

Meeting	Pension Fund Committee
Subject	Barnet Pension Fund Triennial Evaluation
Report of Summary	Chief Operating Officer This report advises the Committee on the actuarial valuation of the Pension Fund as at 31 March 2013 and the minimum level of contribution rates required of each fund employer to address the fund's deficit.
Officer Contributors	John Hooton, Deputy Chief Operating Officer Iain Millar, Head of Treasury
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A - Rates and Adjustment Certificate
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1. RECOMMENDATIONS

- 1.1 That the deficit position, as identified by the initial triennial valuation results of the London Borough of Barnet Pension Fund as at 31 March 2013 be noted.**
- 1.2 That the revised minimum employer contribution rates for the next three years be noted, subject to any minor variations as recommended by the Pension Fund Actuaries.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will provide support towards the Council's corporate priorities in providing better services, with less money.
- 3.2 The objectives of the Pension Fund Funding Strategy Statement include ensuring the long term solvency of the fund and identification of the share of the Fund attributable to individual employers.

4. RISK MANAGEMENT ISSUES

- 4.1 The accuracy of the valuation relies on the accuracy of the data provided to the actuaries. Any errors in the provision of the data could have a significant impact on the required contribution rates, particularly for the smaller scheduled and admitted bodies. This risk has been mitigated by a thorough review of the data by officers within the Pensions Administration and Treasury Management teams and a series of reasonableness and data integrity tests applied by the actuary.
- 4.2 The value of the pension fund assets at any point in time is determined by the market and a large movement in the markets could have a significant impact on the surplus or deficit of the fund.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Pursuant to section 149 of the Equality Act, 2010, the Council has a public sector duty to: (i) have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a protected characteristic and those without; (iii) promoting good relations between those with a protected characteristic and those without. The relevant 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination of discrimination

5.2 Ensuring the long term financial health of the Pension Fund will benefit everyone who contribute to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 The recommended minimum employer contribution rate has been incorporated into the draft budget and any variation agreed by the committee will impact on the draft budget. Other financial issues are set out in the body of the report.

6.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

7. LEGAL ISSUES

7.1 This report is based on the provisions of (i) the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239); (ii) the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166); and (iii) The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238) which have their basis in the Superannuation Act 1972.

7.2 As a local authority, the council's employees have the right to be members of the Local Government Pension Scheme and, therefore, the Council is statutorily required to make employer contributions.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

8.2 The terms of reference of the Pension Fund Committee include consideration of actuarial valuations and their impact on the Pension Fund.

9. BACKGROUND INFORMATION

9.1 It is a regulatory requirement of the Local Government Pension Scheme that the administering authority instructs the actuary to undertake a triennial valuation. The main purpose of the valuation is to review the financial position of the Fund and to determine the minimum rate at which the employers of the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.

9.2 The primary purpose of the figures produced as part of the triennial valuation is for “budgeting” or setting the future levels of employer contributions payable to the Fund.

- 9.3 The previous valuation of the fund was undertaken by the current actuaries, Barnett Waddingham as at 31 March 2010.
- 9.4 The most recent valuation of the fund was undertaken by the current actuaries, Barnett Waddingham LLP as at 31 March 2013 and show that the past service funding level of the Fund as a whole has increased from 76% to 79% between 31 March 2010 and 31 March 2013. The reasons for this increase include
- More pensions in payment ceasing than expected,
 - Deficit contributions paid into the Fund
 - Lower than expected salary increases.
- 9.5 The contribution rate for the average employer, including payments to target full funding (100%), has increased from 23.5% to 24% of pensionable pay. This reflects:
- A reduction in pensionable salaries over which any deficit is expressed as a rate of pay,
 - Lower outlook for future investment returns in the financial market
- 9.6 The London Borough of Barnet pool contribution rate is based on a deficit recovery period of 18 years (previously 13 years). The LB Barnet employer pool contribution rate has increased from 24.8% to 25.8% a combination of 13% minimum employer contribution and a minimum annual lump sum (£8.641million in 2014-15).
- 9.7 The actual contribution rate will differ for each scheduled and admitted body and these are shown in the Rates and Adjustment Certificate, Appendix A. The main reasons for variations in individual results are due to differences in:-
- Maturity profile of members;
 - Experience of employers since 2010 including mortality rates, salary increases, early retirements and workforce changes.
- 9.8 The deficit recovery sums in the Rates and Adjustment Certificate have been expressed as an annual lump sum rather than as a % of payroll to ensure there will be sufficient contributions being paid to make up the deficit. The impact of a declining payroll would otherwise push up the required contribution rate.
- 9.9 The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by the Actuary.

10. LIST OF BACKGROUND PAPERS

- 10.1 London Borough of Barnet Pension Fund Actuarial Valuation Report as at 31 March 2013.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	JF (HB Public Law)