

Non-Executive Report of the: Pensions Committee Thursday, 23 September 2021	 TOWER HAMLETS
Report of: Interim Corporate Director, Resources	Classification: Open (Unrestricted)
2022 Triennial Valuation Plan	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

The Local Government Pension Scheme (LGPS) Regulations require administering authorities to complete an actuarial valuation of their Pension Fund on a three yearly cycle. The next valuation date is 31 March 2022.

The purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the deficit recovery period.

Recommendations:

The Pensions Committee is recommended to:

1. Review and approve the March 2022 Triennial valuation process and Timetable.

1. REASONS FOR THE DECISIONS

- 1.1 This report summarises the plan for the valuation which has been discussed with the scheme actuary, Hymans Robertson. Further background to the valuation process will be provided in the presentation by Hymans at the Committee training session in November 2021.
- 1.2 The Triennial valuation is calculated as at 31 March 2022 and will set the contribution and the deficit recovery plan from April 2023 to March 2025. At the 2019 valuation the Tower Hamlets Pension Fund had a funding level of 102%, and a 20 years' recovery period to be fully funded.

2. ALTERNATIVE OPTIONS

2.1 There is no alternative to this report.

3. DETAILS OF THE REPORT

- 3.1 Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 requires an administering authority to obtain an actuarial valuation of the assets and liabilities of its pension fund every three years. The next valuation will be as at 31 March 2022. The results of each valuation must be reported to the authority within twelve months of the valuation date.
- 3.2 To carry out the valuation, the actuary must confirm the total value of the Fund's assets as at the valuation date. The asset value is normally taken from the Fund's audited statement of accounts.
- 3.3 The actuary must also estimate the present value of the Fund's liabilities i.e. the pension benefits which are due to the members of the Fund and their spouses, partners and other beneficiaries as defined by the LGPS Regulations. The process uses the relevant data from the Fund's administration system and financial accounts, together with demographic and financial assumptions (e.g. life expectancy, incidence of ill health retirements, inflation and interest rates, returns on investments) to calculate the liabilities. If the Fund's assets exceed its liabilities, there is a funding surplus as at the valuation date; if the liabilities exceed the assets there is funding deficit.
- 3.4 The actuary will advise the contribution rates that will be required from Fund employers in order to meet the costs of pension benefits accruing in the future. Any funding surplus or deficit for an individual employer will be repaid or recovered either through an adjustment to the contribution rate, or as monetary amounts due each financial year.
- 3.5 The key governance document for the valuation is the Fund's Funding Strategy Statement (FSS). Each LGPS administering authority is required by the LGPS Regulations to prepare, publish, and maintain a FSS. The FSS sets out the processes by which the authority aims to meet the Fund's pension liabilities, complying with the regulatory requirements to maintain stable contribution rates whilst ensuring the solvency and long-term cost efficiency of the Fund. It includes the authority's approach to matters such as notional apportionment of Fund assets to each employer, and recovery of funding deficits. The FSS is normally reviewed during the valuation process in consultation with the Fund actuary and employers. Approval of the FSS falls within the remit of the Pensions Committee.

Valuation Process and Timetable

3.6 The Fund officers have already started planning for the 2022 valuation in conjunction with the Fund's Actuary. The table below shows the summary agreed timetable of the valuation process.

	Event	Responsible	Completed by
1	Pre valuation meeting: Initial discussions on key project milestones issues including valuation timetable	Actuary/Fund	28 July 21
2	Agree comPASS modelling scope	Fund/Actuary	29 Jul 21
3	Report to Pensions Committee informing the valuation process and the timetable	Fund	23 Sept 21
4	Discuss proposed assumptions	Fund/Actuary	1 Nov 21
5	comPASS modelling carried out	Actuary	30 Nov 21
6	Report to Pensions Committee informing the valuation assumptions and training	Fund	25 Nov 21
7	Report to Committee informing the comPASS results	Fund	10 Mar 22
8	Produce final positions for outstanding admission agreement employers and populate the Hub	Hymans	1 Mar 22
9	Review and update Hymans employer database	Actuary/Fund	6 Jun 22
10	Create new employer opening positions /populate Hub & spreadsheet	Hymans	13 Jun 22
11	Report to Committee Valuation progress	Fund	June 22
12	Valuation data submitted to Hymans Robertson	Fund	18 Jul 22
13	High level data validations & reconciliation	Actuary	25 Jul 22
14	Review of and respond to data queries	Fund	1 Aug 22
15	Clean data sign off	Actuary	8 Aug 22
16	Enrichment of data with VitaCurves	Actuary	8 Aug 22
17	Discuss whole fund results with officers	Fund/Actuary	22 Aug 22
18	Draft whole fund results prepared	Actuary	29 Aug 22
19	Report to Committee whole fund results	Fund	Sept 22
20	Discuss employer results in detail (incl review of investment strategy allocation)	Actuary/Fund	2 Oct 22
21	Investigation into any data issues raised by employer results analysis	Fund	17 Oct 22
22	Update employer results post discussion	Actuary	31 Oct 22
23	Prepare draft FSS	Actuary/Fund	22 Aug 22
24	Issue employer results and FSS for consultation	Fund	14 Nov 22
25	Report to Committee draft FSS and ISS	Fund	Nov 22
26	Employer forum	Fund/Actuary	28 Nov 22
27	Individual employer surgeries	Fund/Actuary	12 Dec 22
28	Close FSS employer consultation	Fund	12 Dec 22
29	Review FSS consultation responses	Fund	Dec 22
30	Draft final FSS	Fund	30 Jan 23
31	Confirmation of all employer contribution rates	Fund	6 Mar 23

32	Report to Committee Final FSS, Rates adjustment certificate, Revised investment strategy based on the agreed Funding strategy	Fund	Mar 23
33	Sign off valuation (Rate adjustment certificate)	Actuary	31 Mar 23
34	Copy valuation report to Scheme Advisory Board	Fund	1 April 23

3.7 The draft Funding Strategy Statement will be presented to the Committee in November 22 and final after consultation in March 23. The Fund Actuary has been invited to present the initial valuation results at the Fund's Employers Forum on 28 November 22.

Section 13 Report on 2022 Valuation

3.8 Under the Public Service Pensions Act 2013, the Ministry of Housing, Communities and Local Government (MHCLG) is required to commission a Page 22 "Section 13" valuation following each Triennial Actuarial Valuation. The aim is to look at the valuation results for each LGPS fund and check whether, in their opinion, the various Funds have carried out their valuations in a way that:

- Is compliant with the LGPS Regulations
- Is not inconsistent with other Funds
- Will ensure solvency
- Will ensure long-term cost efficiency.

3.9 Officers will report to Committee once the final Section 13 report on the 2019 valuation is published by the Government Actuary's Department (GAD).

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equalities implications in this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 The valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation and any significant variations to those assumptions could impact upon the Fund's financial position. Therefore, a prudent approach is crucial in minimising the key risks involved in managing the Pension Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The comments of the Corporate Director of Resources have been incorporated as required, throughout this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Local Government Pension Scheme Regulations 2013, Regulation 62, requires an Administering Authority to obtain an actuarial valuation of its fund as at 31 March 2022, and as at 31st March every third year thereafter.

- 7.2 Regulation 58 of the Local Government Pension Scheme Regulations 2013 requires the Council as an administering authority to publish and maintain a funding strategy statement.

- 7.3 When reviewing the funding strategy statement, the Council is required to have regards to:

a) the CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement; and

b) the Council's statement of investment principles/Investment Strategy Statement.

The review of the funding strategy statement has been undertaken by the Fund Actuary and Fund officers with reference to a and b above as required.

- 7.4 When performing its functions as administrator of the LBTH pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- NONE

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

- NONE

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