

Non-Executive Report of the: Pensions Committee Monday, 13 March 2023	 TOWER HAMLETS
Report of: Caroline Holland, Corporate Director, Resources	Classification:
2022 Triennial Valuation Draft Results	

The report was not published five clear days in advance of the meeting. Therefore, before this item can be considered at this meeting, the Chair of the Committee would need to be satisfied that it is necessary to consider Actuarial Valuation results at this meeting, the Committee may also take the view that it is important that there should not be an extended period without any member oversight.

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

Executive Summary

This report and appendix provide the Committee with the draft results and employer contribution rates of the 2022 triennial valuation. The London Borough of Tower Hamlets Pension Fund in accordance with the Local Government Pension Scheme (LGPS) regulations undergoes a full actuarial valuation once every three years, these results are the contribution rates for each employer within the Fund for the 3 years commencing 1 April 2023.

Recommendations:

The Pensions Committee is recommended to:

1. Note the draft results (appendix 1)

1. REASONS FOR THE DECISIONS

- 1.1 This is a legislative requirement.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternatives to the triennial valuation.

3. DETAILS OF THE REPORT

- 3.1 As part of the Local Government Pension Scheme (LGPS), the Tower Hamlets Pensions Fund is required to undertake a valuation of the Fund's assets and liabilities every three years – this is called Triennial Valuation. The purpose of the valuation is to understand the overall funding level of the Pension Fund (i.e. does it have enough assets to meet its liabilities), to understand the individual funding levels of each employer and to set the contribution rates for all the employers for the next three year period.
- 3.2 The Pensions Committee approved the process for setting the assumptions to be used in the Valuation process at the June meeting of the Committee.
- 3.3 The Fund's appointed Actuary, Hymans, received the membership and cashflow data from the Fund as at 31st March 2022, presented the draft whole Fund results to the Pensions Committee in January.
- 3.4 The valuation will include allowances for the estimated impact of the McCloud remedy, at both a Fund and an employer level, with the approach set out by the DLUHC in 2022. In addition, as required by GAD and set out in the recommendation of tier latest Section 13 report, the report will consider the potential impact of climate risk on the funding strategy, across a number of scenarios.
- 3.5 Results show the Fund is 123% funded compared to 102% at the 2019 valuation.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	505	452
Deferred Pensioners	352	350
Pensioners	794	723
Total Liabilities	1,651	1,525
Assets	2,023	1,552
Surplus/(Deficit)	373	27
Funding Level	123%	102%

- 3.6 The required investment return to be 100% funded is now 3.3% pa (3.9% pa at 2019). The likelihood of the Fund's investment strategy achieving the required return is 78% (71% at 2019).
- 3.7 To assist employers understanding of their valuation results, employer forum and surgeries was held at the old Town Hall on 12 January.

- 3.8 The draft valuation report (appendix 1) includes the draft rates and adjustment certificate which sets out employer's contribution rates for the three year commencing 1 April 2023 to 31 March 26,
- 3.9 The contribution rates for each individual employers set at this valuation can be found in the Rates & Adjustments certificate. The table below shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019). The primary rate increased mainly due to inflation while the secondary rate reduced due to improved investment performance.

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	20.9% of pay		19.9% of pay	
Secondary Rate	2023/2024	£13,995,000	2020/2021	£15,019,000
	2024/2025	£14,327,000	2021/2022	£15,137,000
	2025/2026	£14,679,000	2022/2023	£15,103,000

Next Steps

- 3.10 The final Valuation report, including the rates and adjustments certificate which sets out employers' contribution rates for three year period to March '26, will be signed and issued by the scheme actuary before 31 March 2023. Officers will issue a copy to the Secretary of State as required by legislation.

4. **EQUALITIES IMPLICATIONS**

- 4.1 There are no direct equalities impact.

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 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 at 31 March 2016, and as at 31st March every third year thereafter. The documents obtained by the administering authority must include a report by an actuary in respect of the valuation, and a rates and adjustment certificate provided by the actuary. The report must contain a statement of the demographic assumptions used in producing the valuation, and how these assumptions relate to events which have actually occurred in relation to the scheme membership. These documents must be received before the first anniversary of the valuation date.

7.2 Regulation 66 also requires the Administering Authority to supply copies of any valuation report, rates and contributions certificates to the Secretary of State, employing authorities participating in the Fund and any other bodies liable to make payments to it.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Whole Fund valuation initial results
- Council Contribution Rate Modelling report
- Academies Policy
- Cessation Policy
- Bulk Transfer Policy

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

Miriam Adams Interim Head of Pensions & Treasury
Email: Miriam.adams@towerhamlets.gov.uk Ext 4248