

Local Pension Board

19 November 2019



Title 2019 Triennial Valuation

Report of Director of Finance

Wards N/A

Status Public

Urgent No

Key No

Enclosures

Appendix 1 – Guide to the Triennial Valuation - exempt
Appendix 2 – Managing employer risk

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Summary

The funding position of the pension scheme and rate of contributions paid by employers is assessed every three years by the Scheme Actuary. The triennial valuation as at 31 March 2019 is progressing. The Actuary will attend the meeting to discuss the purpose of the valuation, the valuation processes and assumption and the completion timetable. A note on managing employer risk is attached.

Officers Recommendations

1. That the Local Pension Board note the Actuary's overview of the triennial valuation process and timetable.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Pension Board has asked to meet with the Scheme Actuary, Hymans Robertson. The Actuary is currently engaged in completing the March 2019 triennial valuation that will determine the Scheme and individual employer's funding position (assets and pension liabilities) together with the contribution rates payable in each of the three years to 31 March 2023. The Scheme has 61 employers with active membership that all require contribution schedules.
- 1.2 The valuation process is designed to ensure that the Barnet Pension Fund collects sufficient contributions so that together with current assets and future investments returns there is sufficient (but not excessive) assets to meet pension liabilities as they fall due. The Actuary is therefore required to agree with the Pension Fund Committee assumptions concerning future pension payments e.g. longevity, inflation, salary increases and future investment returns. With the process being repeated in three yearly cycles, progress to achieving 'full funding' is regularly monitored.
- 1.3 At the 2016 valuation, the Actuary determined that the valuation of the liabilities was £1,256 million, with a deficit of £339 million and set an average contribution rate of 17.9% together with additional annual lump sum contributions starting at £13.4 million increasing to £16.1 million.
- 1.4 The Actuary will discuss the actuarial valuation process and timetable. Attached for information (appendix 1) is a background document explaining the valuation process.
- 1.5 A member of the Board asked that the agenda include an item on managing employer risk. A note is attached (appendix 2) on this matter.

2. REASONS FOR RECOMMENDATIONS

- 2.1 No action is required as a consequence of the update.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None - statutory function

4. POST DECISION IMPLEMENTATION

- 4.1 The actions set out in the actuarial timetable will be followed.

5. IMPLICATIONS OF DECISION

- 5.1 **Corporate Priorities and Performance**

5.1.1 Employers paid £48 million of contributions into the pension scheme in 2018/19. Changes in contribution rates can have a significant cashflow implication for employers and will impact on the Council's ability to spend in other areas.

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

5.2.1 There are no immediate financial implications from the report. However, higher deficits (particularly if sustained) may translate into higher contributions from the Council and other employers. Engaging with the Scheme Actuary during the 2019 triennial valuation will enable the Committee to identify ways to stabilise future contribution rates.

5.3 **Social Value**

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 **Legal and Constitutional References**

5.4.1 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund". The actuarial process is central to ensuring that the pension fund has sufficient assets to pay pensioners.

5.4.2 The Local Government Pension Scheme Regulations 2013 (regulation 62) requires the Council to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and as at 31 March in every third year afterwards. Regulation 58 requires the administering authority to prepare a funding strategy statement.

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.

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 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not required.

5.8 **Insight**

5.8.1 The report provides insight into the future direction of employers' contribution rates.

6. **BACKGROUND PAPERS**

6.1 N/A.