

Report for: Pensions Committee and Board 19 November 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.

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 note the draft whole fund Valuation results attached at appendix 1.

3.3. The Committee and Board note Haringey Council's employer contribution rate results attached at appendix 2.

4. Reason for Decision

4.1. The Council is currently required by the LGPS Regulations 2013 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. Appendix 1 shows the whole fund draft results as at 31 March 2019. Draft contribution rates for all individual employers are not yet calculated, but this will be done in coming weeks, and officers will consult with employers on these rates prior to them being finalised. Generally individual employer funding positions are expected to be improved in line with the overall fund position improvement.
- 6.3. The overall fund results show a funding position as at 31 March 2019 of 100%, the previous valuation of the fund as at 31 March 2016 showed a corresponding 79% position. The methodology for calculating the overall fund position has been varied from the 2016 Valuation as has been discussed with the Pensions Committee and Board in previous meetings. An improved funding position was anticipated due to the change in methodology, however there are also underlying improvements in the fund's position which contribute significantly to this improvement: the largest being the fund's returns on investments, which total nearly 40% over the three years of the valuation, far exceeding actuarial assumptions at the last valuation.
- 6.4. It is important to note that the overall reported funding level does not directly drive individual employer contributions which will be set, this is done using a combination of numerous factors bespoke to each employer's particular position, including covenant etc.
- 6.5. Appendix 2 shows the methodology for calculating Haringey Council's contribution rate. The Council rate will decrease by 0.5% in each of the three financial years from 1 April 2020, from the current 26.4% of pensionable pay. (i.e. reducing to 25.9% in 2020/21, 25.4% in 2021/22 and 24.9% in 2022/23).
- 6.6. A high level valuation timetable which has previously been presented to the Pensions Committee and Board is included below for reference.

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's contribution rates for the 3 years from 1 April 2020), 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, including all individual employer contribution rates, 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 and the attached appendices.

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. The actuary must have regards to and valuation report must contain the information required by the Regulation.
- 8.5. The employer contributions and the payments are a requirement of Regulations 67 to 71.

Equalities

- 8.6. None applicable.

9. Use of Appendices

- 9.1. Confidential Appendix 1: Overall funding position (Pages 59 – 76)
- 9.2. Confidential Appendix 2: Haringey Council employer contribution modelling (Pages 77 – 117)

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.