


Non-Executive Report of the:  <b>Pensions Board</b>  Monday, 27 February 2023	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Caroline Holland, Corporate Director, Resources	<b>Classification:</b>
<b>Actuarial Valuation at 31 March 2022 Initial Results and employer policies (Academies Policy, Cessation Policy and Bulk Transfer Policy)</b>	

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 Board would need to be satisfied that it is necessary to consider Actuarial Valuation results at this meeting, the Board may also take the view that it is important that there should not be an extended period without any member oversight.

<b>Originating Officer(s)</b>	Miriam Adams
<b>Wards affected</b>	(All Wards);

### Executive Summary

This report and appendix provide the Board with a summary of the whole fund results 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, the results of which are used to determine contribution rates for each employer within the Fund for the following three years which includes the Council.

The valuation is an assessment of the assets and liabilities of the pension fund which then determines the funding level.

At 31 March 2022, the funding position has improved from the last valuation. The required investment return to be 100% funded is now 3.3% pa (3.9% pa at 2019).

### Recommendations:

The Pensions Board is recommended to:

1. Note the results (appendix 1)
2. Note that since the last valuation, the main factor driving the funding position improvement was stronger than expected investment returns. These have more than offset the increase in short to medium-term inflation expectations.
3. Note the employer contribution results for the Council (appendix 2)
4. Note the Academies Policy, Cessation Policy and Bulk Transfer Policy. (Appendices 3,4 and 5).

## **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 31<sup>st</sup> 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 Majority of individual employer results have since been finalised and shared with each respective employer in the Fund.
- 3.6 At 31 March 2022, the funding position has improved from the last valuation. The required investment return to be 100% funded is now 3.3% pa (3.9% pa at 2019).
- 3.7 To assist employers understanding of their valuation results, employer forum and surgeries was held at the Town Hall on 12 January. These will consisted of presentations from the Interim Head of Pensions and the Actuary to enable employers discuss their specific results and circumstances.

- 3.8 Employers will be required to agree the primary and secondary contribution rates or the three year period commencing 1 April 2023.
- 3.9 The final Valuation report, including the rates and adjustment certificate which sets out employer's contribution rates for the three year period to March '26, will be brought back to the Pensions Committee for final approval in March 2023.

#### 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 brought back to the Pensions Committee for final approval in March 2023.
- 3.11 Pensions Committee to consider and approve the following discretions Policies
- Academies Policy
  - Cessation Policy
  - Bulk Transfer Policy

## 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 31<sup>st</sup> 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.

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## **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:**

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