Havering
LONDON BOROUGH

PENSIONS COMMITTEE 21 MARCH 2023

Subject Heading:	**ACTUARIAL VALUATION REPORT as at 31 March 2022**
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Policy context:	**To meet Regulation 62 of the Local Government Pension Scheme Regulations 2013**
Financial summary:	None directly

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

The 2022 Actuarial Valuation Report (Appendix A) has been prepared by the Fund's Actuary in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The report sets out an actuarial valuation of the assets and liabilities of the pension fund as at 31 March 2022.

The report also sets out the minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 as determined by the Fund's Actuary.

RECOMMENDATIONS

That the committee:

1. Note the 2022 Actuarial Valuation Report **(Appendix A)**

REPORT DETAIL

1. Background

1.1 The Local Government Pension Schemes Regulations 2013, paragraph 62 (1) states that an administering authority must obtain:

(a) an actuarial valuation of the assets and liabilities of each of its pensions funds as at 31st March 2016 and on 31st March XXXX in every third year afterwards;

(b) a report by an actuary in respect of the valuation; and

(c) a rates and adjustments certificate prepared by an actuary.

(2) *Each of those documents must be obtained before the first anniversary of the date ("the valuation date") as at which the valuation is made or such later date as the Secretary of State may agree.*

(3) A report under paragraph (1)(b) must contain a statement of the demographic assumptions used in making the valuation; and the statement must show how the assumptions relate to the events which have actually occurred in relation to members of the Scheme since the last valuation.

(4) A rates and adjustments certificate is a certificate specifying —

(a) the primary rate of the employer's contribution; and

(b) *the secondary rate of the employer's contribution,*

for each year of the period of three years beginning with 1st April in the year following that in which the valuation date falls.

(5) The primary rate of an employer's contribution is the amount in respect of the cost of future accruals which, in the actuary's opinion, should be paid to a fund by all bodies whose employees contribute to it so as to secure its solvency, expressed as a percentage of the pay of their employees who are active members.

(6) *The actuary must have regard to —*

(a) the existing and prospective liabilities arising from circumstances common to all those bodies;

(b) the desirability of maintaining as nearly constant a common rate as possible;

(c) the current version of the administering authority's funding strategy mentioned in regulation 58 (funding strategy statements); and

(d) the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund.

(7) The secondary rate of an employer's contributions is any percentage or amount by which, in the actuary's opinion, contributions at the primary rate should, in the case of a Scheme employer, be increased or reduced by reason of any circumstances peculiar to that employer.

(8) A rates and adjustments certificate must contain a statement of the assumptions on which the certificate is given as respects —

(a)the number of members who will become entitled to payment of pensions under the provisions of the Scheme; and

(b) the amount of the liabilities arising in respect of such members, during the period covered by the certificate.

(9) The administering authority must provide the actuary preparing a valuation or a rates and adjustments certificate with the consolidated revenue account of the fund and such other information as the actuary requests.

1.2 Appendix A is a summary of the 2022 valuation. As mentioned above under Regulation 62 (2) the Final version of the 2022 Actuarial Valuation Report must be produced before the first anniversary of the valuation date, this being 31 March 2023.

1.3 Whilst Appendix A sets out the final results for the Fund it will be classified as draft until the Government Actuary Department sets out what should be included within the Section 13 part of the report (page 39 refers), which is currently blank.

1.4 Key points to note from the valuation are the improved funding position, which is shown in Table 1 below and the Employer contribution rates.

a) Table 1 – Funding position

	31 March 2019	31 March 2022
	£m	**£m**
Total Liabilities	1,054	1,149
Total Assets	733	920
Surplus/(Deficit)	(320)	(229)
Funding Level	**70%**	**80%**

Improvement to the funding position is mainly attributable to better than expected investment returns.

b) Employer contribution rates - The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits, which are expected to be paid in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment certificate on pages 32 – 36 within Appendix A.

IMPLICATIONS AND RISKS

Financial implications and risks:

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure that the Fund continues to have a **contribution plan** and an **Investment Strategy** that will achieve the **objectives set out in the Funding Strategy Statement** (FSS).

The **contribution plan** is formed having assessed the amount of money needed to meet the benefits owed to its members as they fall due for payment and setting employer contribution rates to fund these payments.

The Draft **FSS** was approved at the Pensions committee on the 11 November 2022. The consultation period closed on the 31 December 2022 and no responses were received. The final version of the FSS will be published after this meeting to align publication of the 2022 Valuation and FSS.

The Fund will review the **Investment Strategy Statement** to improve the likelihood of meeting assumed investment returns.

The valuation results depend on actuarial assumptions that are made about the future which cannot be predicted with certainty and it is unlikely that future experience will match the assumptions used.

Sensitivity and risk analysis are included within the report on pages 16-18 of the report (Appendix A).

To date the costs of the undertaking the valuation and associated additional tasks e.g Asset Liability Modelling, ill health provisions and McCloud provisions is £0.058m and will be met from the Pension Fund.

Legal implications and risks:

The Regulatory requirements are included within the body of the report. The Authority appears to have complied with these and therefore there are no apparent legal implications in noting the content of the Report.

Human Resources implications and risks:

None arise 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.

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

BACKGROUND PAPERS

Background Papers List

None