

	Pensions Fund Sub-Committee 25 February 2020
	Report from the Director of Finance
2019 Triennial Valuation Results and Funding Strategy Statement	

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)	PART EXEMPT - as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	Four 1. Draft valuation report (Exempt) 2. Contribution Rate Modelling (Exempt) 3. Brent Council - Contribution Options (Exempt) 4. Funding Strategy Statement (FSS) (Open)
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 This report sets out the results of 2019 triennial actuarial valuation and the Funding Strategy Statement (FSS) to the Committee for consideration and approval.

2.0 Recommendation(s)

- 2.1 To note, comment and agree the draft valuation report and that members of the committee delegate authority to the Director of Finance to finalise the report before 31 March 2020.

- 2.2 To approve the contribution rate for the next three financial years for Brent Council, as 35.0% for 2020/21, 2021/22 and 2022/23 as set out in section 3.8 of this report and Appendix 2.
- 2.3 To delegate authority to the Director of Finance to finalise details of the advance payment of Brent Council's employer contributions and the subsequent impact on the rates and adjustment certificate, as set out in section 3.9 of this report and Appendix 3.
- 2.4 To approve the Funding Strategy Statement (FSS) as set out in section 3.13 of this report and Appendix 4.

3.0 Detail

- 3.1 Members of the committee will be aware from previous reports presented to the committee and training sessions that the Fund is required by law to undertake and actuarial every three years. All funds in the England and Wales are required to carry out a valuation as at 31 March 2019.
- 3.2 The purpose of the valuation 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).
- 3.3 Hymans Robertson, the Fund actuary, attended the October 2019 meeting outlining the valuation process, the assumptions used and the initial results.
- 3.4 At the meeting, the committee heard why the assumptions were being used, a presentation of the whole fund results including the funding level, assets, liabilities and the overall deficit level. It was also explained that different employers within the Fund will have different funding levels due to the profile of their members and contribution rates in the past.
- 3.5 Since that meeting draft valuation results schedules, which set the contribution rate for each employer for the next three financial years, have been produced for the Council and for most employers within the Fund. These have been communicated to employers. For a small number of employers where results have not yet been issued, these will be sent out as soon as possible.
- 3.6 The draft valuation report, attached in restricted Appendix 1, summarises the process that has taken place and presents the valuation results, funding position and employer contribution rates for 2020/21 to 2022/23. This report recommends the committee to note, comment and agree the draft valuation report and delegate authority to the Director of Finance to finalise the report.
- 3.7 In line with the valuation process, the council commissioned a contribution rate modelling exercise to allow the officers to consider a long term funding strategy for the stabilised employers within the Fund, that is, Brent Council, academies and local authority schools.

- 3.8 Based on the results of this modelling work and discussions with the fund actuary, officers propose to freeze contribution rate at 35% of pay for next 3 years and stabilised thereafter at +/- 1% per annum because there is an acceptable likelihood of success and downside risk on the 16 or 19 year time horizon. This proposal has been agreed by the Fund actuary. The full contribution rate modelling report is attached in restricted Appendix 2. This report recommends to approve the contribution rate for the next three financial years for Brent Council, as 35.0% for 2020/21, 2021/22 and 2022/23.
- 3.9 As part of the valuation, the council is considering paying a large part of its employer contributions upfront as a lump sum. A report was commissioned by the Fund actuary to model a number of options, set out further in Appendix 3, which concluded that there is an economic benefit to the Council in considering this and there is no negative impact on the pension fund.
- 3.10 This proposal, which is now quite common across a number of LGPS funds, is still under consideration as it requires advance clearance with the Council's auditor and is subject to independent advice. It is envisaged that a decision on the pre-payment will be taken in early March 2020, in order to be reflected in the formal valuation.
- 3.11 The Funding Strategy Statement (FSS) is a document detailing how employer contributions to the Pension Fund are calculated. It is normally updated in line with the triennial valuation to ensure consistency.
- 3.12 The fund needs an FSS because:
- It is a legal requirement under the LGPS Regulations, and also to revise this at each formal valuation;
 - It shows employers how their cash contributions are calculated, and how these might change if the employer's circumstances change.
 - It acts as a valuable policy/reference document for the Fund to help deal with employers who raise issues between valuations.
- 3.13 At the October 2019 committee meeting, the committee agreed the draft FSS for consultation with employers. The consultation has now been completed by officers and the final FSS is provided in Appendix 4 for committee approval.

4.0 Financial Implications

- 4.1 These are discussed throughout the report.

5.0 Legal Implications

- 5.1 The triennial valuation is a statutory process conducted every three years that ensures the Pension Fund is both compliant with LGPS regulations and has a viable long-term funding strategy. The latter is achieved by ensuring it has a robust Funding Strategy Statement (FSS) and Investment Strategy Statement.

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