



## PENSIONS COMMITTEE

16 MARCH 2021

**Subject Heading:**

**PENSION FUND VALUATION FUNDING  
UPDATE FROM 31 MARCH 2019 TO 30  
SEPTEMBER 2020**

**CLT Lead:**

Jane West

**Report Author and contact details:**

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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  
2019.

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

### SUMMARY

This report provides Members with a report from the Fund's Actuary, Hymans Robertson, to illustrate the estimated Pension Fund's funding position from 31 March 2019 to 30 September 2020.

The estimated funding level has decreased from 70% at last valuation date 31 March 2019 to 68.1% at 30 September 2020. However due to continued asset growth it is estimated that the funding level is 76% in February 2021. The Fund's Funding plan is on track.

**RECOMMENDATIONS**

That the Committee note the following:

1. The Havering Pension Fund interim funding position update to 30 September 2020.
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 2019. The main purpose of the valuation is to estimate on-going employer liabilities, evaluate this against the Funds' assets and calculate the funding position. 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 development of the Pension Fund's funding position from 31 March 2019 to 30 September 2020, which is the mid-way point 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 2019 valuation, although the financial assumptions have been updated to reflect known changes in market conditions as at 30 September 2020.
- 1.5 Employer contributions will not be reviewed until the next valuation as at 31 March 2022. The purpose of the funding update was to assess whether the funding plan is on track and take actions where necessary. No actions are required to change the current funding plan.

**2. Key items from the report**

2.1 The funding level at the last formal valuation was 70.0%. As at 30 September 2020 the funding level has decreased to 68.1%. See following table:

<b>Ongoing funding basis</b>	<b>30 Sep 2020</b>	<b>31 Mar 2019</b>	<b>31 Mar 2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Assets	795	733	573
Liabilities	1,168	1,054	857
<b>Surplus/(deficit)</b>	<b>(373)</b>	<b>(321)</b>	<b>(284)</b>
Funding level	68.1%	70.0%	66.8%

2.2 Since the valuation the funding level is relatively unchanged. However, this masks the volatility that occurred in the year as a result of the pandemic declaration in March 2020 and the subsequent rally in markets since. This can be seen on the charts within the document produced by Hymans at Appendix A.

2.3 At the time of writing this report (mid Feb) the funding Level has increased to 76% which is mainly attributable to asset growth (asset value at end of Jan 2021 £852m). The Fund's Funding plan is on track.

**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.

The Fund's Funding plan is on track and therefore no action is required to change the funding plan.

**Legal implications and risks:**

None arise from this report.

**Human Resources implications and risks:**

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

None