

PENSIONS COMMITTEE
28 MARCH 2017

Subject Heading:	2016 ACTUARIAL VALUATION DRAFT REPORT
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Policy context:	Administration Authority must obtain an actuarial valuation of the pension funds' assets & liabilities as at 31 March 2016
Financial summary:	None directly

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

SUMMARY

The DRAFT 2016 Actuarial Valuation Report has been prepared by the Fund's Actuary in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The report sets out an actuarial valuation of the assets and liabilities of the pension fund as at 31 March 2016.

The report also sets out the minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 as determined by the Fund's Actuary, using assumptions agreed by the Council's Statutory Section 151 officer.

RECOMMENDATIONS

That the committee:

1. Note the DRAFT 2016 Actuarial Valuation Report (**Appendix A**)

REPORT DETAIL

1. Background

- 1.1 The Local Government Pension Schemes Regulations 2013, paragraph 62 (1) states that an administering authority must obtain:

(a) an actuarial valuation of the assets and liabilities of each of its pensions funds as at 31st March 2016 and on 31st March in every third year afterwards;

(b) a report by an actuary in respect of the valuation; and

(c) a rates and adjustments certificate prepared by an actuary.

(2) Each of those documents must be obtained before the first anniversary of the date ("the valuation date") as at which the valuation is made or such later date as the Secretary of State may agree.

(3) A report under paragraph (1) (b) must contain a statement of the demographic assumptions used in making the valuation; and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.

(4) A rates and adjustments certificate is a certificate specifying —

(a) the primary rate of the employer's contribution; and

(b) the secondary rate of the employer's contribution,

for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.

(5) The primary rate of an employer's contribution is the amount in respect of the cost of future accruals which, in the actuary's opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its

solvency, expressed as a percentage of the pay of their employees who are active members.

(6) The actuary must have regard to —

(a) the existing and prospective liabilities arising from circumstances common to all those bodies;

(b) the desirability of maintaining as nearly constant a common rate as possible;

(c) the current version of the administering authority's funding strategy mentioned in regulation 58 (funding strategy statements); and

(d) the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.

(7) The secondary rate of an employer's contributions is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should, in the case of a Scheme employer, be increased or reduced by reason of any circumstances peculiar to that employer.

(8) A rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects —

(a) the number of members who will become entitled to payment of pensions under the provisions of the Scheme; and

(b) the amount of the liabilities arising in respect of such members, during the period covered by the certificate.

(9) The administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.

1.2 As mentioned under Regulation 62 (2) the Final version of the 2016 Actuarial Valuation Report must be produced by the 31 March 2017.

1.3 Section 4 of the report sets out the results in detail but in summary the funding level of the fund as improved the last 2013 valuation as shown in the table below:

	31 March 2013	31 March 2016
	£m	£m
Total Liabilities	752.1	857.3
Total Assets	460.6	572.9
Surplus/(Deficit)	(291.5)	(284.4)
Funding Level	61%	67%

- 1.4 The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment certificate within Appendix H of the attached report. Employer contributions are collected using the 'Total Contribution Rate' (combined primary & secondary) unless a cash value is presented. Cash is collected via invoice payments with the exception of the London Borough of Havering pool which is collected via payroll and a transfer from the corporate risk budget, as shown in the following table:

	Valuation Years		
	01 Apr 17 - 31 Mar 18	01 Apr 18 - 31 Mar 19	01 Apr 19 - 31 Mar 20
What the Havering pool is expected to pay in ER contributions as per valuation report:			
	£m	£m	£m
Estimated pensionable pay	84.76	85.29	85.82
Primary Rate @15.6%	13.22	13.31	13.39
Secondary Rate as Cash sums	9.65	11.15	12.65
Total ER Contributions due	22.87	24.46	26.04
How the contributions are collected:			
Collected @ 22% of pensionable pay via payroll	18.65	18.76	18.88
shortfall in ER contributions using 22% (ER's due less collected)	4.23	5.69	7.16
How the shortfall is funded:			
Planned funding from Corporate Risk budget	5.50	7.00	9.50
*surplus (shortfall less planned funding)	1.27	1.31	2.34

* As staff numbers decrease then the estimated pensionable pay figure may be reduced, impacting on the amount collected via payroll, so the estimated surplus currently provides a contingency if pensionable pay reduces.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Valuation is a planning exercise for the Fund, to assess the amount of money needed to meet the benefits owed to its members as they fall due for payment.

The purpose of the valuation is to estimate what the cost of members benefits will be so that the fund can develop strategies to meet this.

The valuation results depend on actuarial assumptions that are made about the future which cannot be predicted with certainty and it is unlikely that future experience will match the assumptions used. There are a variety of risks that are primarily already contained within Section 5 of the 2016 valuation report.

Legal implications and risks:

The Regulatory requirements are included within the body of the report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

London Borough of Havering Pension Fund 2016 Draft Actuarial Valuation Report