



PENSIONS COMMITTEE

12 NOVEMBER 2020

Subject Heading:

PENSION FUND ACTUARIAL SERVICES PERFORMANCE REVIEW - 1 October 2019 to 30 September 2020

SLT Lead:

Jane West

Report Author and contact details:

Debbie Ford
Pension Fund Manager (Finance)
01708 432569

Debbie.ford@onesource.co.uk

Policy context:

A review of the performance of the services provided by the Actuary demonstrates compliance against Myners principles and contract procedure rules

Financial summary:

Actuarial net 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

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

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

SUMMARY

This report reviews the performance of the Actuary from the 1 October 2019 – 30 September 2020.

RECOMMENDATIONS

Members note the views of officers on the performance of the Actuary during the period 1 October 2019 to 30 September 2020.

REPORT DETAIL

1. The Fund appointed Hymans Robertson (“Hymans”) with a contract start date of the 16 July 2018 and terminates on the 15 July 2023 with an option to extend up to a further two years to 15 July 2025 if required
2. Hymans have been with the Fund since April 2010.
3. An annual assessment of the Fund’s Actuarial Services performance is in line with Myner’s Principle number 4 on performance measurement.
4. Monitoring the contract meets post contract award procedures and ensures services are being delivered in accordance to the contract.
5. Actuarial services includes but are not limited to completion of the triennial valuation exercise, Funding Strategy Statement (FSS) preparation and advice, annual accounting valuations of pensions liabilities (in accordance with Financial Reporting Standards (FRS) 102/ International Accounting standards (IAS)19 requirements, the provision of carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; benefit administration advice and ad-hoc advice and guidance which takes account of their knowledge of the fund position and fund strategies.
6. The Actuary also provides advice on consultations regarding changes in legislation affecting the Local Government Pension Scheme (LGPS) and reviews guidance issued by Ministry of Housing, Communities and Local Government (MHCLG) and Scheme Advisory Board (SAB). Some of these changes are highly technical and the Committee rely upon the Actuary to put forward suggestions that are in the interest of the Fund. They work closely with the Government Actuary Department (GAD) to support their work under Section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations
7. Since September 2019 the Actuary has undertaken the following:

Valuation 2019:

- Provision of initial results and employer results
- Asset Liability modelling –includes contribution rate modelling
- Preparation for and attendance at meeting with officers to discuss employer valuation results
- Delivered 2019 Valuation results with committee training.
- Non-CORE valuation work - Provision of McCloud paper, Provision of prepayment options, ill health budgets.
- Completion of GAD Section 13 data submissions

Employers:

- Continued work in respect of College mergers and its final settlement
- Caterlink (LIFE Academy Trust) - Provided indemnity and contribution rate report.
- May Harris – Provision of indemnity and contribution rate report
- Harrison Catering (Gaynes) Indemnity and Contribution rate report
- Various Pensions Information Memorandum reports

Accounting:

- Provided revised FRS102 reports for Havering College of Further and Higher Education and responded to auditors query letter.
- Produced statutory accounting disclosures (IAS19 and IAS26) for the London Borough of Havering and the Pension Fund.
- Produced the 2019/20 actuarial statement for the statement of accounts.
- Provided FRS102 reports for the academies.

General

- Provision of AVC review paper
 - Actuarial support in respect of Fund matters – including advice on pass-through.
 - Provision of COVID-19 risks for the fund briefing paper for the Committee
 - Revised FSS in respect of cessation exit credits regulations
 - Employer Strain cost factors
 - £95k Exit cap
 - Further revisions to the FSS in light of regulations changes (follows on from previous consultations undertaken by MHCLG the previous year)
8. Hymans has delivered a diverse range of advice and assistance to the Council over this period. Service delivery response times remain excellent. All relevant services required during the period 1 October 2019 – 30 September 2020 were delivered in both a timely manner and to a good or excellent quality.
9. Hymans continually provides briefings on changes to legislation, government consultations, conference feedback and commentary on related news articles. Officers receive a copy of 'The Edit' which are produced monthly and provide updates on current LGPS issues. These are all welcomed and viewed as excellent and give Council officers a steering on most issues arising. Shared consultation responses with the Fund – “Amendments to LGPS consultation”.

10. There has been no disruption with officer's having contact with the actuaries as a result of COVID-19 working restrictions, Hymans are fully equipped for virtual, remote working and are able to conduct meetings on line. They have also ran online webinars on a number of LGPS issues.
11. In considering the ongoing risks the Fund is facing in respect of COVID 19 and the bumpy markets resulting from it. Hymans launched a new online System that generates approximate funding updates for admitted body employers at selected date's in-between valuations. Officers have been trialling this since May 2020 for a free six month period. Officers have found this useful as it helps with monitoring admitted bodies employers expected to cease before 31 March 2022.
12. In conclusion, officers are satisfied with the service that Hymans is providing.
13. Officers have shared the outcome of the service performance review with Hymans which is set out above.

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 actual costs of the actuarial services for the period was £112, 563 (Oct 18 to Sep 19 £104,400).

The above fees included actuarial work that was recharged to other employers within the fund to the sum of £48,873 (includes estimated recharges for September 20) (Oct 18 to Sep 19 £56,150).

The total **net costs of £63,690** for the period 1 October 19 to September 20 (Oct 18 to Sep 19 £48,250) are met from the Pension Fund. The increase in net costs is mainly attributable to the cost of the 2019 valuation.

Hymans were appointed using the 2016 Actuarial, Benefits and Governance Consultancy Framework and one of the advantages of this was the possibility to benefit from the cumulative rebate, based on the overall value of work awarded to a supplier under the Framework.

The value of work invoiced by Hymans for the period 1 April 2019 to 31 March 2020 has been sufficient enough to trigger a rebate. Havering will receive a rebate of **£4,736.99** from Hymans Robertson.

Legal implications and risks:

There are no direct legal implications and risk arising from this report.

Human Resources implications and risks:

There are no direct human resource implications and risk arising from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

Note here the equalities and social implications of, and risks relating to, the proposed decision.

An Equalities and Health Impact Assessment (EqHIA) will normally be required. Where the Equalities and Health Impact Assessment suggests that there is a significant impact upon ANY of the "protected characteristics", the EqHIA must be an appendix to the report. In all other cases, the EqHIA must be treated as a background paper.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected.

There are no direct equalities implications and risk arising from this report.

BACKGROUND PAPERS

None