

£45m data investigation

Background

At the 31 March 2022 valuation the Actuary conducted an analysis of surplus which reconciled the 31 March 2019 deficit to the 31 March 2022. This analysis highlighted a £45m “balancing item” representing around c3% of the obligations. This level of balancing item is relatively high and so the Barnet Pensions Team have spent time analysing the information provided within the valuation.

This short paper summarises the analysis undertaken and recommended actions.

Analysis undertaken

DS cross check of Analysis of Surplus. This has identified that the actual return over expected return was c£200m c/o c£160m disclosed by the Actuary. This does not help the balancing item – in fact it increases it to £80m.

Action: Barnet to share analysis with Actuary and confirm whether balancing item should be updated

Cross checking membership numbers against various sources. This has identified that there is a wide difference on membership numbers reported, which is concern.

Action: WYPF to confirm summary data at each year end since 1 April 2019.

Action: Hymans to reconcile 2022 data file with Barnet data file (numbers) and explain differences between data file used for 2019 valuation and 2019 membership implied by the 2022 data file.

Of note is that data reconciliation suggest Barnet had nearly 50% staff turnover over 2019 – 2022.

Action: check reasonableness of this against HR records.

Analysis of Surplus review

	Hymans Reported	DS Estimate	
Last valuation at 31 March 2019	(190.00)	(190.00)	
Employer contributions paid in	167.00	167.88	
Employee contributions paid in	37.00	36.48	
Other cashflows (e.g. expenses)	(5.00)	(5.49)	
Expected investment returns	161	158.85	
Interest on benefits already accrued	(183)	(185.05)	
Accrual of new benefits	(145)	(141.49)	
Expected position at 31 March 2022	(158)	(158.82)	
Events between 2019 – 2022			
Salary increases greater than expected	9		Salary / Benefit increases combined
Benefits increases greater than expected	21	30.06	
Ill Health retirement strain	1	1.00	
Early leavers less than expected	0		
Commutation less than expected	0		
Pensions ceasing less than expected	(3)	(3.00)	
McCloud Remedy	(3)	(3.00)	
Other membership experience	(45)	(79)	Actuary to review
Higher than expected investment returns	169	203.48	
Change in discount rate assumption	49	50.40	
Change in inflation	(100)	(100.76)	
Change in Salary increases	(3)	(3.00)	
Longevity	(7)	(7.00)	
Other	(2)	(2.00)	Orange Cells not analysed
Actual position at 31 March 2022	(72)	(72)	

Membership Statistics

There are three sources of membership data:

- Members reported in Report and Account (sourced from administrators, includes prior year)
- Numbers reported within the Actuary's Valuation Report
- Numbers implied by data file sent to Actuary

A summary of these is provided below for the years 2019 – 2022 (inclusive)

	31/03/2019			31/03/2020		31/03/2021		31/03/2022		
	Actuary's Valuation Report*	2022 Data File (implied)	2020 Accounts* (prior year)	2020 Accounts*	2021 Accounts* (Prior Year)	2021 Accounts*	2022 Accounts* (Prior Year)	Actuary's Valuation Report*	2022 Data File (implied)	2022 Accounts*
Actives	7,523	7,823	8,630	7,828	7,828	8,184	8,184	7,214	7,113	8,782
Deferreds	12,112	10,007	10,803	11,695	10,202	10,032	11,014	13,113	11,875	9,721
Pensioners	7,475	6,883	8,082	8,318	8,318	8,587	7,605	8,808	7,770	8,116
Dependants		945							1,239	
Frozen		1,009							1,223	
Total	27,110	26,667	27,515	27,841	26,348	26,803	26,803	29,135	29,220	26,619

* Dependants / Frozen records not separately identified

Not a single data source agrees. Big inconsistency between Accounts (from year to year) and between 2021 and 2022.

Actions:

- WYPF provide summaries for each year-end based on current data records
- Hymans reconcile Barnet 2022 data file (2019 Implied Membership) with actual data file used to prepare 2019 valuation and reconcile 2022 data file with actual data file used for 2022 Valuation

Member movements (2022 Data File)

	Actives	Deferreds	Pensioners	Dependants	Frozen	Total
2019	7,823	10,007	6,883	945	1009	26,667
Leavers 2019 -2022	(3,254)	(1,261)	546	172	27	5,260
Active - deferred	(2,433)					
Active – pensioner	(491)					
Active - Dependant	0					
Active - Exit	(281)					
Deferred – pensioner		(922)				
Deferred – Dependant		0				
Deferred - Exit		(336)				
Deferred - Active		(3)				
Pensioner – dependant			0			
Pensioner - Exit			(546)			
Dependant - Exit				(172)		
Frozen - Exit					(27)	
Additions 2019 – 2022	2,544	3,129	1,433	466	241	7,813
New Active	2,544					
New Deferred (from active)		2,509				
New Deferred (date of deferment after 1 April 2019)		22				
New Deferred (recorded as FZN at 2019)		6				
New Deferred (No status 2019)		592				
New Pensioner (from active)			491			
New Pensioner (from deferred)			921			
New Pensioner (Other status 2019)			21			
New Dependant (Source unclear)				466		
New Frozen (Source unclear)					241	
2022	7,113	11,875	7,770	1,239	1,223	29,220
Net Change	(710)	1,868	887	294	214	2,553

Action: Barnet / WYPF to check credibility of Red Cells.

Also to check Active Leavers against HR records – suggest nearly 50% Turn Over!