



REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES

Actuarial Funding Issues Update Pensions Committee 16th June 2021	Classification PUBLIC	Appendices One AGENDA ITEM NO.
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 This report provides Committee with an update on the evolution of the funding of the Hackney Pensions Fund along with background to some of the important funding issues that have arisen since the last formal valuation as at 31 March 2019. It also provides Committee with some key funding topics to be aware of during the remainder of this financial year leading up to the next formal valuation as at 31 March 2022.

2. RECOMMENDATIONS

- 2.1 The Pensions Committee is recommended to:
- Note the paper produced by the Fund's Actuary, Hymans Robertson, at Appendix 1

3. RELATED DECISIONS

- Delegated Powers Report 31 March 2020 - Final Valuation Report and Funding Strategy Statement

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

- 4.1 Although the current funding level of 102% as at 31st March 2021 shows a positive trajectory since the Spring of 2020, members of the Pensions Committee are reminded of the volatility of markets even pre-Covid and that this funding level is subject to both a negative and positive change as well as to changes in assumptions used. The triennial valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation, and the membership data used; significant variations to either the assumptions or the data used could impact the stated funding position or the outcome of the contribution rate modelling, which helps determine the contribution rates payable by the Fund's employers.
- 4.2 Given the Council's position as a Fund employer, the inputs to the triennial valuation can therefore impact the level of resources available for other Council services.
- 4.3 This report provides an update on funding issues that will need to be taken

into account in the next valuation due at 31 March 2022.

4.4 There are no new immediate financial implications arising from this report.

5. **COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

5.1 Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain:

- an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;
- a report by an actuary in respect of the valuation; and
- a rates and adjustments certificate prepared by an actuary.

5.2 The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the 2013 Regulations.

5.2 It is sensible against this background, and consistent with good administration and governance, for the Committee to receive this update on valuation funding issues and topics to be considered over future committee's when it will receive further reports from the Actuary regarding the triennial valuation as at 31 March 2022.

6. **BACKGROUND TO THE REPORT**

6.1 The London Borough of Hackney is the Administering Authority for the Pension Fund; delegated powers under the Council Constitution have been given to the Pensions Committee to oversee its management. This includes the approval of the Fund's actuarial valuation and Funding Strategy Statement. This report sets out an update on issues to be considered ahead of the next formal triennial valuation.

7. **FUNDING ISSUES UPDATE**

7.1 The paper at Appendix 1, produced by the Fund's Actuary, sets out an update regarding the current funding position of the Fund, which despite extremely volatile market conditions, shows that the fund was 102% funded as at 31 March 2021, this represents an increase of some 10% since the last valuation and a significant recovery from the position as at March 2020, when markets were reacting to the onset of the world Covid 19 pandemic, which showed the fund was only 76% funded.

7.2 The report provides a brief update on topics that need to be kept under review in the lead up to the next valuation, including:

- employer covenant risk
- potential life expectancy changes
- exit credits
- employer flexibilities
- the £95k cap

7.3 The report also provides an update on the GAD (Government Actuary Department) Action 13 "like for like" analysis of the LGPS funds. The final

results of this analysis are not yet public although we understand that there are no concerns regarding the Hackney Fund's funding plans.

7.4 The report also provides information on the next steps and future work that will be undertaken leading up to the formal triennial valuation as at March 2022, including:

- potential early modelling of the Council contribution rates in 2021
- climate risk modelling
- member data cleansing
- cashflow data cleansing
- employer database information
- relevant training for Committee Members

7.5 The Fund's actuary from Hymans Robertson will attend the Committee meeting to discuss the paper in more detail and of course to respond to Members' questions.

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Appendices

Appendix 1 – Funding issues update June 2021