

Section 13

London Borough of Havering Pension Fund



Section 13



Aims of Section 13

Compliance

- Have valuations been completed in accordance with the Regulations?

Consistency

- Has the Fund's valuation been carried out in a way which is "not inconsistent" with other funds?

Solvency

- Will certified contributions accumulate enough assets to meet liabilities over an "appropriate" period?
- Would the Council's core spending be detrimentally impacted if the Fund's growth assets fell significantly?

Long term cost efficiency

- Are certified rates "enough"?
- Are employers kicking the contribution can down the road?

LGPS-wide outcomes

Compliance

- Only considers Regulation 62



Consistency

- GAD would like to see a more consistent approach



Solvency

- Recognition that Funds have grown relative to the size of underlying employers but no new solvency flag raised



Long term cost efficiency

- Identified 4 funds where GAD had concerns



Havering - solvency

Local Funding Basis

SAB Basis

LGPS



Havering

70%

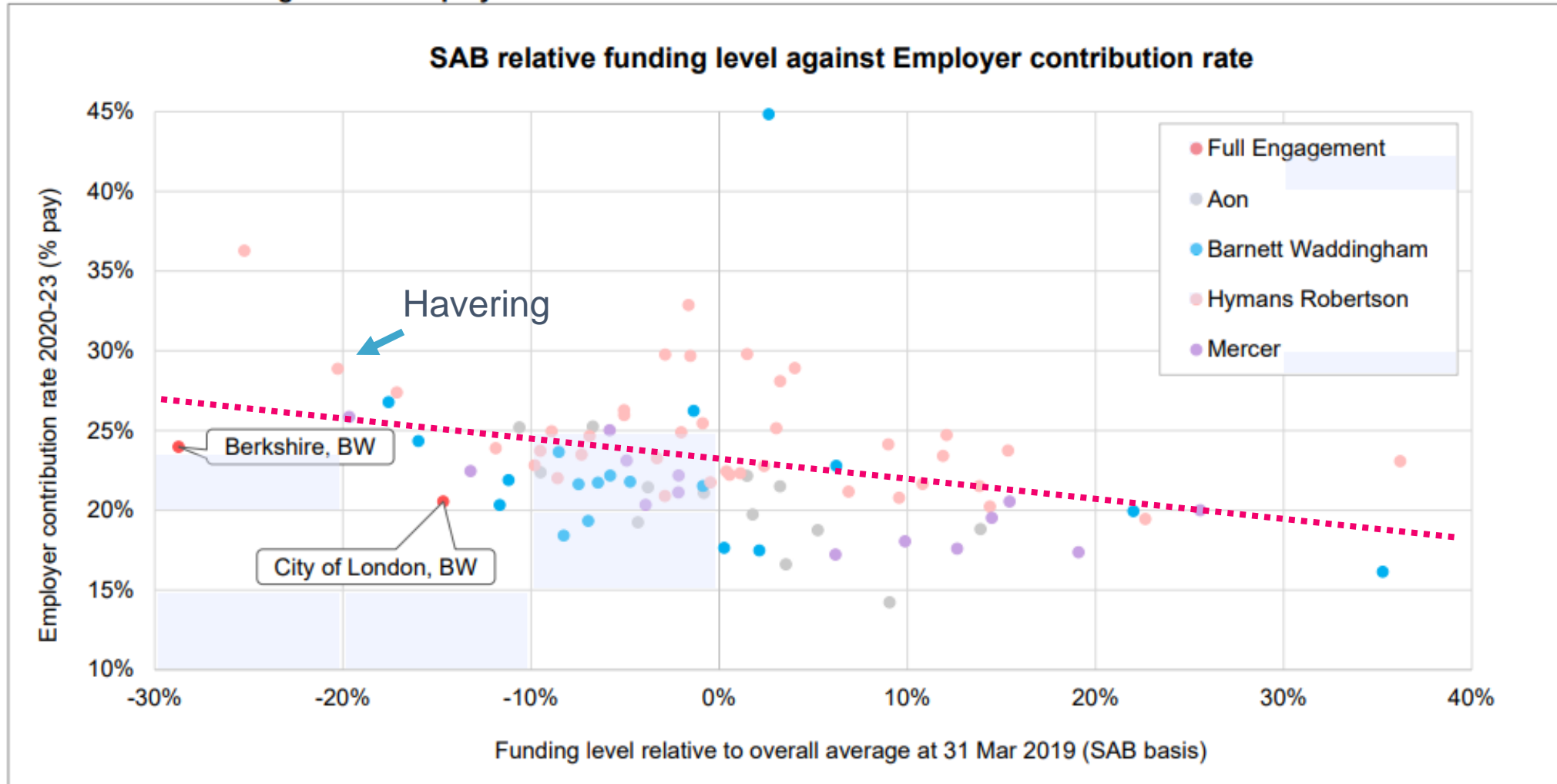
87%

Havering - solvency

Open / Closed	• Open to new entrants	✓
SAB funding level	• 86%	—
% non-statutory employees	• 1.5%	✓
Asset shock	• 1.3%	✓
Employer default	• 0.0%	✓

Havering - long term cost efficiency

Chart 7.1 SAB funding level vs Employer contribution rate



Havering - long term cost efficiency

Maturity	<ul style="list-style-type: none">• Ranked 27th (26 funds more mature on GAD measure)	✓
Deficit period	<ul style="list-style-type: none">• 12 (ranked 84th)	—
Required return	<ul style="list-style-type: none">• 3.7% p.a. (ranked 69th)	✓
Repayment shortfall	<ul style="list-style-type: none">• 4.0%	✓
Return scope	<ul style="list-style-type: none">• 0.1% (ranked 83rd)	—
Deficit recovery plan	<ul style="list-style-type: none">• No concern	✓

No amber or red flags were raised for the Fund

What to watch out for

Recommendation 1

SAB should consider whether a consistent approach should be adopted for academy conversions and for assessing the impact of McCloud.

Recommendation 2

SAB should consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

Recommendation 3

Actuaries should provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the 'dashboard'.

Recommendation 4

SAB should review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

Emerging issue

LGPS should work towards consistent approach to TCFD.

Thank you

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