

	Pension Board 13 June 2019
	Report from the Chief Finance Officer
2019 Triennial Valuation	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the Board on the 2019 Pension Fund Valuation.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the report.

3.0 Detail

- 3.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS).
- 3.2 The FSS sets out the underlying assumptions and principles that are adopted when valuing the Fund's liabilities and setting contribution rates. The FSS also

addresses the fact that different employers within the fund have different objectives and it includes the overall time horizon for the funding plan.

3.3 Some of the key assumptions in the valuation process are detailed below. These will be reviewed as part of the valuation process.

- The discount rate – this is the interest rate we can assume to achieve in the future. This affects how much money the Fund needs to hold now;
- Future price inflation;
- The probability and circumstances that pensions will be paid;
- How long pensions will be paid for.
- Other demographic assumptions – such as the number of members that are married.

3.4 Below is an indicative timeline for the valuation process which will commence in July 2019, following the completion of the data cleanse project by LPP:

Date	Event
12 July 2019	Provision of data to the Fund actuary by LPP on behalf of the scheme manager.
Early August 2019	Sign off for data submitted by the Fund actuary.
02 October 2019	Sub-committee meeting - Provision of initial whole fund results, compASS results and employer contribution strategy proposal (draft FSS).
Early October 2019	Issue employer results together with draft Funding Strategy Statement for formal consultation.
27 November 2019	Sub-committee meeting - Provision of valuation results for employers and proposed contribution rates. Finalisation of FSS following employer consultation.
25 February 2020	Sign off 2019 valuation report and FSS.
01 April 2020	Implementation of new FSS and contribution rates.

3.5 The previous valuation, conducted in 2016 showed that the Brent Pension Fund had a low funding position of 55% and had set contribution rates accordingly whilst maintaining the deficit recovery period. This was 22 years at the 2013 valuation, 19 years at the 2016 valuation and it is envisaged, subject to the outcome of the 2019 valuation, that deficit recovery period will reduce to 16 years.

3.6 The Government Actuary Department (GAD) have also been reviewing the funding valuations of LGPS funds. In June 2018, Brent was flagged by the GAD for its funding level. However, overall it was not a significant cause for concern as the fund had set appropriate contribution levels, demonstrated a reducing deficit recovery period between valuations and adopted reasonable actuarial assumptions.

- 3.7 Whilst the results of the valuation cannot be pre-empted, given the increasing scrutiny on LGPS funds, from GAD, The Pensions Regulator and the Scheme Advisory Board, this valuation is likely to maintain the existing strategy. The current strategy does not envisage any reductions in contributions rates as this would be imprudent and likely to create issues with GAD and the other regulators. Further modest increases in the contribution rate may be required however the Fund will have to wait until the results of the valuation for this to become clearer.
- 3.8 Brent Council, in its role as the administering authority, will be assisting employers through this process. Support will be provided in the form of employer forums and training. The Fund will consult with employers through the valuation process and the draft employer results and FSS will be issued for formal consultation. This is currently anticipated for early October 2019. There will also be the opportunity to arrange 1-1 meetings with the actuary and Brent officers.
- 3.9 Complete and accurate membership data is critical in ensuring the valuation results are accurate. If the Fund actuary is concerned about the quality of the underlying data, they will usually add a margin of prudence into their assumptions to accommodate data inaccuracies. This could mean that participating employers may have to pay contribution rates that are not directly related to the underlying liabilities.
- 3.10 Following the transition of pension administration from Capita to LPP, a separate project was commissioned to cleanse common and scheme specific data ahead of the Triennial valuation. The project is due to be completed by the end of June ahead of the provision of data to the actuary.
- 3.11 Significant progress has been made since the start of the project. Of the 14 separate work streams within the project, as at 30/04/2019, 3 had been completed, 10 were in progress and 1 was yet to be actioned. The project is on track and is scheduled to be completed on time. As this relates to matters of pensions administration, the project is being closely monitored by the Pension Board.

4.0 Financial Implications

- 4.1 These are discussed throughout the report.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Conrad Hall

Chief Finance Officer

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