



Pension Fund Committee

14 December 2021

Title	Planning for the 2022 Triennial Valuation
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Actuaries Introductory Slides (to follow)
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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 next review date is 31 March 2022. The Actuary will attend the meeting and discuss the valuation timetable, in particular the inputs required from the Committee. The meeting will mainly take the form of a refresher from the Actuary and no decisions will be required.

Officers Recommendations

That the Pension Fund Committee raise any issues on the conduct of the 2022 triennial valuation that the Committee have identified with the Actuary.

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. The triennial valuation as at 31 March 2019 generated an aggregate funding level of 86% and an average primary contribution rate of 20.6% (an increase from 17.9% set in 2016). Each employer has individually determined primary & secondary (deficit) contribution rates. The aggregate deficit contribution in payment for 21-22 is £12.3 million.
- 1.3 The Actuary attended the May 2021 Committee meeting and provided a funding update, which indicated that although the deficit had substantially reduced, there continued to be an upward pressure on the future service rate due to a reduction in long-term investment return assumptions. The Actuary has not been asked to provide a further update on funding position.
- 1.4 The purpose of the meeting is for the Actuary to discuss the valuation processes, in particular the setting of assumptions and data quality. It is not proposed to present a timetable at this point until data quality issues have been resolved as these will have a significant impact on achievement of the timetable.
- 1.5 The data required by the Actuary comprises:
 - a) Membership extract.
 - b) Employer database
 - c) Contribution and benefit cashflows at employer level since 1 April 2019.
 - d) Investment values and returns.
- 1.6 A membership extract was submitted to the Actuary's portal during November and although the number of critical errors was alarming high at 9,000, most of these (7,500) were due to not holding on the administration system the contribution rate paid by staff, which can easily be generated from the information provided to the Actuary. The other critical errors have been analysed and are currently being addressed by WYPF and LB Barnet staff, including unprocessed leavers, where Barnet has started to submit missing leavers forms on behalf of employers. It is intended that the employer database and cashflows to March 2021 will be submitted before the end of the year.

1.7 It is anticipated that a timetable will be presented to the February meeting when, hopefully, the majority of data issues have been resolved.

2. REASONS FOR RECOMMENDATIONS

2.1 One of the Committee's responsibilities is to ensure that the fund has a realistic plan to ensure that sufficient assets are held to meet benefit obligations when due.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None at this stage. Options will be discussed as the triennial valuation progresses.

4. POST DECISION IMPLEMENTATION

4.1 A timetable for the 2022 triennial valuation will be presented at the next meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Barnet Plan 2021-25. 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 2021 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. ENVIRONMENTAL IMPACT

6.1 Not applicable in the context of this report.

7. BACKGROUND PAPERS

7.1 The Triennial Valuation report as at 31 March 2019.

<https://www.barnet.gov.uk/your-council/finance-funding-and-pensions/local-government-pension-scheme>