


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">PENSIONS BOARD</p> <p style="text-align: center;">6 February 2019</p>	
<p style="text-align: center;">GOVERNMENT ACTUARIES DEPARTMENT (GAD) REPORT 2016</p>	
<p style="text-align: center;">Report of the Strategic Director, Finance and Governance</p>	
<p>Open Report</p>	
<p>Classification - For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
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1. EXECUTIVE SUMMARY

- 1.1 This report and appendices provide the Pensions Board with an update on the Government Actuary's Department's (GAD) report on the 2016 LGPS triennial actuarial valuation outcome.

2. RECOMMENDATIONS

- 2.1 The Board is recommended to note the update.

3 GAD BACKGROUND

- 3.1 Section 13 of the Public Service Pension Schemes Act 2013 requires a "suitably qualified person" appointed by the Secretary of State to carry out a review of actuarial valuations of funded public service pension schemes. In this instance, it is the LGPS scheme on which the report will focus.

- Whether the fund's valuation is in accordance with the scheme regulations.
- Whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS.

- Whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund.
- 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.

3.2 GAD was therefore called upon to perform the analysis of the LGPS. Their initial report and the tests they had used on the individual funds resulted in several warning flags across a large range of funds, prompting a response from the various actuarial firms used in the LGPS to challenge the findings.

3.3 The original report was uncomplimentary of the LGPS and not reflective of the majority of funds being in a strong position. Some of the tests were regarded by LGPS actuaries as being not fit for purpose. It was observed that some LGPS Funds that were in a better funding position were flagged as higher risk due to the counterintuitive nature of their design (the asset shock test being a prime example).

3.4 Upon receiving notable challenges, GAD revised their report and it now reads the LGPS in a more positive light, reflecting the improving funding positions across the board.

3.5 The GAD report and the actuaries' response are attached in the appendices to this report.

4 LBHF GAD POSITION

4.1 The London Borough of Hammersmith and Fulham received green flags across the board on the GAD's various tests. This reflects the Fund is in a relatively strong position.

4.2 On the Scheme Advisory Board's like for like valuation basis, the Hammersmith and Fulham Pension Fund is in the 59th percentile best funded, dropping from 28th on the local basis as at the valuation date 31 March 2016.

5 CONSULTATION

5.1 Not Applicable

6 EQUALITY IMPLICATIONS

6.1 Not applicable

7 LEGAL IMPLICATIONS

7.1 None

8 FINANCE AND RESOURCES IMPLICATIONS

8.1 None

9 IMPLICATIONS FOR BUSINESS

9.1 Not applicable

10 RISK MANAGEMENT

10.1 None

11 PROCUREMENT IMPLICATIONS

11.1 None

12 IT STRATEGY IMPLICATIONS

12.1 None

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
	None		

LIST OF APPENDICES:

Appendix 1: GAD Report

Appendix 2: Actuaries' Response to GAD Report