



## **Pension Fund Sub Committee**

20 November 2012

### **Report from the Deputy Director of Finance**

For Information

Wards Affected:  
ALL

## **2013 Actuarial Valuation of the Brent Pension Fund**

### **1. SUMMARY**

- 1.1 The purpose of this report is to update the Pension Fund Sub-Committee on the progress of the 2013 actuarial valuation currently under way.

### **2. RECOMMENDATION**

- 2.1 That progress on the actuarial valuation at 31 March 2013 be noted.

### **3. DETAIL**

- 3.1 The Brent Pension Fund actuary, Hymans Robertson, is required to value the assets and liabilities of the Fund every three years to determine its financial health in accordance with Local Government Pension Scheme (LGPS) regulations. The assets of the Fund are the equities, bonds, property, alternative investments (diversified growth, hedge fund, private equity, and infrastructure) and cash owned by the Fund. The liabilities are the current and future pensions and lump sums owed to pensioners, deferred pensioners and active members. If the actuary finds that the assets may not be sufficient to meet the estimated future liabilities when due, employers' contributions may need to be increased. If assets will be more than sufficient to meet liabilities, employers' contributions may be decreased. Employee contributions currently vary between 5.5% and 7.5%, depending on pay levels.

- 3.2 The 2010 actuarial valuation revealed the £457m of assets of the Fund covered 61% of £751m liabilities (from 72% in 2007). The main reasons for the deterioration in the funding level were:-
- a) a lower discount rate arising from the historically low interest rate environment which, in turn, meant that future pension liabilities significantly increased in 'present value' terms
  - b) a higher allowance for future improvements in longevity – experience since 2004 suggested that pensioners are living longer than previously expected, increasing the cost of benefits
  - c) lower than expected investment returns.
- 3.3 Actuarial modelling currently indicates that a typical LGPS fund is likely to see its funding position deteriorate by a further 5% in the 2013 actuarial valuation since 2010. For Brent, this would mean a funding level of around 56%.
- 3.4 The proposals for the Local Government Pension Scheme 2014 reported to this Pension Fund Sub-Committee at its meeting of 25 September 2012 indicated a saving calculated by HM Treasury Government Actuary Service in the region of 1.5% - 2.0% of pay, although any savings for individual funds could vary significantly depending on their own particular circumstances. Whilst the specific impact on the Brent Pension Fund has yet to be determined, the new LGPS proposals may mean that the increases will be less than they would have been due to factors such as the increase in the retirement age and the increases in employee contributions.
- 3.5 Other things being equal, there is likely to be pressure to increase the overall level of employer contributions with effect from 1 April 2014 to eliminate the Fund's deficit over 25 years. Contributions for individual employers depend on their own particular circumstances.

3.6 Hymans Robertson have set out the following timetable for the Brent Pension Fund 2013 actuarial valuation:

- **September 2012:** Data request for setting the mortality assumption to allow time to process the data and produce a Fund-specific mortality assumption
- **December 2012:** data request sent to the Fund for membership data and accounting information
- **January 2013:** modelling work (ComPASS modelling) to set the stabilisation strategy for tax-raising bodies
- **March 2013:** agreement of approach for employer results, including pooling and deficit recovery periods
- **June 2013:** submission of data as at 31 March 2013
- **July 2013:** sign off of clean data
- **September 2013:** production of initial whole Fund results and discussion document
- **October 2013:** finalisation of whole Fund results and draft individual employer results
- **November 2013:** finalisation of employer results
- **March 2014:** sign off of final valuation report.

3.7 Work will continue on the actuarial valuation in line with the above timetable, the outcome of which will be reported to members of this Pension Fund Sub-Committee ahead of any decision on future employer contribution rates.

#### **4. FINANCIAL IMPLICATIONS**

4.1 The valuation may result in increased employers' contributions to the Pension Fund.

#### **5. STAFFING IMPLICATIONS**

5.1 None.

**6. DIVERSITY IMPLICATIONS**

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from them.

**7. LEGAL IMPLICATIONS**

7.1 There are no legal implications arising from the report.

**8. BACKGROUND**

8.1 None.

**9. CONTACT OFFICERS**

9.1 Persons wishing to discuss the above should contact the Exchequer and Investment Section, Finance and Corporate Resources, on 0208 937 1472 at Brent Town Hall.

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