



## PENSIONS COMMITTEE

1 OCTOBER 2024

**Subject Heading:**

**PUBLIC SERVICE PENSIONS ACT 2013  
– SECTION 13 REPORT**

**SLT Lead:**

**Kathy Freeman**

**Report Author and contact details:**

*Debbie Ford*  
*Pension Fund Manager (Finance)*  
*01708432569*

**Policy context:**

[Debbie.ford@onesource.co.uk](mailto:Debbie.ford@onesource.co.uk)  
Public Services Pensions Act 2013  
Section 13, requires the Government  
Actuary's Department to report on  
whether LGPS funding valuations meet  
the aims of Section 13

**Financial summary:**

Actuary fees met by the Pension Fund

**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 Government Actuary Department (GAD) has published its report to the Ministry of Housing, Communities and Local Government (MHCLG) on the 14 August 2024, which is required by section 13 of the Public Service Pensions Act 2013.

The purpose of the report is to examine whether the separate 87 fund valuations have achieved the four aims set out in the Act: **compliance, consistency, solvency** and **long-term cost efficiency**.

This report is published as three documents: The Section 13 Report, (**Appendix A**), the **Appendices (Appendix B)** and **Funding Analysis (Appendix C)**.

**RECOMMENDATIONS**

That the committee note

1. The results of the report produced by GAD attached as **Appendix A, B and C.**
2. To note Hymans summary attached as **Appendix A.**

**REPORT DETAIL**

**Background**

- a. The Ministry of Housing, Communities and Local Government (MHCLG) appointed GAD to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the Funds in the Local Government Pension Scheme (LGPS).
- b. Published on the 14 August 2024, this is the third formal section 13 report based on the results of Fund valuations as at 31 March 2022.
- c. The report is published as three documents: the section 13 Report (Appendix A), the appendices (Appendix B) and Funding Analysis (Appendix C).
- d. The purpose of the report is to examine whether the 87 separate fund valuations have achieved the four aims set out in the Act, which are:
  - I. **Compliance** – to confirm whether the Fund’s actuarial valuation has been carried out in accordance with the scheme regulations.
  - II. **Consistency** – to confirm whether the Fund’s actuarial valuation has been carried out in a way that is NOT inconsistent with other Fund valuations in the LGPS. This being both presentational and evidentially consistent, enabling the reader to make comparisons between different valuation reports.
  - III. **Solvency** – to confirm whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the Fund, and
  - IV. **Long Term cost efficiency** – to confirm whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost-efficiency of the scheme, ensuring the Fund is not unduly storing up funding problems for later generations.

- e. GAD allocated scores to each fund once tested against the aims using a colour classification of red, amber, white or green:
- **Red** – indicates a material issue that may result in the aims of section 13 not being met. In such circumstances, remedial action may be considered.
  - **Amber** – indicates a potential material issue that Funds are expected to be aware of. In isolation, this would not usually contribute to a recommendation for remedial action.
  - **White** – an advisory flag that indicates a general issue, which does not require an action in isolation. It may have been an amber flag if there were broader concerns.
  - **Green** – no material issues that may contribute to a recommendation for remedial action.
- f. All Funds met the **compliance** and **consistency** tests, although there were no individual ratings awarded, GAD raised concerns around the continued lack of evidential consistency since the previous review at 2019. Whilst GAD appreciate that specific fund circumstances may merit the use of different actuarial assumptions, they believe that these differences may lead to different outcomes, for example different contribution rates. Wherever possible, GAD believe in the importance of information being presented in a way that facilitates comparisons and made 2 recommendations for the Scheme Advisory Board (SAB) to consider. Hymans response to this recommendation is set out on page 6 in Appendix D attached to this report.
- g. The London Borough of Havering Pension Fund received green flags for all the metrics tested under **Solvency** and **Long-Term Cost Efficiency**. All the individual metrics tested for **Solvency** and their ratings for Havering can be seen on page 35 in Appendix B. All the individual metrics tested for **Long-Term Cost Efficiency** and their ratings for Havering can be seen on page 35 in Appendix B.
- h. **Long Term Cost efficiency** - GAD made a recommendation to the SAB to consider the treatment of surpluses, where deficits exist how can this be demonstrated as a continuation of the previous plan and treatment of asset transfers from local authorities.
- i. The SAB board are facilitating a review of the Funding Strategy Statement guidance. As part of this review, SAB to consider the recommendations made in their report.
- j. Any areas which may affect the outputs of the 2025 actuarial valuations mentioned in the report will be considered as part of the 2025 valuations exercise.

- k. GAD is required to report on the Scheme every 3 years with the next report based on the outcomes of the Fund valuations as at 31 March 2025.
- l. The Fund's actuary (Hymans) will be present at the meeting to take members through their summary report on the findings of the Section 13 report, attached as **Appendix D**.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The report focuses on the funding of future benefits. The calculation of members benefits is set out in the regulations and are not dependent on the funding position of the Fund.

There are no remedial actions required for the Havering Pension Fund and it should be noted that a green or white flag does not necessarily indicate that no risk is present and similarly that where there are no suggestions for remedial action does not mean that the Fund should not consider actions.

The Fund will, where required, cooperate with the SAB's consideration/implementation of GAD's recommendations and consider any areas which may affect the outputs of the 2025 actuarial valuations mentioned in the report.

The Fund will receive a total charge from the Actuary for £3,500.00 plus VAT to cover the time reviewing the draft report on the Funds behalf and carrying out a review of the figures in GAD's report.

Actuarial charges will be met from the Pension Fund.

### **Legal implications and risks:**

GAD has been appointed by MHCLG to report under Section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the funds in the LGPS in England and Wales.

Section 13 (4) requires GAD to report on whether the following aims achieved, using a variety of measures within the following categories: compliance, consistency, solvency and long term cost efficiency.

Section 13 (6) If the report states that, in the view of the person making the report, any of the aims in that subsection (4) (above) has not been achieved the report may recommend remedial steps and the scheme manager must take such remedial steps as considered appropriate, and publish details of those steps and the reasons for taking them;

**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

None arise from this report as this report is required to be published in order to comply with Local Government Pension Scheme Regulations 2013.

**BACKGROUND PAPERS**

**Background Papers List**

none