

VALUATION REPORT AND FUNDING STRATEGY

Committee	Pensions Committee
Officer Reporting	James Lake, Finance
Papers with report	1. Draft Valuation Report 2. Funding Strategy Statement

BACKGROUND

Hillingdon Council as the administering authority of the Hillingdon Pension Fund is required under Regulation 62 (1) of LGPS Regulations 2013 to carry out a triennial valuation to review the current funding strategy and ensure that there is an effective contribution plan and investment strategy to pay benefits to members as they fall due.

The triennial valuation assumptions for March 2022 were approved at the September 2022 Committee. The draft Funding Strategy Statement was also approved by the Committee for consultation. The triennial valuation is now complete, and the results attached. Craig Alexander from Hymans Robertson, the Pension Fund Actuary will present the final results to the Committee.

RECOMMENDATION

It is recommended that the Pensions Committee:

1. Agree the draft Triennial Valuation Report; and,
2. Approve the Funding Strategy Statement for the London Borough of Hillingdon Pension Fund.

SUMMARY OF THE VALUATION RESULTS

Funding position

The table below summarises the funding position as at 31 March 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Past Service Position	31 March 2019 (£m)	31 March 2022 (£m)
Past Service Liabilities	1,228	1,430
Market Value of Assets	1,067	1,263
Surplus / (Deficit)	(161)	(167)
Funding Level	87%	88%

There has been an improvement in the funding level since the last valuation in March 2019 from 87% to 88%, albeit the deficit has increased from £161m to £167m. The

improvement in funding position between 2019 and 2022 is mainly due to positive investment performance over the period and an increased asset value of £196m. The liabilities have also increased over the period by £202m. The likelihood of the Fund achieving the required return has improved from 61% to 62% in 2022.

Contribution rates

The table below shows the contribution rate for the whole fund at March 2022. The Primary rate is the payroll weighted average of each individual employer primary rate. The secondary rate is the total of each individual employer rate expressed in monetary terms, calculated in accordance with the Regulations and CIPFA guidance.

	Valuation 31 March 2022		Valuation 31 March 2019	
Primary rate (% of pay)	19.6%		20.2%	
	Year	(£)	Year	(£)
Secondary Rate (£)	2023/24	6,693,000	2020/21	5,313,000
	2024/25	6,909,000	2021/22	5,451,000
	2025/26	7,131,000	2022/23	5,592,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pensionable pay (0.8% at 2019 valuation). The average employee contribution rate is 6.7% of pensionable pay (6.5% at 2019 valuation).

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have decreased as future expected investment returns have improved. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The schedule of contributions to be paid by each employer, commencing 1 April 2023 to 31 March 2026 are set out in the Rates and Adjustment Certificate included in the valuation report.

FUNDING STRATEGY STATEMENT

The Local Government Pension Scheme Regulations 2013 (58)(1) require the administering authority to prepare, maintain and publish a statement setting out its funding strategy (FSS).

The regulations also require the authority to keep the statement under review and, make such revisions as are appropriate following any material change in its policy after consultation with appropriate stakeholders. The revised FSS should then be published.

The FSS sets out how the Council, in its role as Administering Authority, has balanced the conflicting aims of affordability, stability and prudence in the approach to funding the scheme's liabilities.

The Funding Strategy Statement for the Hillingdon Pension Fund has been reviewed and updated following the 2022 triennial valuation. The draft was approved for consultation at the Pensions Committee of 28 September 2022 and was sent to employers on 18 November 2022. The consultation period ended on 16 December 2022. There were no changes arising from the consultation. The FSS was also noted by the Local Pension Board on 9 November 2022 and is now being presented back to Committee for final approval.

FINANCIAL IMPLICATIONS

The financial implications are included in the body of the report.

LEGAL IMPLICATIONS

The legal implications are included in the body of the report.