

Report for: Pensions Committee and Board – 12 September 2022

Title: Haringey Pension Fund Actuarial Valuation 2022

Report authorised by: Toyin Bamidele, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury,
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Ward(s) affected: Not applicable

**Report for Key/
Non Key Decision:** Not applicable

1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board (PCB) with information regarding the 2022 actuarial valuation exercise which is currently underway, and which will be a recurring item for several of the upcoming PCB meetings.
- 1.2. The report covers initial advice on assumptions from the Pension Fund's actuary, Hymans Robertson, as well as an overview of the valuation process to be carried out over the coming months.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note Hymans Robertson's Advice on Assumptions paper, appended as Confidential Appendix 1, and the advice contained therein.
- 3.2. To agree the methodology and valuation assumptions proposed by the Pension Fund's actuary, Hymans Robertson as outlined in Confidential Appendix 1 to this report.

4. Reason for Decision

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required by law to undertake an actuarial valuation of the Pension Fund's assets and liabilities, every three years.

4.2. The Council has delegated the responsibility to exercise all the Council’s functions as the Pension Fund’s Administering Authority to the Pensions Committee and Board.

5. Other options considered

5.1. All the relevant options under consideration are detailed in Hymans Robertson’s Advice on Assumptions paper, appended as Confidential Appendix 1 to this report.

6. Background information

6.1. The Pension Fund is required to undertake an actuarial valuation of the Pension Fund’s assets and liabilities, every three years. This exercise, also referred to as the “triennial valuation”, determines the contribution rates payable by the scheme’s employers, which include Haringey Council, for the next three years from 1 April 2023. Scheme benefits and contributions payable by employees are determined by the Local Government Pension Scheme (LGPS) regulations.

6.2. Employer contribution rates are set such that there are enough assets to meet future benefit payments, within the agreed funding time horizon. Due to the uncertainty regarding the events that may occur over the funding time horizon, assumptions are required.

6.3. There are two main types of assumptions, financial assumptions such as inflation and expected investment returns; and demographic assumptions which estimate scheme members life expectancy. The table below summarises the key assumptions included in Confidential Appendix 1 for the PCB’s consideration.

Table 1 – Summary of Key Assumptions

Discount rate	A discount rate is required to place a prudent value of benefits due after the funding time horizon. This value determines each employer’s funding objective and impacts on the amount of money the Pension Fund is willing to hold to meet future benefit payments as well as the Pension Fund’s target for investment returns.
Consumer Price Index (CPI) Inflation	LGPS scheme member benefits are increased by CPI inflation each year to adjust for the changes in the cost of living. An increase in the assumed future inflation will increase inflation linked liabilities.
Salary increases	This is the assumed increase in employee pay which particularly impacts on benefits paid to members for service earned prior to 31 March 2014, when the scheme changed from Final Salary to CARE. Hymans Robertson do not anticipate this assumption will be as significant as it has been in previous valuations.
Funding Level	A key output of the valuation is a measurement of past service liabilities at the valuation date to determine the funding level. An



	<p>assessment of the likelihood of achieving the assumed future investment return will be required. This is referred to as the prudence level.</p> <p>The prudence level does not affect employer contributions and is mainly applied when reporting and tracking the Pension Fund's funding level.</p>
Longevity assumptions	<p>Longevity assumptions impact on how long the Pension Fund can expect to pay a pension to each member and their dependants. An analysis of longevity is carried out by Club Vita, a firm of longevity experts who have partnered up with Hymans Roberson for this work.</p> <p>The PCB will need to consider how much weight is placed on recent years due to the impact of COVID-19.</p>

6.4. A detailed assessment of the assumptions under consideration is included in Confidential Appendix 1 to this paper.

High Level Valuation Timetable

6.5. The table below outlines the high-level timetable for the valuation process.

Table 1 – Actuarial Valuation Timetable

Activity	Key Dates	Progress Update
Assumptions advice and contribution rate modelling. Hymans Robertson to provide training and present to the PCB on 12 September 2022.	September 2022	Completed
Pension Fund data provision to Hymans Robertson which includes fund membership, investment, and accounting data.	September 2022 – October 2022	In progress
Whole Fund Results and Funding Strategy Statement. Hymans Robertson to present the fund valuation results to the PCB on 22 November 2022.	November 2022	On target
Employer results and consultation. Officers to consult with employers on proposed Funding Strategy Statement and contribution rates for the 3 years from 1 April 2023.	December 2022 – January 2023	On target
Final valuation report and Funding Strategy Statement. Hymans Robertson to present final reports to the PCB on either 23 January 2023 or 21 March 2023 (timing dependent on employer consultation process)	January 2023 – March 2023	On target

Activity	Key Dates	Progress Update

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including Procurement), Head of Legal and Governance, Equalities)

Finance and Procurement

8.1. The advice on assumptions included in Hymans Robertson's report has various financial implications on the Pension Fund and the employers participating in the Haringey Pension Fund Local Government Pension Scheme. Finance comments related to these implications are contained throughout the report.

Comments of the Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents 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 a it considers appropriate, make such revisions as are appropriate following a material change in the policy set out in the statement 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 2022.

Equalities

8.5. Not applicable.

9. Use of Appendices

9.1. Confidential Appendix 1: Advice on Assumptions

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.