

Report for: Pension Board

Date of Meeting:	1 December 2022
Subject:	2022 Triennial Valuation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No - except for Appendix 1 which is exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Appendix 1: (EXEMPT) Initial Valuation Results Appendix 2: Draft Funding Strategy Statement

Section 1 – Summary and Recommendations

This report summarises progress made to date in respect of the 2022 triennial valuation and consults the Board about the draft Funding Strategy Statement.

Recommendations:

The Board is requested to:

1. note the report.
2. consider the draft Funding Strategy Statement and make any comments on that for consideration by the Pension Fund Committee.

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 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 will be asked to approve the draft Funding Strategy Statement – see paragraph xx below

Initial Valuation Results

4. These were reported to the Pension Fund Committee on 12th October 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. The presentation given to the Pension fund Committee by the actuary, Steven Law of Hymans Robertson is attached **at Appendix 1 – EXEMPT**. To discuss this in detail the Board would need to move into part II.

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. Hymans Robertson have prepared a draft FSS – this

is attached at **Appendix 2**. 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

8. The FSS includes some key policies as appendices

- Cessations
- Contribution Reviews
- Pass Through Arrangements

These will clarify and standardise arrangements with any admitted bodies.

9. 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*”. The Board is one of the parties from which the Committee is seeking views on the proposed FSS. To meet this requirement more fully 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.

10. 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 employers’ forum. Further to the issue reported at the Board’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

11. 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.

12. 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

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

14. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
15. 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.
16. 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.
17. 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
18. 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.
19. 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.
20. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

21. 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

22. 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.
23. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

24. Was an Equality Impact Assessment carried out? No
25. 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: 21/11/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/11/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 21/11/2022

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