Fund was in deficit by £228m (£234m as at 31 March 2013) with a funding level of 74% (70% as at 31 March 2013). The improvement in funding level is due mainly to the strong investment performance over the last three years and a favourable membership experience partly offset by a reduction in the future expected investment return and the loss of notional interest arising from the deficit.
7. As part of the valuation work the Fund has commissioned from the Actuary an asset liability modelling exercise to inform the contribution rate policy for long term secure employers in order to make a risk based decision to stabilise changes in the employer contribution rate.
8. The Regulations under which the Fund is administered allow, under specific circumstances, for adjustments to be made to the rates calculated to reflect the needs for affordability and stability of employer contributions. These arrangements are detailed in paragraph 3.3 note (b) of both the Council's current Funding Strategy Statement and the draft revised Funding Strategy Statement being considered by the Committee elsewhere on the agenda. In accordance with the draft Statement the arrangements only apply to the Council itself and the academies.
9. In accordance with the Regulations the Council has balanced its responsibilities as Administering Authority of the Pension Fund and its largest employer with its overall financial position. It has recognised the importance of increasing the strength of the Pension Fund and has agreed to increase its contribution to the Fund by approximately £1m in 2017-18 with similar increases following in 2018-19 and 2019-20.
10. In order to protect the Fund from any future reduction in payroll, these contribution rates have been translated into a percentage of pay element for future service costs and a cash payment for deficit recovery. These rates are included in the draft Rates and Adjustments Certificate and in Appendix 2.

Financial Implications

11. The additional annual contributions of £1m in 2018-19 and the two subsequent years has been built into the Council's MTFS Strategy 2017/18 – 2019/20 which was taken to Full Council on 24 February 2107.

Risk Management Implications

12. Risks arising in relation to the actuarial valuation are included in the Pension Fund risk register.

Equalities implications

13. There are no direct equalities implications arising from this report.

Council Priorities

14. The financial health of the Pension Fund and the Council's employer's contribution directly affects the resources available for the Council's other priorities.

Section 3 - Statutory Officer Clearance

Name Dawn Calvert Director of Finance

Date: 24 February 2017

Ward Councillors notified: NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
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Background Papers – None.