Committee: Finance Committee – For Information	Date: 19 February 2019
Subject: CoL Pension Fund: GAD Section 13 Summary Report	Public
Report of: The Chamberlain	For Information
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Summary

Following the 2016 triennial actuarial valuation of all Local Government Pension Schemes (LGPS) in England and Wales, the Government Actuary's Department (GAD) on behalf of the Ministry of Housing, Communities and Local Government has scrutinised the assumptions used by LGPS actuaries to ensure that employers are taking a sufficiently prudent approach to financing the LGPS benefits.

This review or health check of the LGPS is mandated under Section 13 of the Public Service Pensions Act 2013. This Section 13 Valuation Report (the Section 13 Report) adopts standard assumptions for all LGPS funds with the aim of providing a level playing field so that funds can be compared on a like for like basis. The purpose of the Review is to identify any outlying Pension Funds measured against the following objectives:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

The Section 13 Report was published on 27 September 2018 and can be found at https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016 .

The City's Actuary, Barnett Waddingham, have provided a report summarising the results of the Section 13 Report and it also sets out the results in relation to the City of London Pension Fund (the Fund). The report is attached as an Appendix.

The Fund achieved green flags on all measures except under solvency where it received an amber flag. GAD's approach to solvency arbitrarily flags the bottom 10% of Funds on standardised assumptions. For the 2016 actuarial valuation this meant that all Funds with a funding level of below 85% received an amber flag. Under the standardisation assumptions, the City's funding level was 84% No additional action is required and the Pension Fund remains on track to meet its deficit recovery period which as the 2016 actuarial valuation, was 17 years.

It is important to note that the solvency objective does not require pension funds to be 100% funded at all times or as quickly as possible. The key aim is to ensure that the contributions have been set at a suitable level to target 100% funding over an

appropriate period and GAD's report makes it clear that the amber flag for solvency is simply an advisory signal which is automatically triggered at an arbitrary funding level.

Members should note that it is important to ensure that decision taken by the Fund are taken for the right reasons and meet the Fund's objectives, Funding Strategy Statement and Investment Strategy Statement. Although the Section 13 Report is a useful check on the health of the LGPS and its Funds it would not be appropriate to allow it to influence decisions.

The Section 13 Report applies standardised assumptions across the LGPS and our Actuary will apply assumptions relevant to the profile of the City's Pension Fund when undertaking the next actuarial review. The actuarial valuation is due as at 31 March 2019 and the Actuary's recommendation on the level of employer contribution for the following three years from 1 April 2020, will be considered by a Member/Officer working group with Members to be appointed at the April/May Finance Committee. The outcome of that valuation and recommended course of action will be reported to the Finance Committee for consideration later in the year.

Recommendation

Members are asked to note this report.

Appendices

Appendix – COL Pension Fund: Section 13 Summary Report

Background Papers

31/01/2017 Finance Committee: Pension Fund - Actuarial Valuation as at 31/03/16

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