



Pensions Fund Sub-Committee
20 February 2023

**Report from the Corporate Director,
Finance and Resources**

2022 Triennial Valuation Results and Funding Strategy Statement

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	PART EXEMPT – Appendix 5 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:	Five 1. Draft valuation report 2. Funding Strategy Statement (FSS) 3. Contribution reviews policy 4. Cessations policy 5. Rates and Adjustments Certificate (Exempt)
Background Papers:	▪ N/A
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1.0 Purpose of the Report

- 1.1 This report sets out the results of 2022 triennial actuarial valuation and the Funding Strategy Statement (FSS) to the Committee for consideration and approval.

2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

- 2.1 Note, comment and agree the draft valuation report at Appendix 1.
- 2.2 Delegate authority to the Corporate Director, Finance and Resources to finalise the valuation report before 31 March 2023.
- 2.3 Approve the Funding Strategy Statement (FSS) as set out in section 3.9 of this report and Appendix 2.
- 2.4 Note and comment as appropriate on the contribution reviews policy at Appendix 3 and cessations policy at Appendix 4
- 2.5 Subject to 2.4 above, delegate authority to the Corporate Director, Finance and Resources to finalise the contribution reviews policy at Appendix 3 and cessations policy at Appendix 4 following consultation with employers.

3.0 Detail

- 3.1 Members of the Sub-Committee will be aware from previous reports presented to it and training sessions that the Fund is required by law to undertake an actuarial valuation every three years. All funds in England and Wales are required to carry out a valuation as at 31 March 2023.
- 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 2022 meeting of the Sub-Committee outlining the valuation process, the assumptions used and the initial results.
- 3.4 In this previous meeting, the Fund actuary outlined why the assumptions were being used, delivered 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. The Fund also held an employers' forum in November 2022 to present the valuation results to the employers.

- 3.6 The draft valuation report, attached in Appendix 1 and restricted Appendix 5, summarises the process that has taken place and presents the valuation results, funding position and employer contribution rates for 2023/24 to 2025/26. This report recommends the committee to note, comment and agree the draft valuation report and delegate authority to the Corporate Director, Finance and Resources to finalise the report.
- 3.7 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.
- 3.8 The fund needs an FSS because:
- It is a legal requirement under the LGPS Regulations, and 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.
- 3.9 At the October 2022 Sub-Committee meeting, the Sub-Committee noted the key changes for the FSS and the draft FSS would be consulted with employers as required by relevant regulations. The consultation was conducted in December 2022 and January 2023 and the final FSS is provided in Appendix 2 for Sub-Committee approval.
- 3.10 As noted at the last meeting, the Fund agreed to streamline the FSS document into a "core" FSS and "satellite" policy documents. The satellite policies complement the core FSS set out the Fund's policies with regards to specific elements of strategy and include more details on process and practicalities.
- 3.11 The **contribution reviews policy** sets out the approach to reviewing contribution rates between triennial valuations and the **cessations policy** sets out the approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer. These policies are attached in Appendices 3 and 4 respectively. These policies are currently with employers for consultation which is due to end at the end of February 2023. The Sub-Committee is asked to note and comment on these policies and delegate authority to the Corporate Director, Finance and Resources to finalise the policies once any comments received during the consultation period are evaluated and any amendments, if necessary, are made.
- 3.12 The below table outlines progress on the high-level valuation timetable.

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

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 Regulation 62 of the Local Government Pension Scheme Regulations 2013 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

Corporate Director, Finance and
Resources