



PENSIONS COMMITTEE

12 DECEMBER 2017

Subject Heading:

**PENSION FUND VALUATION FUNDING
UPDATE FROM 31 MARCH 2016 TO 30
SEPTEMBER 2017**

CMT Lead:

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Policy context:

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Pension Fund Interim Valuation in line
with Funding Strategy Statement

Financial summary:

None directly as the report comments on
the Pension Fund interim valuations since
the last formal valuation in 31 March
2016.

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

Communities making Havering
Places making Havering
Opportunities making Havering
Connections making Havering

[X]
[X]
[X]
[X]

SUMMARY

This report provides Members with a report from the Fund's Actuary Hymans Robertson to illustrate the estimated development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017.

RECOMMENDATIONS

That the Committee note the following:

1. The Havering Pension Fund interim funding position update to 30 September 2017.
2. No action is required to change the funding plan.

REPORT DETAIL

1. Background

- 1.1 In line with Local Government Pension Scheme 2013, the Fund's actuary carried out a triennial valuation as at 31 March 2016. The main purpose of the valuation is to estimate on-going employer liabilities, evaluate this against the funds' assets and calculate the funding position within the fund. This is then used to set future employer contribution rates.
- 1.2 In line with the Funding Strategy Statement (FSS) the Administering Authority states that it will monitor the relative funding position, i.e. changes in the relationship between asset values and the liabilities and to report this to the Pensions Committee meetings. Hymans was asked to provide Members with a report to illustrate the estimated development of the Pension Fund's funding position from 31 March 2016 to 30 September 2017, which is the mid waypoint between the valuations.
- 1.3 Hymans report looks at the whole fund position only and does not allow for changes in individual members data since the last valuation.
- 1.4 The method and assumptions used to calculate the updated funding position are consistent with those used in the 2016 valuation, although the financial assumptions have been updated to reflect known changes in market conditions as at 30 September 2017.
- 1.5 Employer contributions will not be reviewed until the next valuation as at 31 March 2019. The purpose of the funding update was to assess whether the funding plan is on track and take actions where necessary.

2. Key items form the report

- 2.1 The funding level at the last formal valuation was 66.8%. As at 30 September 2017 the funding level has increased to 69.4%. This is largely as a result of higher investment returns. See following table:

Ongoing funding basis	31 Mar 2013	31 Mar 2016	30 Sep 2017
	£m	£m	£m
Assets	461	573	687
Liabilities	752	857	990
Surplus/(deficit)	(291)	(284)	(303)
Funding level	61.2%	66.8%	69.4%

IMPLICATIONS AND RISKS

Financial implications and risks:

Volatility in the investment performance can have an immediate effect on the funding level and is a key risk of ensuring solvency of the fund going forward. The Pension Fund is seeking to achieve an improvement in the funding ratio over the longer term, typically twenty years as reflected in the actuarial valuation report. Short term volatility in investment performance may shift the Committees attention from time to time but it will be important to remain focussed on the longer term objectives and strategy.

The Administering Authority has an active risk management programme in place, as mentioned in the risk section of the FSS. Inter - valuation updates are carried out as a control mechanism to identify and provide early warnings if fund assets are failing to deliver returns in line with those anticipated or there is a fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities, and pay and price inflation significantly more than anticipated.

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

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None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List
As attached Appendix A