

	<h2>Pension Fund Committee</h2> <h3>18 January 2017</h3>
Title	Pension Fund Actuarial Review
Report of	Interim Chief Executive Officer and Section 151 Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Hymans Robertson LLP:2016 Formal Valuation – Setting the Funding Target
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Summary

The purpose of this report is to inform the Pension Fund Committee of the assumptions to be used by the actuary, Hymans Robertson, to set the funding target in preparing the 2016 actuarial valuation and of the changes in assumptions from the 2013 actuarial valuation.

Recommendations

1. That the actuarial assumptions to be used in the 2016 actuarial valuation of the Pension Fund be noted.

1. WHY THIS REPORT IS NEEDED

- 1.1 The purpose of this report is to present the Pension Fund Committee with the assumptions used in preparing the 2016 actuarial valuation and the changes from the 2013 actuarial valuation. The final report will be presented to the next Pension Fund Committee in March 2017.

2. REASONS FOR RECOMMENDATIONS

- 2.1 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.
- 2.2 Hymans Robertson LLP was appointed to provide actuarial services to the LB Barnet Pension Fund, following a tender exercise using the National Local Government Pension Scheme Framework for Actuarial and Benefit Consultancy Services. The contract started on 1 April 2016.
- 2.3 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.
- 2.4 The previous valuation of the fund was undertaken by the previous actuaries, Barnett Waddingham as at 31 March 2013 and showed 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 contribution rate for the average employer, including payments to target full funding (100%), increased from 23.5% to 24% of pensionable pay.
- 2.5 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 had increased from 24.8% in 2010 to 25.8% in 2013, a combination of 13% minimum employer contribution and a minimum annual lump sum (£9.548 million in 2016/17).
- 9.7 The actual contribution rate for 2016 will differ for each scheduled and admitted body. The main reasons for variations in individual results are due to differences in:-
- Maturity profile of members;
 - Experience of employers since 2013 including mortality rates, salary increases, early retirements and workforce changes.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable. The actuarial valuation of the Pension Fund is a statutory requirement.

4 POST DECISION IMPLEMENTATION

- 4.1 The results of the 2016 actuarial valuation will be reported to Pension Fund Committee in March 2017. Employers will be informed of any change in employer contribution rates, which will be applied from 2017/18.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 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.

- 5.1.2 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.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The recommended minimum employer contribution rate will be incorporated into the draft budget and any variation agreed by the committee will impact on the draft budget.

- 5.2.2. There are no procurement, performance and value for money, staffing, IT, Property or Sustainability implications.

5.3 Social Value

- 5.3.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it.

5.4 Legal and Constitutional References

- 5.4.1. This report is based on the on the provisions of (i) the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme Regulations (Transitional Provisions , Savings and Amendments) Regulations 2014 which have their basis in the Superannuation Act 1972.

- 5.4.2 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.

- 5.4.3 The Council's Constitution – Part 15, Annex A, Responsibility for Functions details the responsibilities of the Committee. The Council's Constitution, Part

3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, 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.”

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

5.5 Risk Management

5.5.1 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 and a series of reasonableness and data integrity tests applied by the actuary.

5.5.2 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.

5.6 Equalities and Diversity

5.6.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to all those eligible, as provided by the criteria set out within the relevant Regulations.

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.

5.7 Consultation and Engagement

5.7.1 Not applicable.

6 BACKGROUND PAPERS

6.1 None