

TEESSIDE PENSION FUND
Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

5 NOVEMBER 2018

STRATEGIC DIRECTOR FINANCE, GOVERNANCE & SUPPORT – JAMES BROMILEY

GOVERNMENT ACTUARY DEPARTMENT – SECTION 13 REPORT

1. PURPOSE OF THE REPORT

- 1.1 To inform Members of the Teesside Pension Board (the Board) of the of the Government Actuary Department (GAD) LGPS Section 13 Report.

2. RECOMMENDATION

- 2.1 That Members review and note the Report (see Appendices), and pass any comments.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications from this report.

4. SECTION 13

- 4.1 Section 13 refers to the relevant section in the Public Service Pensions Act 2013, which states:

13 Employer contributions in funded schemes

- (1) This section applies in relation to a scheme under section 1 which is a defined benefits scheme with a pension fund.
- (2) Scheme regulations must provide for the rate of employer contributions to be set at an appropriate level to ensure—
 - (a) the solvency of the pension fund, and
 - (b) the long-term cost-efficiency of the scheme, so far as relating to the pension fund.
- (3) For that purpose, scheme regulations must require actuarial valuations of the pension fund.
- (4) Where an actuarial valuation under subsection (3) has taken place, a person appointed by the responsible authority is to report on whether the following aims are achieved—

- (a) the valuation is in accordance with the scheme regulations;
 - (b) the valuation has been carried out in a way which is not inconsistent with other valuations under subsection (3); and
 - (c) the rate of employer contributions is set as specified in subsection (2).
- (5) A report under subsection (4) must be published; and a copy must be sent to the scheme manager and (if different) the responsible authority.
- (6) If a report under subsection (4) states that, in the view of the person making the report, any of the aims in that subsection has not been achieved—
- (a) the report may recommend remedial steps;
 - (b) the scheme manager must—
 - (i) take such remedial steps as the scheme manager considers appropriate, and
 - (ii) publish details of those steps and the reasons for taking them.
 - (c) the responsible authority may—
 - (i) require the scheme manager to report on progress in taking remedial steps; and
 - (ii) direct the scheme manager to take such remedial steps as the responsible authority considers appropriate.
- (7) The person appointed under subsection (4) must, in the view of the responsible authority, be appropriately qualified.

4.2 For the Local Government Pension Scheme (LGPS), the responsible authority (4) is the Secretary of State for Housing, Communities and Local Government, and the person appointed (7) is the Government Actuary's Department (GAD). In the LGPS, the Administering Authorities are the scheme managers (5).

4.3 GAD was asked to undertake a Dry Run Report based on the 2013 actuarial valuations for each Fund in England & Wales.

4.4 Section 13 applied for the first time to the 2016 round of LGPS (England & Wales) separate fund valuations. The dry run allowed GAD to refine their approach and help administering authorities prepare for the first 2016 report. The 2016 report is attached in the Appendices and published at:

<https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016>

5. SECTION 13 REPORT – SUMMARY OF FINDINGS

5.1 GAD's report reviewed the main aims of Section 13 to ensure they were achieved by the LGPS Funds of England & Wales:

- Compliance – whether a fund’s valuation is in accordance with the scheme regulations;
- Consistency – whether the fund’s valuation has been carried out in a way which is not inconsistent with the other funds’ valuations within the LGPS, i.e. it should be relatively straight-forward to compare the valuations of two LGPS funds.
- Solvency – whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund; and
- Long-term cost efficiency – whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost-efficiency of the scheme, so far as relating to the pension fund.

5.2 The Government Actuary has reported that in aggregate the Local Government Pension Scheme is in a strong financial position and funds have made significant progress since the 2013 valuation based on the criteria. The report highlights:

- total assets for the Local Government Pension Scheme have grown from £180 billion to £217 billion;
- aggregate funding level has improved from 79% to 85%, due in part to better than expected returns on assets and strong returns have continued; and
- total employer contributions received were £6.9 billion per annum on average of which circa £2 billion per annum were deficit recovery payments.

5.3 Teesside has received no amber or red flags in its assessment. It was highlighted at an early stage that there was the potential for flags in asset shock, liability shock and employer default, however GAD has determined that Funds in surplus do not receive a flag in these categories.

5.4. In addition, Teesside remains one of the best funded in the LGPS at 100.4% in its own Actuarial Valuation and 105.9% funded in the standardised basis, and it still has the lowest average total employer contribution rate in the LGPS in England and Wales.

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