

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

DRAFT ACTUARIAL VALUATION REPORT AS AT 31 MARCH 2022

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with a copy of the draft actuarial valuation report as at 31 March 2022.

2. RECOMMENDATION

- 2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications arising from this report. The final valuation report will be published at the end of March 2023 and will set the employer contribution rates for scheme employers for the three year period starting 1 April 2023

4. BACKGROUND

- 4.1 The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended) require Administering Authorities to obtain an actuarial valuation of the assets and liabilities of their fund as at a specific date every three years – the effective date for the current valuation is 31 March 2022. There is also a requirement to obtain a report from the Fund actuary in respect of the valuation and a rates and adjustments certificate prepared by the actuary setting out the contribution rates due from employers over the period from (in this case) 1 April 2023 onwards. The report and certificate have to be obtained within a year of the effective date of the valuation.
- 4.2 Hymans Robertson (the Fund’s actuary) has been working with the Council (in its role as Administering Authority) and XPS Administration (the Council’s outsourced pension administration provider) to progress the 31 March 2022 valuation of the Fund and will publish the final report by the end of March 2020.
- 4.3. The draft actuarial valuation report is provided at Appendix A. Almost all scheme employers have already been provided details of how the valuation outcome will affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2023. At the time of writing this report a small number of employer results are still being finalised - this may affect entries in the Rates and Adjustments certificate included

within the report and the whole fund rate disclosed throughout the report. The actuary has confirmed they do not expect any changes to be significant or to materially impact the draft report as presented.

5. DRAFT VALUATION OUTCOME

- 5.1 The valuation outcome at a whole Fund level has been positive, with the funding level improving slightly from around 115% to around 116%, largely because of investment returns significantly above the level forecast at the last valuation. Although the value of the Fund has increased by around £1 billion or 25% in the three years since the last valuation, an increase to the expected future inflation rate and a reduction in expected future investment returns has meant the value of liabilities and the future cost of providing scheme benefits has also increased significantly.
- 5.2 The main tax-raising employers in the Fund are seeing an increase in their employer contribution rate for the three years up to the next valuation – at the end of the three years their employer rates will have increased by 1.5% of pensionable pay. It is worth noting that these employers will still be paying some of the lowest employer contribution rates in the LGPS nationally, partly as a consequence of the Fund's ongoing funding surplus. As at the last valuation, prudence is being applied by the Fund by reducing expectations of the level of future investment returns.
- 5.3 The full draft report is shown at Appendix A and the Fund actuary will be present at the meeting to answer any questions Members may have on the report.

6. NEXT STEPS

- 6.1 The actuary will continue to work to complete the remaining individual employer outcomes and they will be issued as they are finalised. The final valuation report will be completed by 31 March 2023 and will be published on the Fund website with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

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