

2016 Actuarial Valuation and Funding Strategy Statement - Update

Contact Officers

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Papers with this report

This report is to provide information to Committee only.

INFORMATION

1. Valuation

The triennial revaluation of the pension fund to value the fund as at 31 March 2016 is well underway. Data has been submitted to the Fund Actuary to enable completion of the valuation. The Fund Actuary will provide officers with draft results during the autumn and will also participate in an employer forum during November, to enable scheme employers to ask questions on their individual results. The Actuary, Catherine McFadyen, will attend the December meeting of this Committee to present the results for the whole fund. It is proposed that the members of the local Pensions Board be invited to attend that part of the meeting to enable them to hear the Actuary's presentation.

2. Funding Strategy Statement

As part of the valuation process under LGPS regulations each Administering Authority is required to publish and maintain a Funding Strategy Statement (FSS). Ensuring that, in the long term, an LGPS pension fund has sufficient assets to meet pensions liabilities is the primary responsibility of those charged with managing the fund, and getting the funding strategy right is critical to the achievement of this. The purpose of the Funding Strategy Statement, as set out by the Department for Communities and Local Government in 2003, is to 'establish a clear and transparent fund-specific funding strategy which would identify how employers' pension liabilities are best met going forward.'

The FSS is updated following each valuation and is drafted along with the Fund actuary. The FSS will take account any revisions to the funding position and will link to the Fund's Investment Strategy.

As the FSS applies to all employers participating within the Fund, we are required to consult with all Fund employers prior to finalising the strategy. A draft of the FSS will be brought to Pension Committee in December with the Valuation results, for initial approval and to seek authority to consult with fund employers. Committee will then be asked to agree the final version in March 2017, prior to it becoming effective from April 2017 along with the application of any new employer contribution rates.

3. Section 13

The 2016 valuations will be the first valuations to be carried out under a new governance framework, set out under Section 13 of Public Service Pensions Act. The new framework

requires the Government Actuaries Department (GAD) to report on whether the LGPS formal funding valuations meet the 4 criteria of Compliance, Consistency, Solvency and Long term cost Efficiency. To assist the planning of this report, GAD have carried out a dry run based on the 2013 valuation reports for all LGPS funds, working closely with the four LGPS Actuaries to identify any complexity in this process. From the dry run no compliance issues were found. GAD reported on presentational and evidential inconsistencies across the funds dependant on the actuary used. There were no open LGPS funds that were red flagged in relation to solvency although some amber flags were raised on a number of funds. There were no red flags raised on the Hillingdon Pension Fund or for any other fund which have Hymans as their Actuary.

One of the key indicators GAD compiled in the dry run report was to compare all LGPS funds funding levels as at the 2013 valuation to a standardised set of consistent assumptions known as the SAB standard basis. Whilst the actual 2013 valuation resulted in a 72% funding level, had this standardised basis been used the funding level would have been 83%. Across all the various indicators observed by GAD under the section 13 dry run report, Hillingdon obtained all green flags.

4. Scheme Advisory board (SAB)

Under section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113, the Local Government Pension Scheme Advisory Board has been created.

The purpose of the Board is to both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues. It will consider items passed to it from the Department of Communities and Local Government ("DCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to the DCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.

In 2013 the Board was set up in 'Shadow' in order to test the format, terms of reference, membership and committees prior to the formalisation of these items in the LGPS Regulations. On 1st April 2015 the Board was established as a statutory body, and the formal membership was confirmed early in 2016 with non voting members and advisors added in the summer of the same year.

Information about the SAB is available on their website: <http://www.lgpsboard.org>