

REPORT TO:	Pension Board 14 October 2021
SUBJECT:	Government Actuary's Department – Section 13 Analysis of LGPS 2019 Actuarial Valuation
LEAD OFFICER:	Nigel Cook Head of Pensions Investment and Treasury

1. RECOMMENDATION

- 1.1 This report presents the findings of the draft review of the 2019 Actuarial Valuation. The Board is invited to note these draft findings.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this report is to summarise and update the Pensions Board on the initial results provided by the Government Actuary's Department (GAD) under section 13 of the Public Service Pensions Act 2013 ("Section 13").

3 DETAIL

- 3.1 Section 13 of the Public Service Pensions Act, 2013, requires a review of the actuarial results for English and Welsh LGPS Funds to be undertaken. The most recent Pension Committee (14 September, 2021) received a report that considered the draft results of that review, in particular focussing on the results as they applied to this authority. That report, 'Government Actuary's Department – Section 13 Analysis of LGPS 2019 Actuarial Valuation' is appended to this report, together with the Actuary's 2-page note, summarising the results.

- 3.2 This review was undertaken by the Government Actuarial Department (GAD), commissioned by the Ministry for Housing, Communities and Local Government, (as was) and its purpose was to undertake an analysis to provide a comparison of results for the 88 funds in England and Wales. This analysis was undertaken on a like-for-like basis, with no local funding assumptions.

- 3.3 The review looked to see that 3 aims had been achieved, namely:

- That the Actuarial Valuations were compliant with the regulations;
- That they were not inconsistent with local valuations; and
- To ensure solvency and long-term cost efficiency.

For the Croydon LGPS these aims had been achieved.

- 3.4 The report considered by the Committee highlighted the positive messages flowing from the Review, which included:

- That it contained no red flags for any of the metrics analysed;
- That the Croydon Scheme was better funded at 31 March 2019 than at the previous valuation at 2016; and
- That the investment return the Fund requires on its assets to achieve full funding in 20 years' time has reduced from 4% to 3.5%.

3.5 In considering the findings of what is a draft report, certain caveats should be considered. The increased funding level has been calculated using GAD's assumptions. The principal LGPS Actuaries will apply a set of assumptions that will result in a more conservative outcome. These funding levels have been calculated to enable Funds to be ranked and compared rather than as the basis for managing the Scheme and ensuring adequate future funding goals are addressed. Although the Scheme's deficit position will no doubt have improved it is unwise to assume the magnitude of the improvement will match these results.

3.6 There are weaknesses to a process that relies on a league table to measure and present results. It doesn't explain why Funds are where they are, nor what factors are relevant. To make sense of this additional information about contribution rates, a commentary on risk appetite, contributions and benefit payments, approach to ESG / SR issues, and discretions would be useful. Whether a Scheme is an outlier in this model is probably as relevant as being in the middle of the range, and the dispersion of results and the range and mean should be measured.

3.7 The final caveat considered here, and there are others that may be relevant, relates to local circumstances. Considerations would include the starting position for the Fund, the appetite for investment risk, the recovery period favoured and the target for returns.

3.8 There are indications that the MHCLG will release the final report this Autumn and a report to this Board will be submitted at such time.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: 14 September Committee Report: London Borough of Croydon Pension Fund: Section 13 - Analysis of LGPS 2019 Actuarial Valuations, Hymans Robertson, including:

Appendix A(1): 14 September Committee Report Appendix A: London Borough of Croydon Pension Fund: Section 13 - Analysis of LGPS 2019 Actuarial Valuations, Hymans Robertson.