

PENSIONS COMMITTEE

11 March 2020

Title: Triennial Valuation Draft Results	
Report of the Strategic Director, Finance & Investment	
Public Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Philip Gregory, Director of Finance	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Recommendations	
The Committee is recommended to note:	
i. The results of the actuarial valuation, including the improved funding level; and	
ii. That the Funding Strategy Statement will be updated where necessary for the assumptions made by the actuary and consulted with admitted and scheduled bodies together with their proposed employer contribution rates.	

1. Introduction

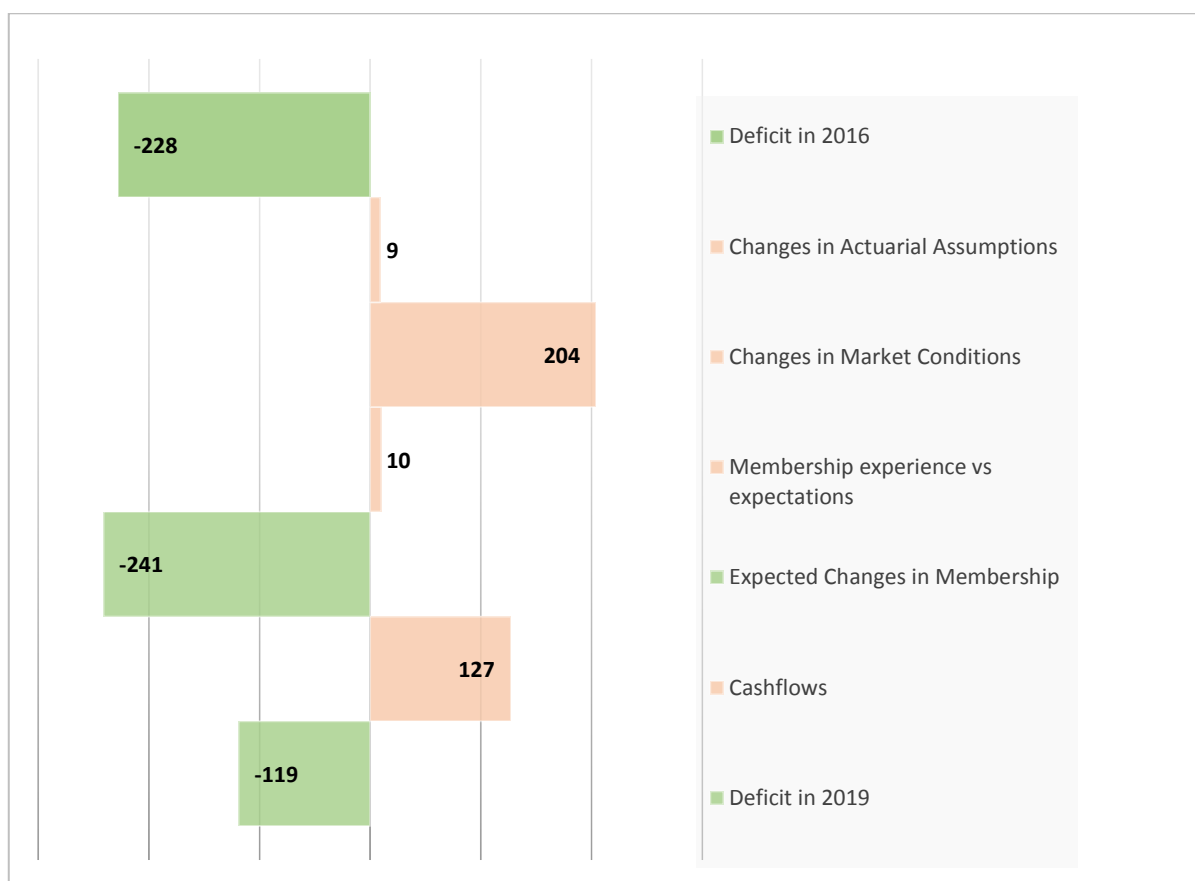
- 1.1 Every three years the Pension Fund is required to have a full valuation of its liabilities carried out by its actuary.

2. Whole Fund Valuation Results

- 2.1 Officers have discussed the valuation assumptions with the actuary and agreed the main assumptions, including the deficit contributions rate, the discount rate and salary increase assumptions. As a result of these discussions the actuary could produce the whole fund valuation calculations. The results show that, at a whole Fund level, the deficit has reduced from £228m to £119m and the funding level has improved to 90% from the 2016 level of 77%.

2.2 The main contributors to the reduced deficit and improved funding level are outlined in the chart below:

Chart 1: Movements in Triennial Valuation Assumptions



2.3 Overall the fund has adopted a prudent discount rate of 4.0%. This is lower than the 4.1% used in the 2016 valuation. The deficit recovery period has stayed the same at 17 years.

2.4 Below is a summary of the agreed financial assumptions and the results:

Valuation Date	2007	2010	2013	2016	2019
Past Service Liabilities	£Ms	£Ms	£Ms	£Ms	£Ms
Employees	-£285	-£298	-£316	-£324	-£323
Deferred Pensioners	-£81	-£117	-£180	-£221	-£287
Pensioners	-£239	-£314	-£406	-£456	-£531
Total Liabilities	-£605	-£729	-£902	-£1,001	-£1,141
Assets	£530	£549	£636	£772	£1,022
Surplus / (Deficit)	-£75	-£180	-£266	-£229	-£119
Funding Level	88.00%	75.40%	70.60%	77.20%	90.00%
Discount Rate	6.10%	6.10%	4.70%	4.10%	4.00%
Salary Increases	4.70%	5.30%	3.80%	2.60%	3.00%
Price Inflation	3.20%	3.30%	2.50%	2.10%	2.30%

3. Employer draft results

- 3.1 A meeting was held on the 15th January 2020 with the with the actuary and the Fund's various employers to discuss the draft Triennial Results. Representatives from the University of East London, Barking College and a representative for many of the Fund's academies were present.
- 3.2 The draft triennial results indicated that the contribution rates for employers varied with some rates dropping and some increasing.
- 3.3 The UEL, which is the second largest employer within the Fund after the Council, has effectively closed its Local Government Pension Scheme to new entrants. This makes the deficit recovery plan riskier as there are less members contributing to the deficit recovery. To reduce this risk, but also to ensure that their contribution rate remains affordable, the UEL has advised that they would be willing to provide a charge against their assets to cover the deficit.
- 3.4 The actuary and officers have also produced a draft Funding Strategy Statement which was distributed to Fund employers for their views as part of a consultation.

4. Next Steps

- 4.1 The actuary is in the process of finalising the contribution rates for the borough and all the admitted and scheduled bodies and will issue certification.
- 4.2 In addition an Investment Strategy review will be carried out by the fund's Investment Advisor, in consultation with the Independent Advisor, the Actuary and officers. The Investment Strategy Statement (previously the Statement of Investment Principles) will be reported back to the Committee's meeting in June 2020 for agreement.

5. Consultation

- 5.1 Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers.

The Strategic Director, Finance & Investment and the Fund's Chair have been informed of the commentary in this report.

6. Financial Implications

Implications completed by Philip Gregory, Director of Finance

- 6.1 The triennial valuation is a legal requirement and the cost of the actuarial valuation is met by the Pension Fund.

7. Legal Implications

Implications completed by Dr Paul Feild Senior Governance Solicitor

- 7.1 Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 requires triennial valuations to be carried out by an actuary.

8. Other Implications

- 8.1 There are no other immediate implications arising from this report though the Public Service Pensions Act changes will have an impact on the short and long term workload of the Pension Fund. This will continue to be monitored.

Background Papers Used in the Preparation of the Report: None

List of appendices: None