

London Borough of Tower Hamlets Pension Fund

Pension Committee Training on
2022 Valuation assumptions

Barry Dodds FFA
25 November 2021



Agenda

Valuation refresher

Assumptions

What's next?

Please do ask questions as we go along

Valuation refresher



How the Fund works



Collect money
(contributions)



Invest money
(its assets)



Pay money out
(benefits)

Why we do a valuation



Calculate employer contribution rates



Compliance with legislation



Analyse actual experience vs assumptions



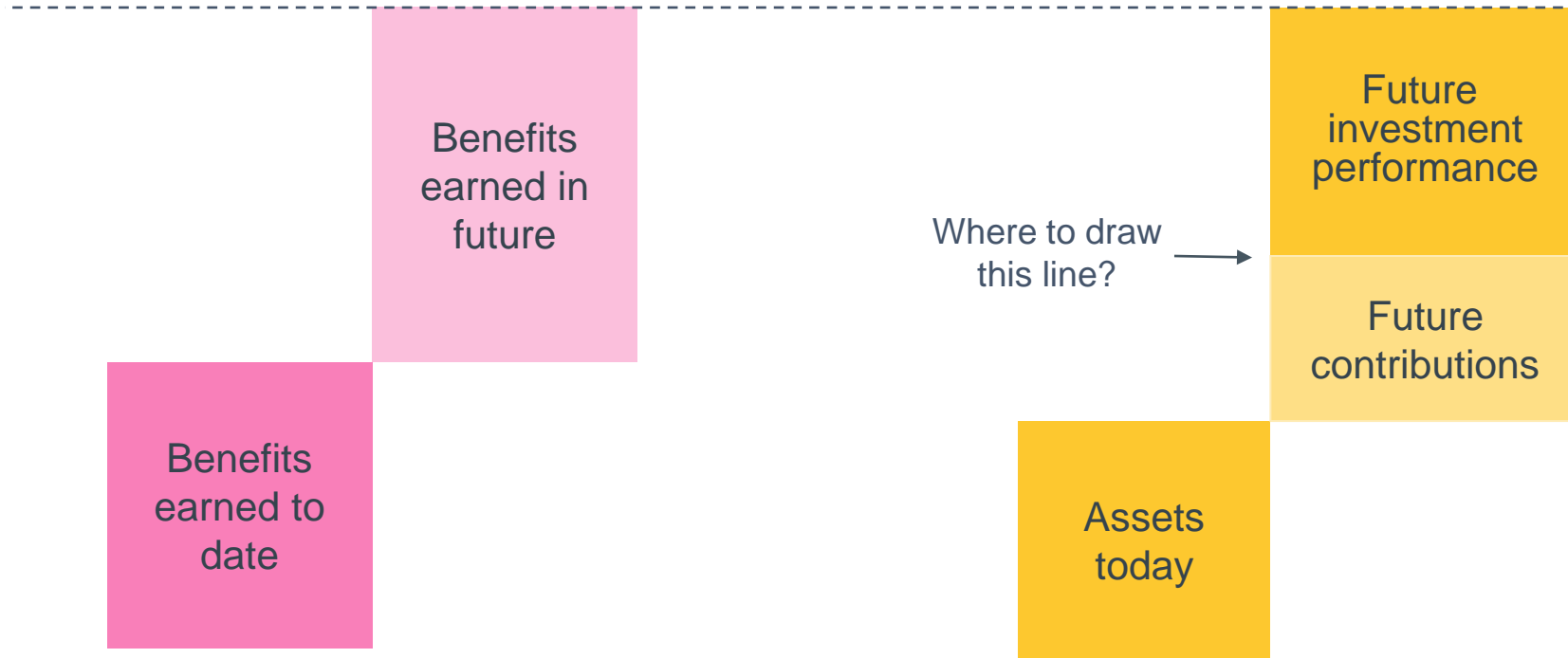
Review Funding Strategy Statement



Part of continual 'health check' on fund solvency

The triennial valuation is a key risk management exercise for the Fund

How to fund benefits



The key valuation decision is the balance of contributions and future investment performance

Two outputs from the valuation*

Funding position

Contribution rate

Benefits
earned to
date

vs

Assets
today

= surplus / (deficit)

Benefits
earned in
future

Primary contribution rate

+

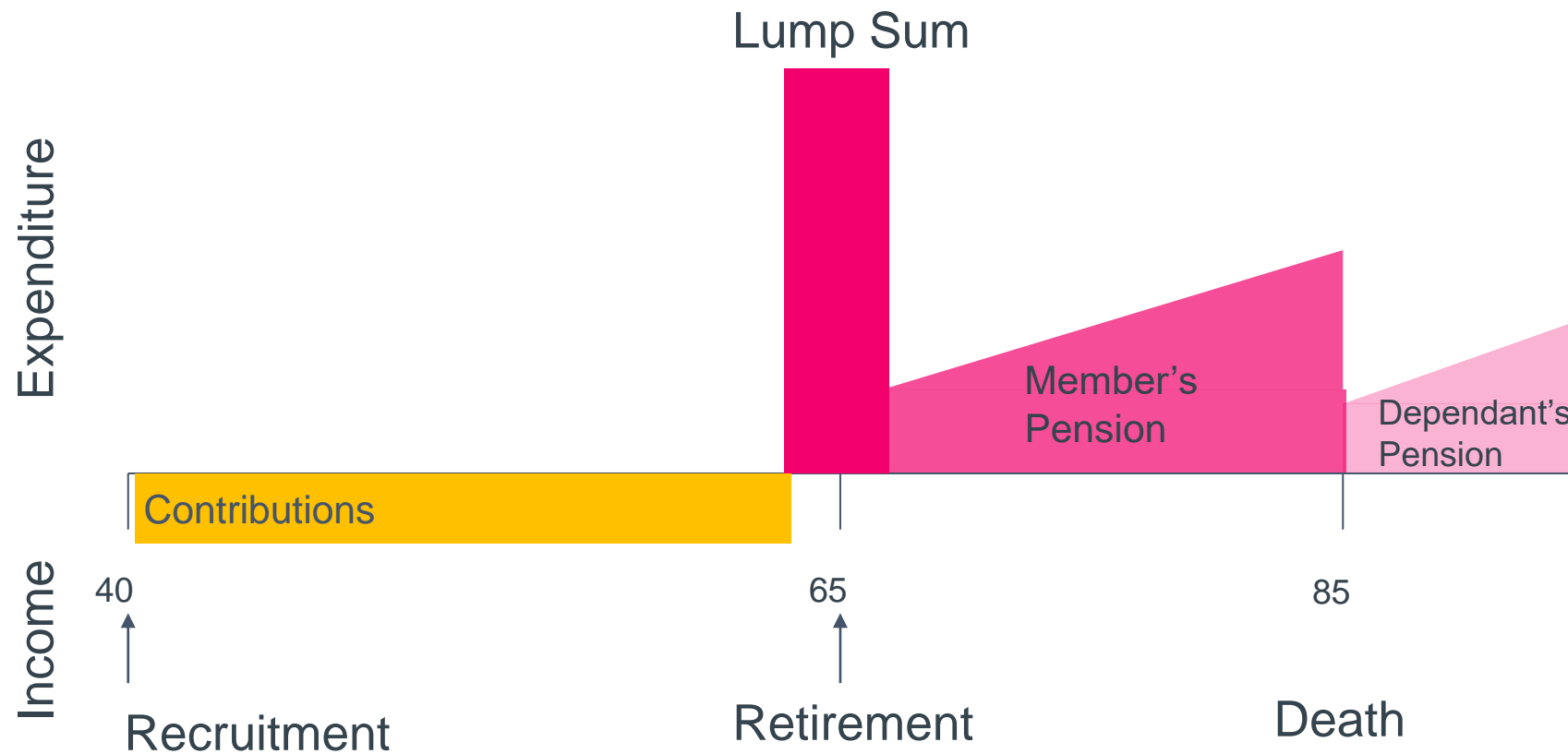
Secondary contributions

***Carried out for each employer**

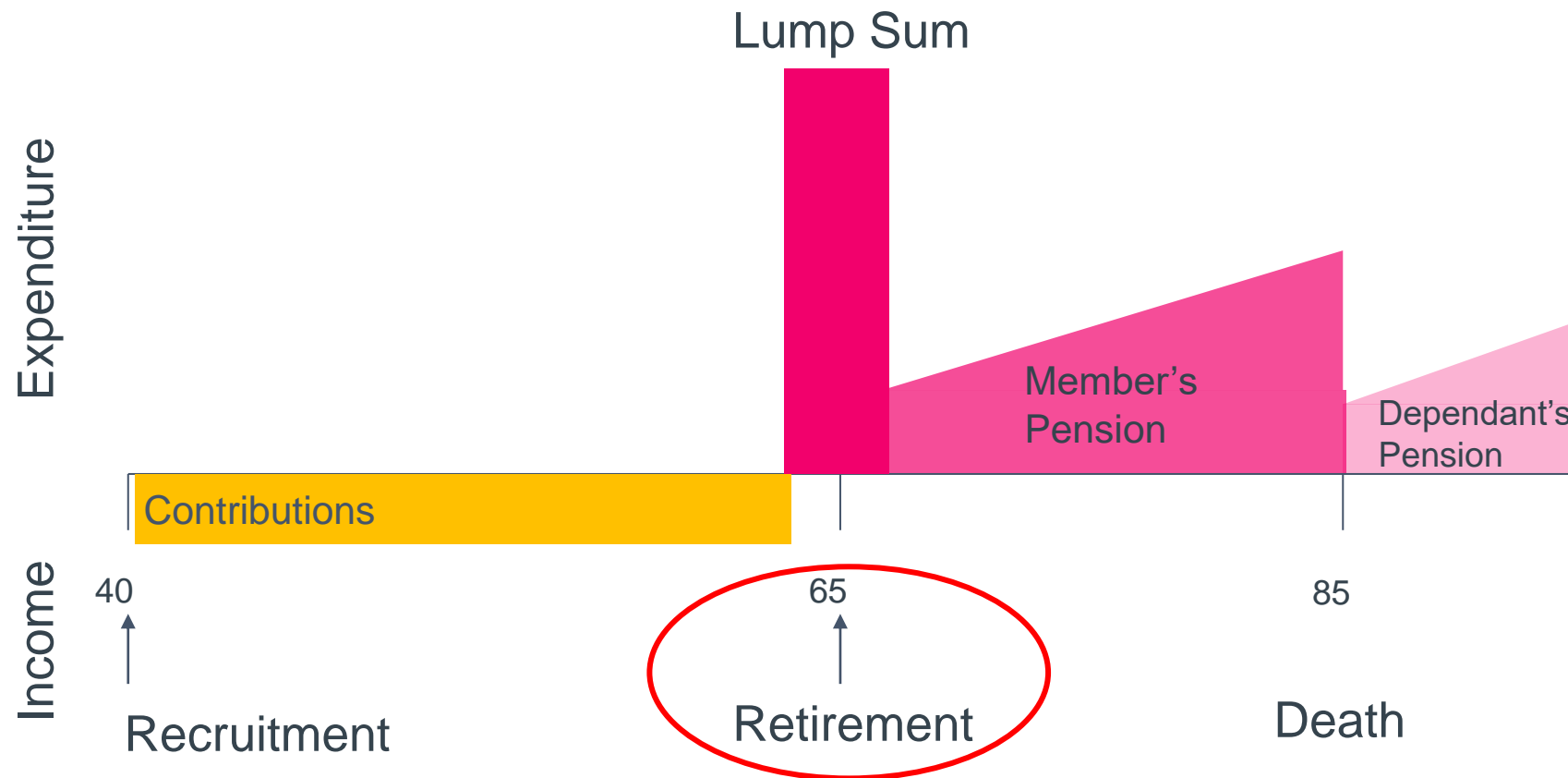
Assumptions



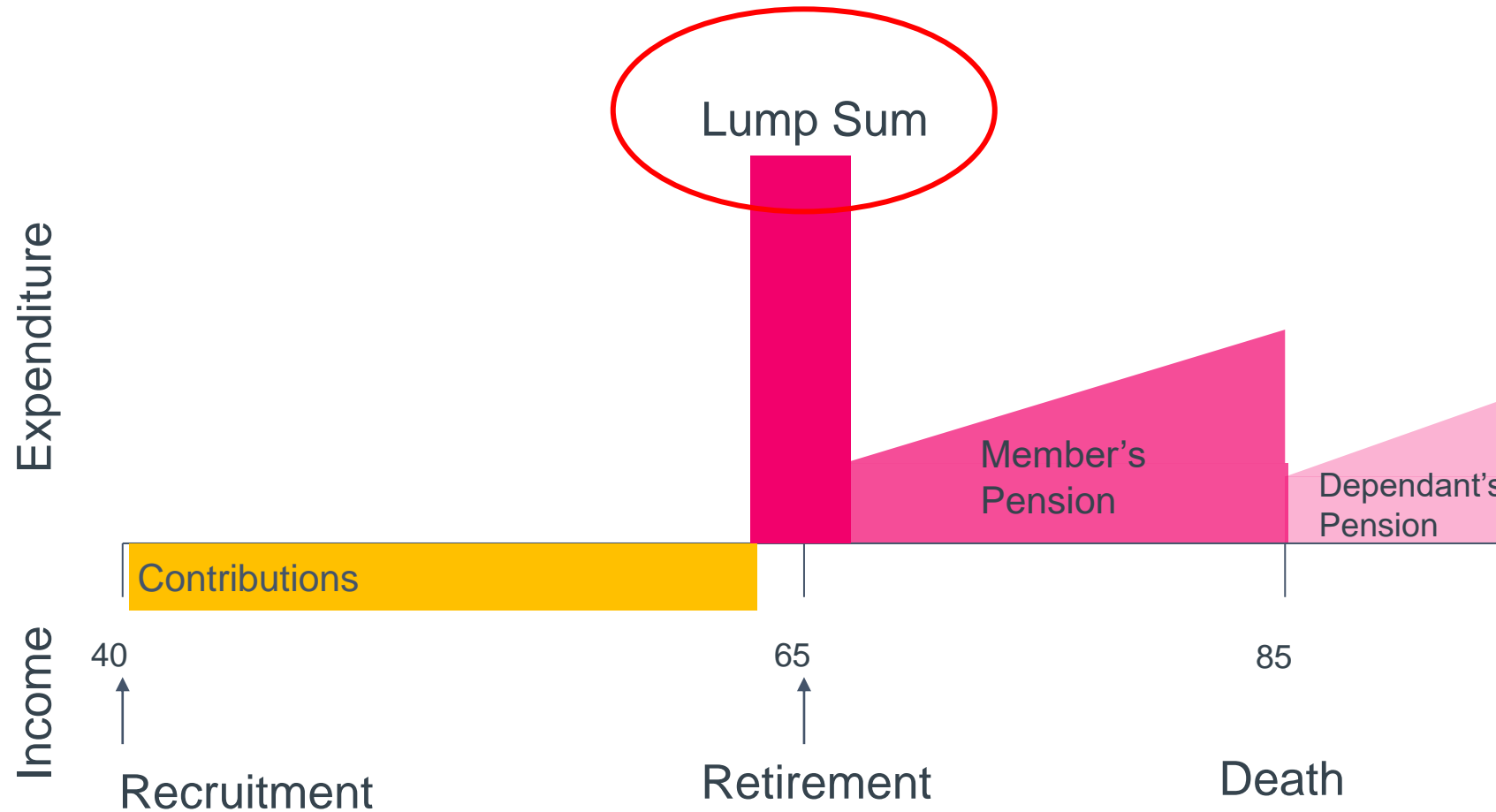
Valuation assumptions at member level



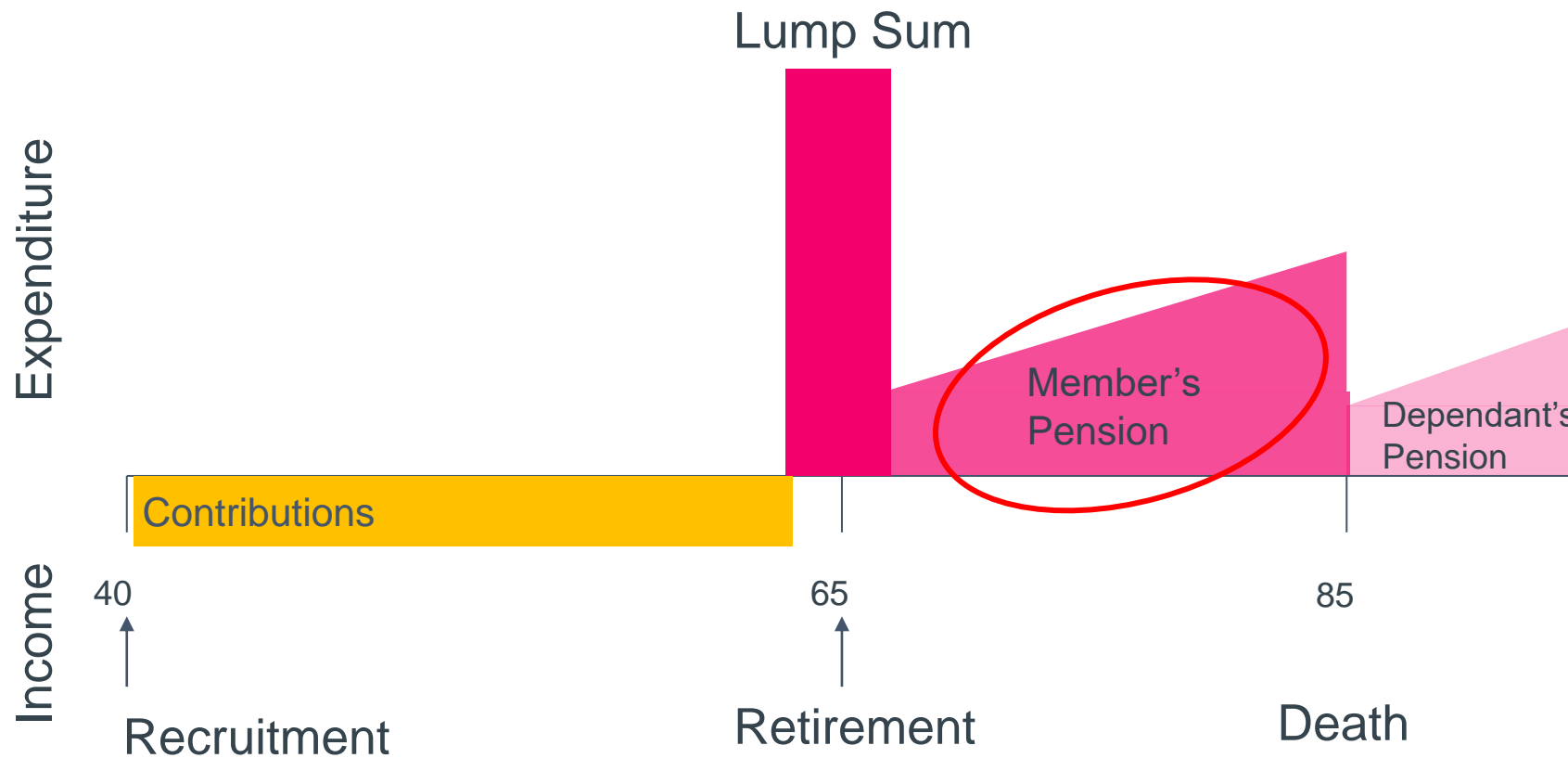
Valuation assumptions at member level



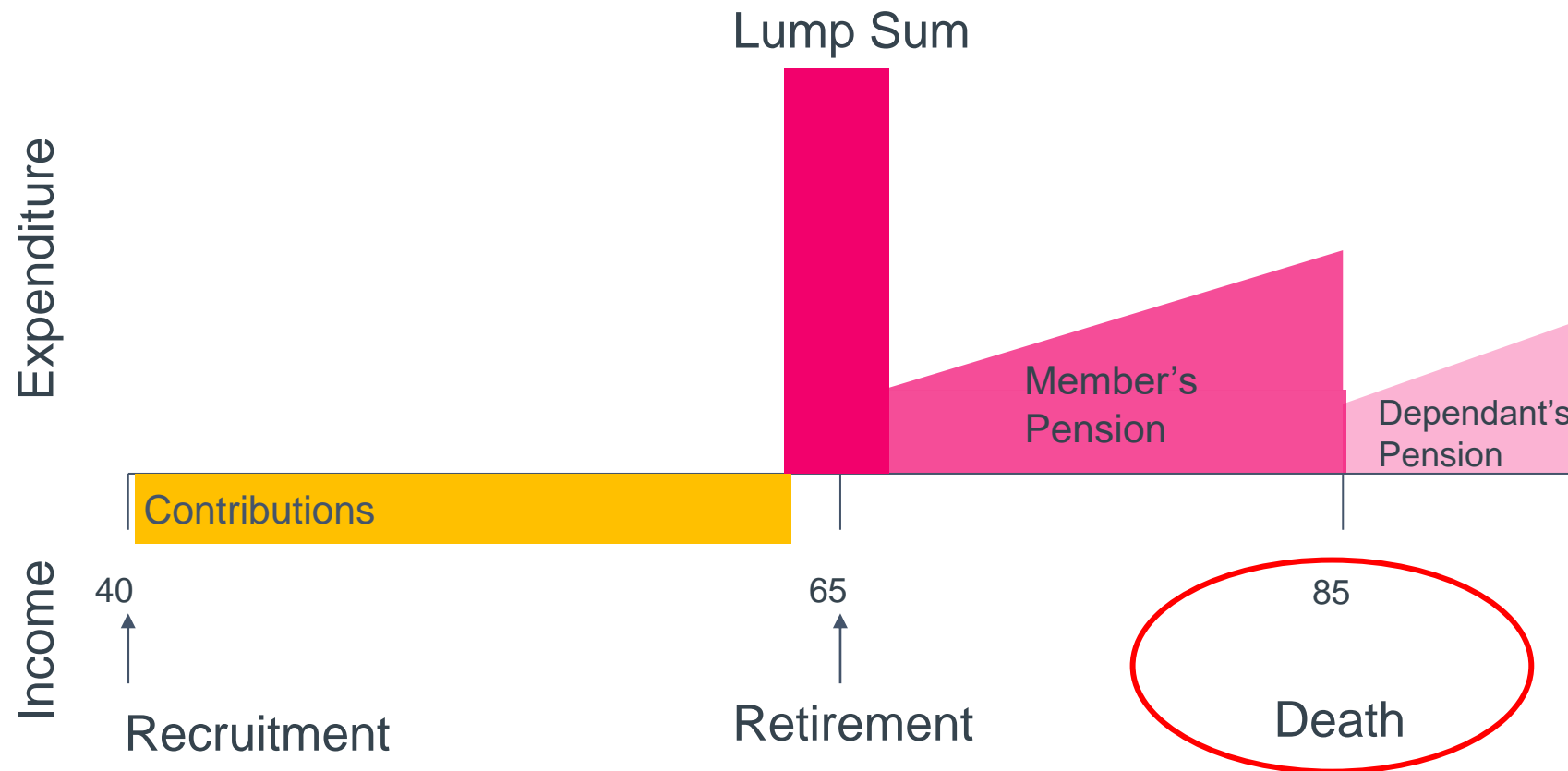
Valuation assumptions at member level



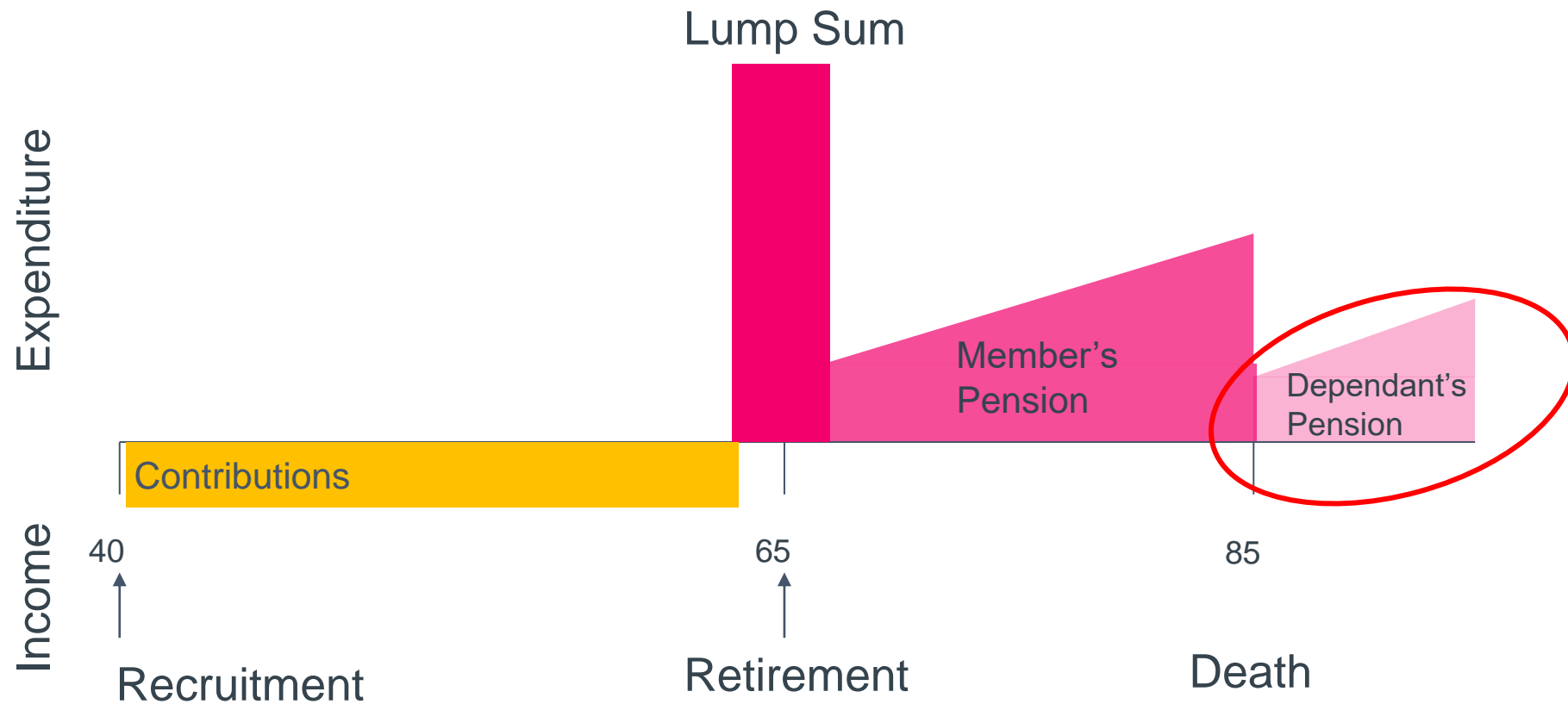
Valuation assumptions at member level



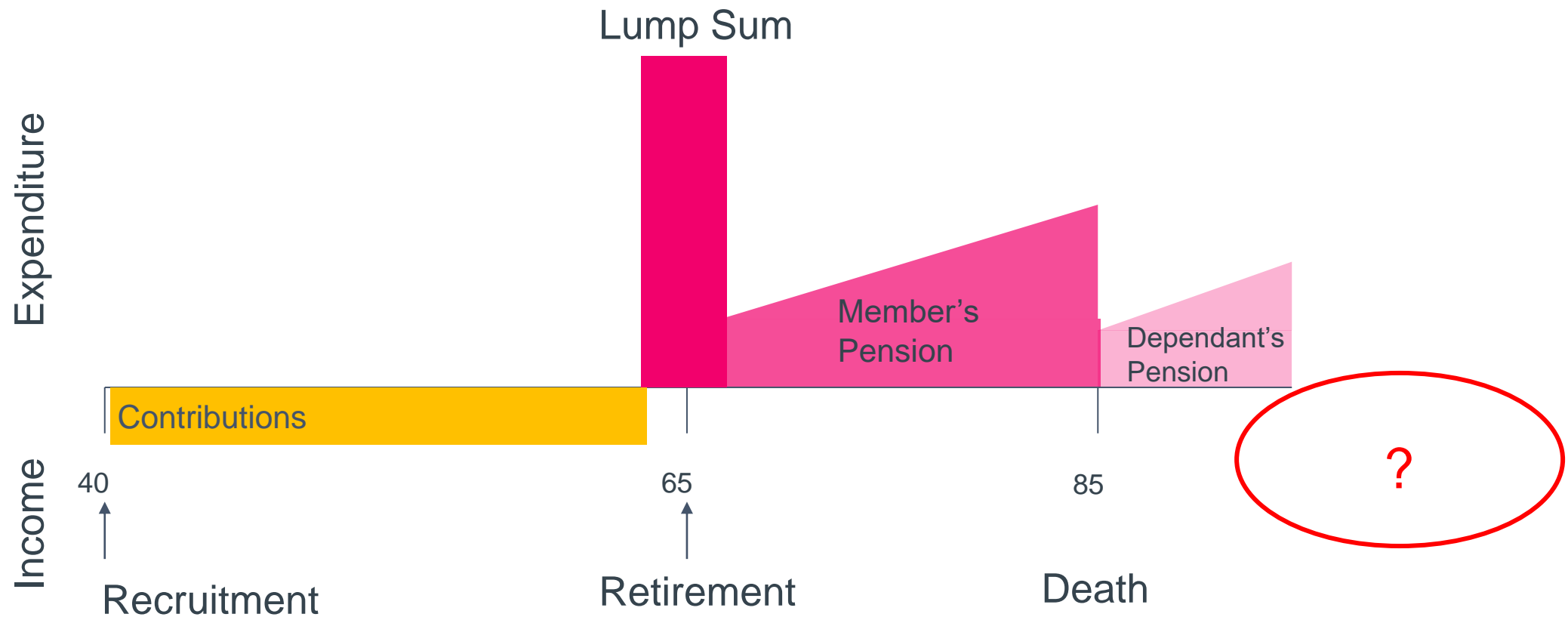
Valuation assumptions at member level



Valuation assumptions at member level



Valuation assumptions at member level



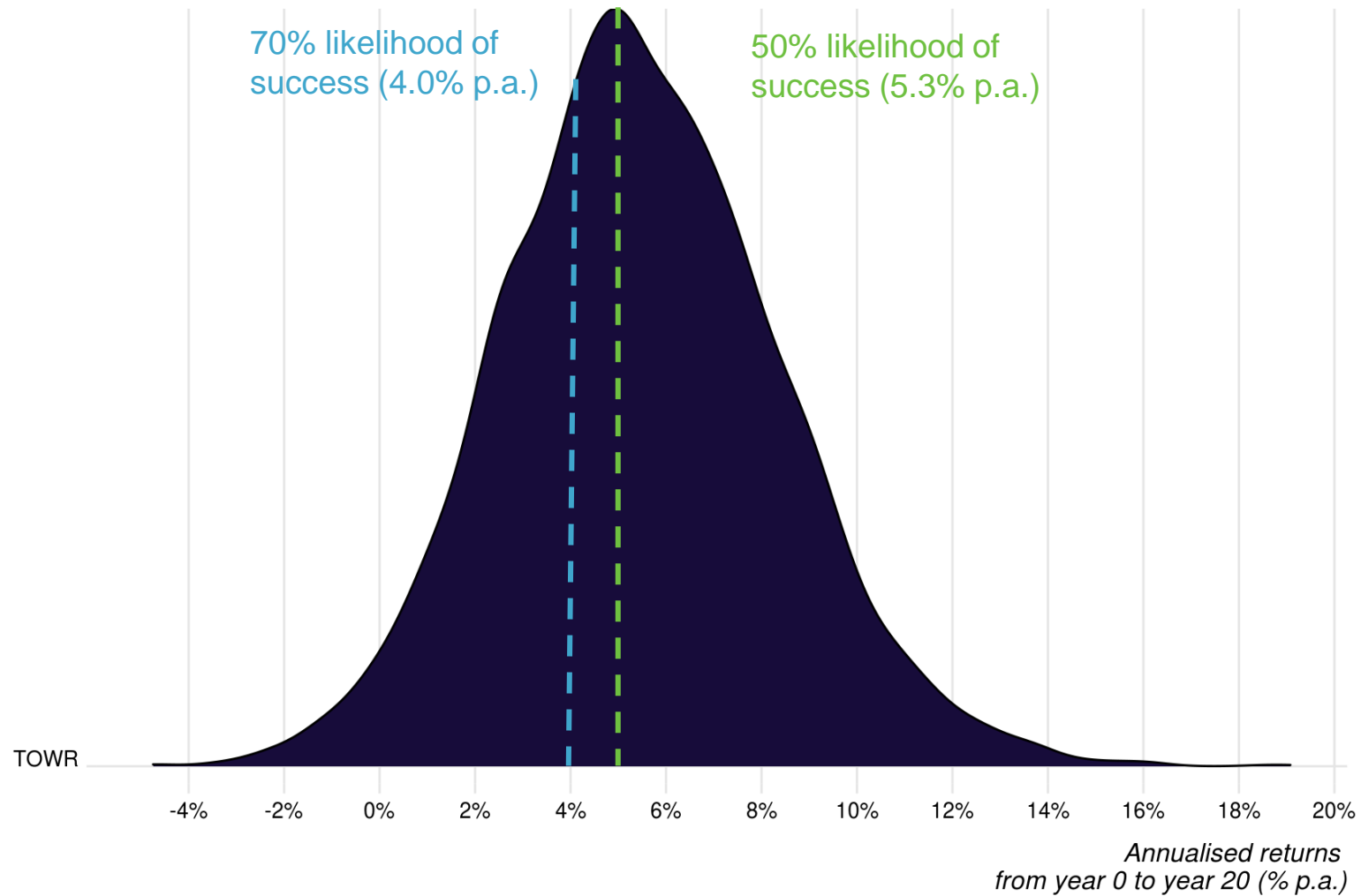
Issues affecting 2022 valuation results

- Long term market returns*
- Long term inflation
- Climate risk
- Covid-19 / longevity*

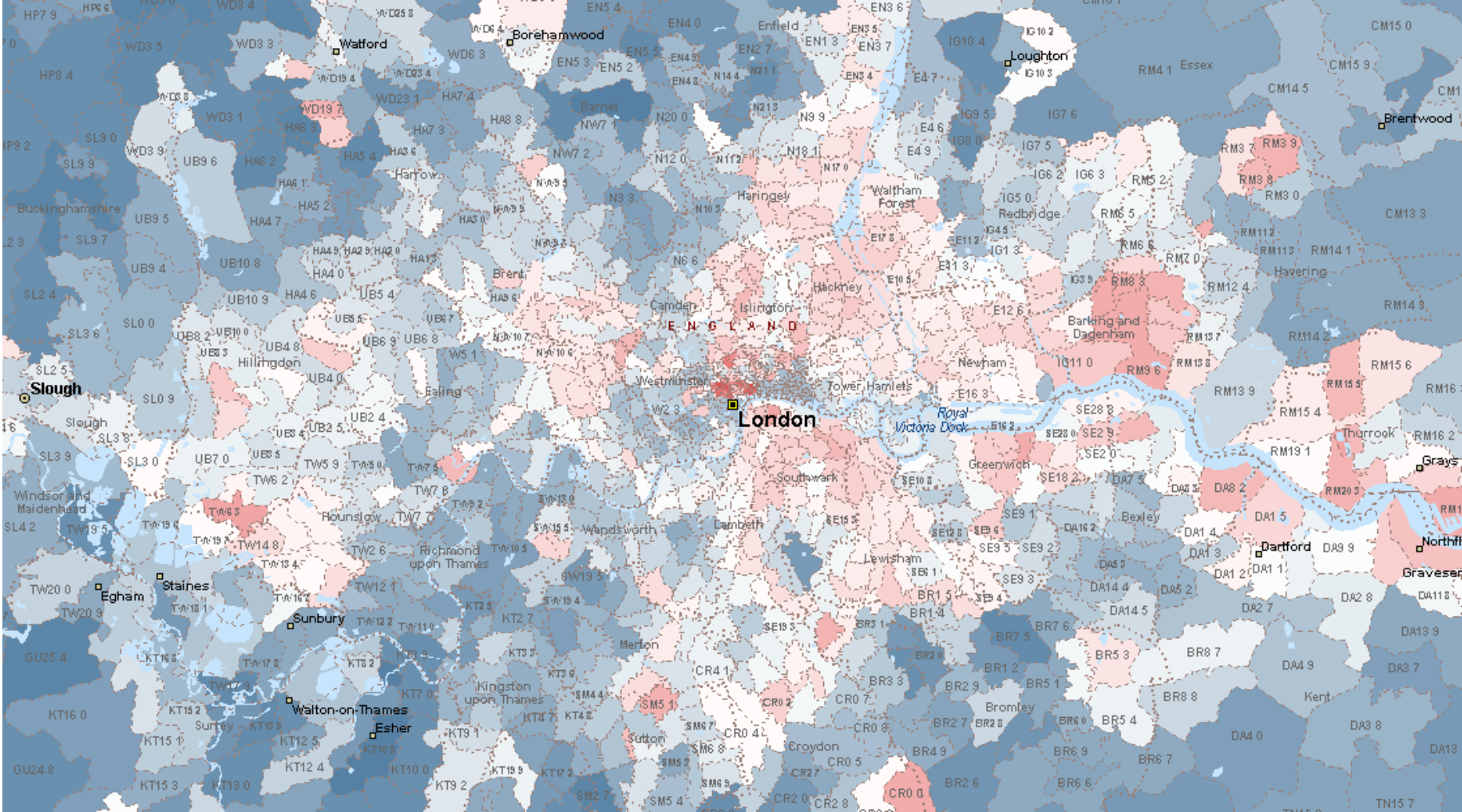
We will allow for all these in 2022 & report to you

*specific to London Borough of Tower Hamlets Pension Fund

Investment return assumption (aka discount rate)



Tailored life expectancies

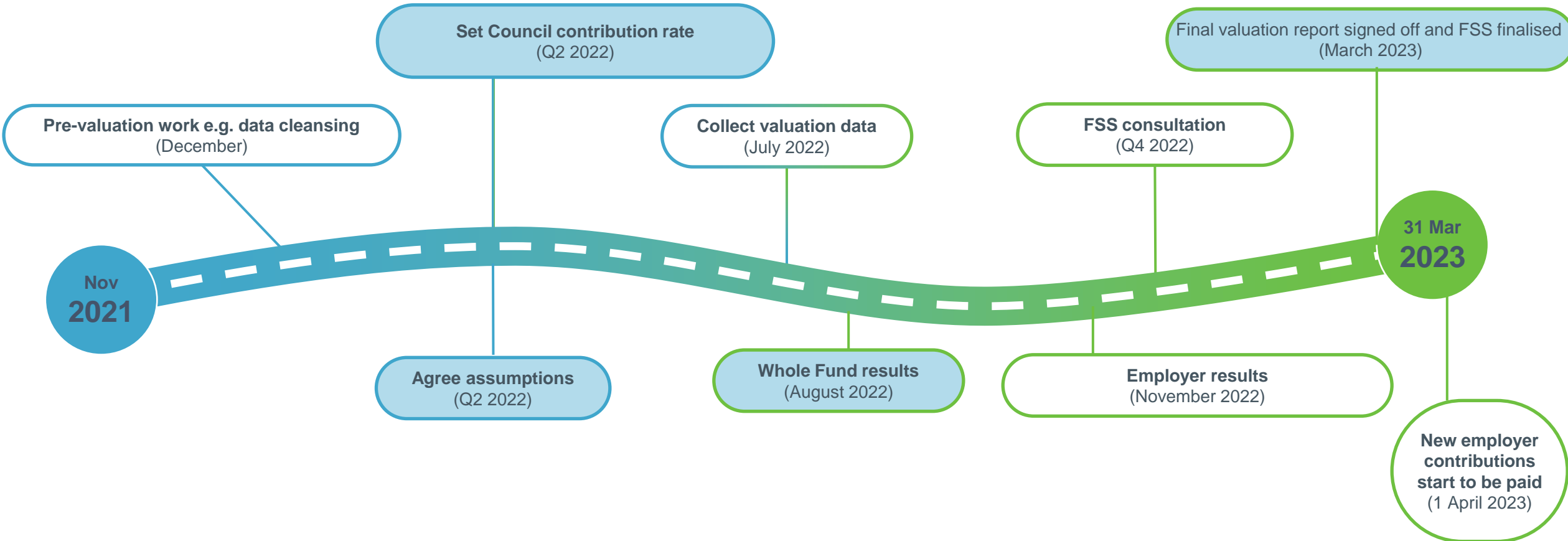


What's next?



The 2022 valuation process

Areas for Members' involvement



Thank you

This Powerpoint presentation contains confidential information belonging to Hymans Robertson LLP (HR). HR are the owner or the licensee of all intellectual property rights in the Powerpoint presentation. All such rights are reserved. The material and charts included herewith are provided as background information for illustration purposes only. This Powerpoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This Powerpoint presentation should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.