

Report for: Pensions Committee and Board – 21 March 2023

Title: Haringey Pension Fund Final Actuarial Valuation Results and Funding Strategy Statement

Report authorised by: Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury,
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Ward(s) affected: N/A

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

1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board with information on the outcome of the actuarial valuation exercise at 31 March 2022.
- 1.2. The report presents the conclusions made by the Fund's actuary, Hymans Robertson, regarding the actuarial valuation results for the whole fund. This includes revised contribution rates for the next three years starting on 1 April 2023, as well as the funding position as of the valuation date.
- 1.3. An updated version of the Funding Strategy Statement has also been included for the Pensions Committee and Board's approval, subject to the completion of the consultation with the Fund's employers.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the Haringey Pension Fund Report on the actuarial valuation at 31 March 2022 report, prepared by the Fund's Actuary, Hymans Robertson, and appended as Appendix 1 to the report.
- 3.2. To approve the draft Funding Strategy Statement (FSS), appended as Appendix 2 to the report, subject to the completion of the consultation with the Fund's employers. If material changes to the FSS are required as a result of the consultation, a revised FSS will be brought to the Pensions Committee and Board for approval.

- 3.3. To note the draft Rates & Adjustments Certificate provided by the Fund's Actuary, Hymans Robertson, and appended as Confidential Appendix 3 to the 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. The Pensions Committee and Board agreed the underlying assumptions for the valuation at a previous meeting. This report presents the Fund's final valuation results based on the agreed-upon set of assumptions.
- 4.2. Administering authorities are required to prepare a Funding Strategy Statement and keep it under regular review, updating the document as necessary. Legal obligations stipulate that employers should be consulted on the contents of the document. This consultation is currently underway and is to be concluded before the end of the financial year.
- 4.3. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

5. Other options considered

- 5.1. Not applicable.

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. In addition to this, the valuation results also report a single funding level for the 2022 valuation. This is based on the agreed-upon discount rate and likelihood of achieving the assumed future investment return.
- 6.3. The table below provides a high-level overview of the actuarial valuation activity that took place during 2022 and the early part of 2023.

High-Level Valuation Exercise Summary

Activity	Key Dates	Progress Update
Assumptions advice and contribution rate modelling. Hymans Robertson provided training to PCB members prior to providing this advice 12 September 2022.	September 2022	Completed
Pension Fund's officers provided data to Hymans Robertson which included fund membership, investment, and accounting data.	September 2022 – October 2022	Completed
Whole Fund Results and Funding Strategy Statement. Hymans Robertson presented the draft fund valuation results to the PCB on 22 November 2022.	November 2022	Completed
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.	January 2022 – March 2023	Completed*
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	Completed**

* pending the completion of the employer consultation on the updated Funding Strategy statement

** pending the presentation of this report to the Pensions Committee and Board meeting on 21 March 2023

Contribution rates

- 6.4. The report prepared by the Fund's Actuary, highlights the importance of setting employer contribution rates at a level that ensures the Fund has enough money to pay members' benefits. The Actuary has applied a risk-based approach in setting employer contribution rates due to the uncertainty of future liabilities.
- 6.5. The table below summarises the primary and secondary contribution rates for the whole fund for the period 1 April 2023 to 31 March 2026.

This valuation 31 March 2022			
Primary rate	17.5% of pay		
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	£3,460,000	2.0%
	2024/25	£4,242,000	2.4%
	2025/26	£5,077,000	2.7%

- 6.6. The primary rate is the estimated cost of future benefits, expressed as a percentage of pay. The secondary rate is an adjustment to the primary rate,

generally made to reflect the costs associated with benefits that have already been earned up to the valuation date.

- 6.7. Compared to the previous valuation exercise carried out in 2019, the primary rate has decreased mainly due to the higher expected returns in the future. The secondary rate has also decreased due to the good investment performance since the previous valuation.
- 6.8. Employer contribution rates are determined based on a combination of factors unique to each employer's position in the Fund. This work has been completed, and all employers participating in the Fund have been consulted on their individual contribution rates prior to this meeting.

Funding Position

- 6.9. The funding position is a comparison between the projected future benefit payments for current members and the assets held by the Fund at the valuation date. While the asset value is known, the liabilities are uncertain and require assumptions based on the likelihood of achieving the assumed future investment return.
- 6.10. The table below compares the single reported funding position at 31 March 2022, with that of 31 March 2019.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	464	376
Deferred Pensioners	410	361
Pensioners	722	640
Total Liabilities	1,596	1,378
Assets	1,803	1,384
Surplus/(Deficit)	207	6
Funding Level	113%	100%

- 6.11. The single reporting funding position of 113% is calculated using a discount rate of 4.3% per annum and a 70% probability of achieving the expected investment return. For the Fund to remain fully funded, a return of 3.6% per annum is required, with an assumed probability of 78% of achieving this return.
- 6.12. The results show a significant improvement in the funding position of the Fund compared to the 2019 valuation, across the board. The main factor driving the funding position improvement has been the stronger than expected investment returns over the past three years. Although the updated membership data has

resulted in overall liability increases for the Fund, these have been more than offset by the strong investment performance over the period.

- 6.13. In this context, the PCB will need to consider the Fund's investment strategy to ensure it is aligned with the expected growth in the Fund's long-term obligations.
- 6.14. Additional information about the Fund's actuarial valuation can be found in Appendix 1 of this report, titled "Report on the Actuarial Valuation at 31 March 2022". This report was prepared by the Fund's Actuary, Hymans Robertson.

Updated Funding Strategy Statement (FSS)

- 6.15. Under the Local Government Pension Scheme Regulations 2013 ("LGPS Regulations"), all funds are required by law to produce a Funding Strategy Statement (FSS). The FSS focuses on how employer liabilities are measured, the pace which the liabilities are funded, and how employers pay for their own liabilities.
- 6.16. The FSS is therefore an integral part of the actuarial valuation and is prepared by the Fund, in collaboration with the Fund Actuary. The 2022 review undertaken by the Fund Actuary focused on adapting the FSS to the changing regulations and environment within which the Fund operates. The PCB was advised of the outcome of this review at its last meeting.
- 6.17. Following this, the Fund has reviewed its existing FSS and made the necessary changes. There are no material changes in the funding strategy at the 2022 valuation. However, the document has been updated to improve the accessibility and navigation for stakeholders.
- 6.18. However, part of this review process has identified several key policies that will require further review during the upcoming financial year. These will be presented to the PCB for consideration at subsequent meetings.
- 6.19. LGPS Regulations require the FSS to be subject to a formal consultation prior to being agreed. The consultation on the updated FSS is currently underway and is to conclude before the end of the financial year.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officer Comments

Finance and Procurement

- 8.1. Hymans Robertson's report provides advice on the outcome of the actuarial valuation and the various financial implication for the Fund and the employers participating in the Haringey Pension Fund, Local Government Pension Scheme. The report contains financial comments related to these implications throughout.

Legal

- 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 as 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. It should be noted that where consultation is required, the courts has set out certain principles that must be adhered to. These are:
- that consultation must be at a time when proposals are still at a formative stage;
 - that the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
 - that adequate time must be given for consideration and response; and
 - that the product of consultation must be conscientiously taken into account in finalising any statutory proposals.
- 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. Appendix 1: Haringey Pension Fund Report on the actuarial valuation at 31 March 2022
- 9.2. Appendix 2: Haringey Pension Fund Funding Strategy Statement
- 9.3. Confidential Appendix 3: Rates & Adjustments Certificate

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.