

Committee: London Borough of Merton Pension Committee

Date: 28 March 2019

Wards: All

Subject: 2019 Actuarial valuation

Lead officer: Caroline Holland - Director of Corporate Services

Lead member: Councillor. Mark Allison.

Contact officer: Roger Kershaw- AD Resources

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Recommendations:

Review and approve the March 2019 Triennial valuation Time table and the process

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The LGPS Regulations require administering authorities to complete an actuarial valuation of their Pension Fund on a three yearly cycle. The next valuation date is at 31 March 2019.
- 1.2. The purpose of the valuation The purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the deficit recovery period
- 1.3. This report summarises the plan for the valuation which has been discussed with the scheme actuary, Barnett Waddingham. Further background to the valuation process was provided in the presentation by Barnett Waddingham at the Committee training session in November 2018.
- 1.4. The Triennial valuation is calculated as at 31 March 2019 and will set the contribution and the deficit recovery plan from April 2020 to March 2023. At the 2016 valuation the Merton Pension Fund was assessed to have a funding level of 94%, and a 12 years' recovery period to be fully funded.

2 DETAILS

VALUATION PROCESS AND TIME TABLE

- 2.1. An actuarial valuation aims to set a suitable level of employer contributions to ensure that the Fund achieves its long-term solvency objective. As part of the valuation the actuary estimates the scheme's long-term liabilities, compares the liabilities with the current value of the Fund's assets and calculates the surplus or deficit.
- 2.2. The Fund officers have already started planning for the 2019 valuation in conjunction with the Fund's Actuary. The table detailed below shows the agreed timetable of the valuation process.

2019 Valuation timetable

	Event	Responsible	Completed by
1	Pre valuation meeting: Initial discussions on key issues including valuation timetable,	Actuary/Fund	09-Nov-18
2	Report to the Pension Committee informing the valuation process and the time table	Fund	28-Mar-19
3	<i>Pension Committee- June 2019</i>		<i>27-Jun-19</i>
4	Membership data submission	Fund	01-Jul-19
5	Cash flow and Fund asset value submission	Fund	08-Jul-19
6	Clean data sign-off	Actuary	01-Aug-19
7	Initial whole Fund results	Actuary	31-Aug-19
8	Discussion of initial results and agree the way forward.	Actuary/Fund	04-Sep-19
9	<i>Pension Committee- Sept 2019</i>		<i>24-Sep-19</i>
10	Issue results to SAB	Actuary	TBC
11	FSS/ISS	Actuary /Investment consultant	Oct/Nov 2019
12	Individual employers initial results	Actuary	01-Dec-19
13	Valuation results/ proposed contribution strategy presented to the Pension Committee	The Fund actuary and Investment consultant.	11-Dec-18
14	Employers open day to discuss their individual results.	Actuary/Fund	10-Jan-20
15	Final Valuation Report presented to the Pension Committee	Fund/actuary	18-Mar-20
16	Revised investment strategy based on the agreed Funding strategy presented to the Pension committee	Investment consultant/Fund	18-Mar-20
17	Final valuation sign off (Rate adjustment certificate)	Actuary	31-Mar-20

Section 13 Report on 2016 Valuation

- 2.4 Under the Public Service Pensions Act 2013, the Ministry of Housing, Communities and Local Government (MHCLG) is required to commission a

“Section 13” valuation following each Triennial Actuarial Valuation. The aim is to look at the valuation results for each LGPS fund and check whether, in their opinion, the various Funds have carried out their valuations in a way that:

- ✓ Is compliant with the LGPS Regulations
- ✓ Is not inconsistent with other Funds
- ✓ Will ensure solvency
- ✓ Will ensure long-term cost efficiency.

2.4 In September the Section 13 report on the 2016 valuation was published by the Government Actuary’s Department (GAD). The report concluded that all valuations were carried out in a way that was compliant with the LGPS regulations. However, it made a number of recommendations to the Scheme Advisory Board (SAB) around the issue of consistency, including that it should consider what steps should be taken to achieve greater clarity and consistency.

3 ALTERNATIVE OPTIONS

3.1. N/A

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. There has been discussions and meetings with the Fund actuary and the investment consultant on the process and the valuation assumptions. The valuation will be carried out in accordance with the LGPS regulation.

5 TIMETABLE

5.1. Please see section 2 of this report.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

The expected standard fee for the 2019 valuation is £19,870 and any other additional work is charged at time-cost or if it involves a more significant piece of work we will agree a fee beforehand. All costs will be paid by the Pension Fund.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. N/A

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. N/A

9 CRIME AND DISORDER IMPLICATIONS

9.1. N/A

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. N/A

11 APPENDICES –

12 BACKGROUND PAPERS

12.1. LGPS Regulations, the fund Actuary reports

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