

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 21 July 2021

Subject: Government Actuaries Department (GAD) LGPS Draft Triennial Report of 2019

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

1.1. This report and appendix provide the Pension Fund Committee with the Government Actuary's Department's (GAD) draft report on the 2019 LGPS triennial actuarial valuation.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
<ul style="list-style-type: none">• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax-payer.

Financial Impact

None

Legal Implications

None

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. 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 the triennial actuarial valuations of funded public service pension schemes. This requires the Government Actuary to report on whether a scheme has achieved the following four aims:

- 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.

1.2. GAD has carried out its initial review and has provided a two-page summary for the Hammersmith and Fulham Pension Fund (Appendix 1). The initial

findings on the individual funds have resulted in some warning flags across a few LGPS funds. However, Hammersmith and Fulham is not one of those funds.

Hammersmith and Fulham Pension Fund: GAD position

- 1.3. The Pension Fund received green flags across the spectrum on the GAD's various different financial tests. This reflects the Fund is in a relatively strong position.
- 1.4. The funding level of the Pension Fund, as per the triennial valuation, has increased from 88% as at 31 March 2016 to 97% as at 31 March 2019. The main driver for this improvement was significant investment returns above what was assumed in the 2016 valuation. The best estimate funding level for the Fund based on the GAD assessment is 100.5%, which puts the Fund in a surplus position.
- 1.5. The Pension Fund is ranked 74 of 87 LGPS funds for required investment return to achieve full funding in 20 years' time on the standardised market consistent basis, with a 3.8% return required. Additionally, the Fund is also ranked 73 for required investment return rates, compared with the Fund's expected best estimate future returns assuming current asset mix maintained.

2. Risk Management Implications

- 2.1. None

3. Other Implications

- 3.1. None

4. Consultation

- 4.1. None

List of Appendices:

Appendix 1: GAD Initial Summary 2019