



PENSIONS COMMITTEE

22 November 2016

Subject Heading:

REVIEW OF THE PENSION FUND
ACTUARY SERVICES 1 OCTOBER 2015
– 30 SEPTEMBER 2016

CMT Lead:

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Policy context:

A review of the performance of the services provided by the Actuary demonstrates compliance against Myners principles

Financial summary:

Actuarial costs are met from the Pension Fund or from scheme employers where rechargeable

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

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

SUMMARY

The report reviews the performance of the Actuary from the 1 October 2015 – 30 September 2016.

RECOMMENDATIONS

Members note the views of officers on the performance of the Actuary during the period 1 October 2015 to 30 September 2016.

REPORT DETAIL

1. The Havering Pension Fund joined the Croydon Framework in March 2015 to obtain Actuarial and Benefits Consulting Services. Hymans Robertson is the appointed Actuary under this framework agreement. The contract expires on 31 March 2018. Hyman's have been the Funds Actuary since April 2010 and no changes were made to the Hymans contacts as part of joining the Croydon framework but benefits from savings in procurement costs and fees.
2. The framework also addresses the issues of:
 - allowing authorities the opportunity to work together on a range of projects, sharing knowledge and costs to achieve common goals at a fraction of the costs that would otherwise be incurred and to focus;
 - meeting the governments encouragement for greater efficiencies in the administration of pensions and the Framework is designed to help meet those efficiencies together as part of the Croydon Framework.
3. The following criteria were used for the contract evaluation:
 - (a) Internal quality control procedures;
 - (b) Management processes that maintain the knowledge and expertise in depth to support the contract;
 - (c) Ability to work to tight deadlines; and
 - (d) Demonstrate long term commitment to Local Government.
4. The contract set out a detailed service specification for the Actuarial Valuation Service and other actuarial services required. Other actuarial services include:
 - (a) meeting the requirements of FRS 17/IAS19;
 - (b) admission of new bodies to the fund, including recommended employer contributions and bond assessments;
 - (c) providing actuarial factors to enable the calculation of early or ill health retirements; and
 - (d) advice and the provision of up-to-date information on topical issues.
5. The production of the triennial valuation is the key deliverable from the Actuary, together with regular funding updates and annual calculations required for the Council's statement of accounts under the Code of Practice on

Local Authority Accounting. The last valuation was 31 March 2016 and we await the results from the actuary which are due in December 2016.

6. The Actuary also provides advice regarding changes in legislation affecting the Pension Fund, reviews guidance, and provides scheduled and admitted body contribution rates and other calculations as required.
7. Since September 2015 the Actuary has undertaken the following:

2016 Formal Valuation

- Preparatory work for the 2016 valuation
- Preparation of letter outlining GAD section 13 valuations and what this means for the Fund
- Attendance at pre valuation meeting on 22 October 2015, including projected results for the valuation
- Provision of 2016 valuation guide
- Attendance at valuation meeting on 24 February 2016 to discuss possible contribution strategies for the Fund and to begin scoping an the ALM
- Continued liaison with GAD and software providers regarding the new universal data capture, including testing and feedback
- Attendance at meeting to discuss section 13 results on 26 July 2016
- Provision of salary growth analysis paper to evidence changes to the salary assumption
- Assistance with Whole Fund data cleansing including correcting software provider issues
- Whole Fund data reconciliation, calculations and initial results
- Asset liability modelling to assist setting the Council contribution rates and checking the investment strategy continues to underpin the contribution plan
- Attendance at meeting on 1 September 2016 to discuss initial results and asset liability modelling
- Further asset liability modelling of alternative scenarios
- Calculation of SAB standard funding ratio, including provision of actuarial certificate before the SAB deadline

Employers

- Final cessation valuations for Havering Citizens Advice Bureau and KGB Cleaners
- Indicative cessation valuation for Family Mosaic
- Advice on cessation valuation options for May Guerneu
- Provision of bond and contribution rate assessments, including ill-health budgets, relating to Accent Catering and Breyers
- Provision of contribution rate assessments for academies, including ill-health budgets, relating to Brookside Infants, Ravensbourne and Benhurst

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- Recommendations on contribution rate for Drapers Maylands
- Work over the period to complete the bulk transfer of Elutec to London Borough of Barking and Dagenham Pension Fund

Governance

- Advice regarding the register of members' interest
- Advice on service restructuring and governance compliance

Training

- Delivered staff training on outsourcing

Accounting

- Produced IAS19 and IAS26 disclosures for the London Borough of Havering and FRS17/102 disclosures for the Colleges and Academies;
- Produced the actuarial statement for the statement of accounts;

General

- Provision of newsletters and help with publications including:
 - High Earners tax newsletter
 - Review of Conflict of Interest policy
 - Regular legislative updates, 60 second Summaries, Briefing notes

8. Hymans has delivered a diverse range of advice and assistance to the Council over this period. They have also worked with the Council on a number of outsourced or potentially outsourced contracts. Service delivery response times remain excellent. All relevant services required during the period 1 October 2015 – 30 September 2016 were delivered in both a timely manner and to a good or excellent quality.

Hymans continually provides briefings on changes to legislation, government consultations and changes to taxation etc. These are viewed as excellent and give Council officers a steering on most issues arising. Through the Collaborative Officers Group (COG) meetings, many publications are drafted and offered to Administering Authorities to purchase and the cost is shared dependant on the number of administering authorities take up the offer.

9. In conclusion, officers are very satisfied with the service that Hymans Robertson is providing.

IMPLICATIONS AND RISKS

Financial implications and risks:

Fees are charged for the time spent on services, taking into consideration the complexity of the services provided:

The gross costs of the actuarial services were:

1 October 2015 to March 2016	£44,155
1 April 2016 to 30 September 2016	£81,370

Fees included actuarial work that was recharged to other employers within the fund, as follows:

1 October 2015 to March 2016	£24,943
1 April 2016 to 30 September 2016	£32,620

The total net costs of £67,962. (Prior year £47k) are met from the Pension Fund.

Legal implications and risks:

There are no apparent legal implications from noting the content of the Report.

Human Resources implications and risks:

None arising directly.

Equalities implications and risks:

None arising directly.

BACKGROUND PAPERS