

**Report for:** Pensions Committee and Board 19 September 2019

**Title:** 2019 Pension Fund Valuation

**Report authorised by:** Jon Warlow, Director of Finance (S151 Officer)

**Lead Officer:** Thomas Skeen, Head of Pensions, Treasury & Chief Accountant  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Non Key decision

## **1. Describe the issue under consideration**

- 1.1. The purpose of the paper is to provide information to members of the Pensions Committee and Board (PCB) regarding the 2019 fund valuation, which is currently underway, and which will be a recurring item for a number of future committee meetings.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

- 3.1. The Committee and Board note the contents of this report, and any other verbal updates provided by officers, the fund actuary and the fund's Independent Advisor in the meeting.
- 3.2. The Committee and Board approve the draft Funding Strategy Statement (FSS) attached at Appendix 1 for consultation with employers.
- 3.3. The Committee and Board delegate authority to the Head of Pensions, Treasury and Chief Accountant, to make any further changes to the FSS that as necessary prior to consultation with employers.
- 3.4. The Committee and Board note and agree the methodology and valuation assumptions proposed by the fund actuary, Hymans Robertson as outlined in their reports at confidential Appendices 2-5.

## **4. Reason for Decision**

- 4.1. The Council is currently required by law to undertake an actuarial valuation of the Fund's assets and liabilities, every three years. The Fund's FSS should remain under regular review, and there is a legal obligation to consult on this with employers.

## **5. Other options considered**

- 5.1. None

## **6. Background information**

- 6.1. The Council has appointed Douglas Green of Hymans Robertson as the Fund's Actuary. Hymans are required to carry out an actuarial valuation of the fund every three years (currently) to determine the funding level (comparison of assets with the value of promised future benefits) and the future contribution levels payable by the Council and other employers. The ongoing valuation is calculated as at 31st March 2019. Scheme benefits and the contributions payable by employees are determined by the Government.
- 6.2. A draft FSS (shown with all changes highlighted in yellow) is attached at Confidential Appendix 1. This is included for the committee's approval, and will be consulted on with employers later in 2019. It is usual to update this at the same time as undertaking the Valuation. The FSS has been reviewed and updated by the Fund Actuary, the Head of Pensions and the Independent Advisor to the Fund.
- 6.3. There are a small number of matters which cannot be finalised in the FSS at this stage, but which will be clarified before the consultation, e.g. the Fund's approach to ill health liability insurance (which will not be clarified until the November 2019 PCB meeting), hence, a delegation to a Fund Officer is sought to make these final changes to allow consultation to go ahead as required.
- 6.4. The Hymans Report at Confidential Appendix 2 sets out the assumptions and methodology proposed to be used for this Valuation. Hymans will be attending the meeting to present these and discuss them with the Committee and Board. The report is for the fund as a whole and does not discuss individual employer rates, or valuation levels as these are yet to be calculated.
- 6.5. High Level Valuation Timetable

- June – September 2019 Council Officers submit membership, investments and accounting data to Hymans, which is checked and quality assured.
- 19 September 2019 Pensions Committee and Board Meeting Hymans Robertson and Officers present both the valuation assumptions and methodology and the draft FSS for approval by the Pensions Committee and Board.
- 19 November 2019 Pensions Committee and Board Meeting The whole fund valuation results are presented (including the Council and all other individual employer contribution rates for the 3 years from 1 April 2020), along with employer risk profiling, and the ill health liability approach.
- November - December 2019 Council Officers consult with employers on the proposed FSS, and proposed contribution rates for the 3 years from 1 April 2020.
- 20 January 2020 or 5 March Pensions Committee and Board Meeting The Final Valuation report, and FSS will be presented to the committee (timing dependent on employer consultation process)

## **7. Contribution to Strategic Outcomes**

7.1. Not applicable

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### Finance and Procurement

8.1. Finance comments are contained throughout the content of this report.

### Legal Services Comments

8.2. The Assistant Director of Governance has been consulted on the content of this report. The Council as administering authority must comply with certain obligations contained in The Local Government Pension Scheme Regulations 2013.

8.3. Under Regulation 58 must have a written statement setting out its funding strategy and keep the statement under review and, after consultation with such person as it considers appropriate, make such revisions as are appropriate following a material change in the policy set out in the statement and where there are revisions, publish the statement as revised.

- 8.4. Regulation 62 requires the administering authority to obtain an actuarial valuation of the assets and liabilities of its pension funds on 31 March in every third year from 31 March 2016. The relevant date for the purpose of this report is the 31 March 2019.

#### Equalities

- 8.5. None applicable.

### **9. Use of Appendices**

- 9.1. Confidential Appendix 1: Draft Funding Strategy Statement
- 9.2. Confidential Appendix 2: Demographic Assumptions
- 9.3. Confidential Appendix 3: Life Expectancy Report
- 9.4. Confidential Appendix 4: Salary Growth Assumptions
- 9.5. Confidential Appendix 5: Setting the Discount Rate

### **10. Local Government (Access to Information) Act 1985**

- 10.1. Not applicable.