



Pension Fund Committee

21 November 2019

Title	2019 Triennial Valuation Update and Funding Strategy Statement
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None
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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 underway. Delays have occurred in the provision of usable data to the Actuary, which has pushed back the timetable. It is unlikely that the Actuary will be able to present valuation results to this meeting. The Actuary will attend the meeting and a progress reports will be made together with a revised timetable. It will not be possible to circulate any reports prior to the meeting.

A draft Funding Strategy Statement for consultation with employers is being reviewed and it is proposed that consultation with employers is undertaken.

Officers Recommendations

- 1. That the Pension Fund Committee note the Actuary's verbal comments on the 2019 triennial valuation timetable.**
- 2. That the Pension Fund Committee delegate authority to the Director of Finance to consult on the draft Funding Strategy Statement with employers and the Local Pension Board.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Committee are responsible for appointing a scheme actuary and commissioning a triennial actuarial valuation in addition to formulating long term funding and investment strategies that ensure that the scheme has sufficient assets to pay benefits as they fall due.
- 1.2 Every three years the Actuary assesses the funding position of the Pension Fund and determines the contributions payable by each employer for the next three years. The next valuation will be as at 31 March 2019 and the new contribution schedule will be effective from 1st April 2020.
- 1.3 The Actuary has presented to the July meeting (data quality) and the March meeting (overall timetable). If actions had been in accordance with the timetable, draft scheme results would have been presented at the September meeting and individual employer results to this meeting. Unfortunately, at the time of writing this report (12th November) the Actuary has not received complete data and is unable to commence their calculation.
- 1.4 Two issues have arisen with data. Firstly, inconsistencies between employer codes used in the membership data and those used to record contributions and benefit payments. If these codes are not consistent, the Actuary is unable to fairly allocate assets and liabilities to employers. The administrator had submitted an updated data extract (4th November) that corrects these inconsistencies and in the process created four new employers in the membership database.
- 1.5 The second issue is a significant number of unprocessed leavers and joiners. We had anticipated that the work undertaken by the administrator pre July 2019 to review the annual returns from employers would have identified joiners and leavers not reflected in the administration records and made the necessary adjustments. However, the administrator has not been able to set up these membership records pending the receipt and processing of the appropriate forms from employers. The timetable to complete this process is not consistent with meeting the deadline for the triennial valuation. Therefore, Council staff have reviewed the discrepancies between annual returns and the

administration data extract and provided adjustment records to the Actuary to enable the valuation to continue. This exercise is expected to be completed by 15th November.

- 1.6 Until the Actuary is confident that the data is useable, it is pointless to speculate on a timetable. The process must be completed by 31st March 2020 but to engage in proper consultation requires results much sooner. An update on the timetable will be given by the Actuary at the meeting.

Funding Strategy Statement

- 1.7 It had been intended to present a draft Funding Strategy Statement (“FSS”) to the Committee. The FSS is a summary of the Fund’s approach to funding its liabilities. It focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities. A revised draft was received from the Actuary on 11th November. There are a few proposed changes of approach that require consideration. Normal process is for the Committee to review the FSS, agree to consult with employers and finally to consider the consultation responses and approve the FSS. In view of the restricted timescales it is proposed that the Director of Finance initiates the consultation and that the proposed final version is presented to the February 2020 meeting for approval.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The recommendations are in accordance with regulatory requirements for the triennial valuation.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None - statutory function

4. POST DECISION IMPLEMENTATION

- 4.1 The timetable to complete the valuation, including final approval by the Pension Fund Committee will be updated when the Actuary has accepted the data.

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 Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee,

- To consider actuarial valuations and their impact on the Pension Fund.
- To review the Funding Strategy Statement at least triennially

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, maintain and publish a funding strategy statement. It must carry out consultation with such persons as it considers appropriate.

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 The Actuary has attended three recent meeting (16 October 2018, 26 March 2019 and 29 July 2019). The papers for the October 2018 meeting include a background note to the valuation process and the timetable.

<https://barnet.intranet.moderngov.co.uk/documents/g9498/Public%20reports%20pack%2016th-Oct-2018%2019.00%20Pension%20Fund%20Committee.pdf?T=10>