

	Pensions Fund Sub-Committee 27 June 2022
	Report from the Chief Finance Officer
2022 Triennial Valuation	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Related documents:	<ul style="list-style-type: none"> Actuarial Assumptions – Report to Pensions Fund Sub-Committee 21 February 2022
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1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the committee on the 2022 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.
- 3.2 Its purpose is to:
- Compare actual experience against assumptions made at the last valuation;
 - Value the assets and liabilities of each individual employer and the pension fund as a whole using data from the Fund's administration system and financial records;
 - Set employer contribution rates, including for the Council, for the next 3 years (1 April 2023 to 31 March 2026);
 - Review the Funding Strategy Statement (FSS);
 - Perform a health check on the Fund's solvency.
- 3.3 The last valuation took place as at 31 March 2019 and the next one is to be carried out as at 31 March 2022. The results of each valuation must be reported to the administering authority within twelve months of the valuation date.
- 3.4 The actuary calculates the funding level at each valuation. This is calculated as the ratio of the market value of the assets and the value of the benefits built up to the valuation date for the employees and ex-employees. If this is less than 100% then it means there is a shortfall, therefore there is a deficit; if it is more than 100% then there is said to be a surplus. The previous valuation showed that the Brent Pension Fund overall had a funding position of 78%.
- 3.5 The key governance document for the valuation is the Fund's Funding Strategy Statement (FSS). 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 deficit recovery periods for different employers. The FSS is normally reviewed during the valuation process in consultation with the Fund actuary and employers.
- 3.6 The 2022 valuation process has commenced, below is an indicative timeline for the valuation process:

Date	Event
21 February 2022	Sub-committee meeting - Report to Pensions Sub-committee to review and agree key valuation assumptions
31 March 2022	Valuation date.
April 2022	Council contribution rate (comPASS) modelling.
April – May 2022	Employers submit their year-end returns.
June 2022	Resolve all queries arising from the year-end returns
July 2022	Provision of data to the Fund actuary by LPPA on behalf of the scheme manager.
August 2022	Data validations, responding to data queries and Fund actuary sign off for data.
August – September 2022	Whole fund results prepared and discussed with officers.
05 October 2022	Sub-committee meeting - Provision of initial whole fund results, Council contribution rate modelling results and employer contribution strategy proposal (draft FSS).
October 2022	Issue employer results together with draft Funding Strategy Statement for formal consultation.
December 2022 – January 2023	Finalise Funding Strategy Statement following consultation.
20 February 2023	Sub-committee meeting - Sign off 2022 valuation report and FSS.
31 March 2023	Sign off rates and adjustments certificate with final employer contribution rates.
01 April 2023	Implementation of new FSS and contribution rates.

3.7 At the February 2022 committee meeting, as part of best practice, the key financial and demographic assumptions that will be used in the 2022 valuation process were reviewed and agreed:

- The discount rate – used to value liabilities to be paid out in the future;
- Future investment returns - this is the interest rate we can assume to achieve in the future;
- Future price inflation (CPI);
- Salary expectations;
- How long pensions will be paid for (longevity);
- Other demographic assumptions.

The overall valuation outcome is sensitive to the financial and demographic assumptions made and therefore can affect the Fund's overall or an individual employer's funding level.

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 2022. The Fund will also hold an employer forum in autumn 2022 following issue of the draft employer results and FSS. 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. The Fund has commissioned several data cleanse projects to improve the data quality in recent years. The results of these projects have been reported to previous Pension Sub-committee and Pension Board meetings.
- 3.10 The valuation process will be completed by 31 March 2023 with new contribution rates payable by employers from 1 April 2023.

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:

Minesh Patel
Director of Finance