

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES
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Longevity and Funding Update/Training – Club Vita Pensions Committee 26th March 2019	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;">Classification PUBLIC</td> </tr> <tr> <td style="text-align: center; padding: 2px;">Ward(s) affected</td> </tr> <tr> <td style="text-align: center; padding: 2px;">ALL</td> </tr> </table>	Classification PUBLIC	Ward(s) affected	ALL	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;">Enclosures Three</td> </tr> <tr> <td style="text-align: center; padding: 2px;">AGENDA ITEM NO.</td> </tr> </table>	Enclosures Three	AGENDA ITEM NO.
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1. INTRODUCTION

1.1 This report provides Members with an update on the Fund’s longevity risk, which is the risk associated with increasing life expectancies. The report presents the Fund’s 2018 longevity reporting from Club Vita, providers of a dedicated longevity study for Defined Benefit Pension Funds. Club vita will also provide a training session to Members at the Committee meeting.

2. RECOMMENDATION

2.1 **The Pensions Committee is recommended to note the report**

3. RELATED DECISIONS

- Pensions Committee 27th June 2017 – Longevity & Funding Update

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES

4.1 Increasing longevity, i.e. people living longer, has a direct impact on the Pension Fund’s liabilities. Increased life expectancy means that pensioners will draw their benefits for longer, thereby increasing the cost of providing those benefits. The Fund Actuary, as part of the actuarial valuation, includes within his assumptions a projection of longevity for the Fund’s membership.

4.2 The Fund has for a number of years participated in a dedicated longevity study undertaken by Club Vita, which is affiliated with Hymans Robertson. As part of the Club Vita project, the Fund is able to more accurately monitor direct experience of its members’ specific longevity and therefore monitor its own risks in this area. The Fund Actuary is able to include the Club Vita data within the valuation to give a more accurate picture of longevity; this can have a direct impact on the contribution rates employers have to pay.

- 4.3 The cost of participating in the annual review is approximately £10k pa. However, the review is a key way for the Committee to monitor a significant risk to the Fund.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 This report provides information to the Committee regarding changes in longevity and the consequent impact on funding levels for the Pension Fund. Whilst the Fund has no statutory obligation to participate in longevity studies such as this, the resulting analysis may assist the Committee in considering assumptions for the upcoming 2019 valuation.
- 5.2 The information provided in this report is therefore relevant to the Committee's obligations, as set out in Paragraph 7 of its Terms of Reference, in relation to monitoring liabilities and undertaking asset/liability modelling and other relevant studies as required.

6. BACKGROUND TO THE REPORT

- 6.1 The life expectancy of members is a key assumption in assessing pension scheme liabilities. Over 230 pension funds, including a large number of LGPS funds, participate in Club Vita and this provides for an extensive database through which longevity trends can be measured. Participation in Club Vita enables the Committee to monitor the Fund's longevity experience both individually and against its peer group. It also allows the actuary to incorporate Fund specific longevity patterns within the valuation process, helping to improve the accuracy of assumptions made. This will help Members to manage the impact of this key risk over the longer term.
- 6.2 Attached as an appendix to this report is a summary of the findings from reviewing the Fund's latest (to December 2018) mortality experience along with a more detailed monitoring report (VitaMonitor) on longevity experience for the LB Hackney Pension Fund and the index report (VitalIndex) which compares the experience of the Hackney Fund to that of its peer group (other LGPS funds within the Club Vita database).
- 6.3 The reports summarise the impact of the longevity experience of the Fund since its last valuation by comparing the actual experience of the Fund with the assumptions made in previous valuations. They also look at emerging trends in longevity and assess how the Fund might allow for future changes in longevity in future valuations. The data used includes postcodes, pension amounts, salaries and reasons for retirement, obtained from the administrators of each of the 231 pension funds involved.
- 6.4 At the Committee meeting, Club Vita will present more in depth training session on the Fund's longevity reporting, providing Members with the opportunity to ask questions and review the reports in greater detail.

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Appendices:

Appendix 1 - Vita Summary Report

Appendix 2 – VitaIndex

Appendix 3 - VitaMonitor