

## MUNICIPAL YEAR 2019/2020 REPORT NO. 24

### MEETING TITLE AND DATE:

Pension Policy & Investment  
Committee – 13<sup>th</sup> June 2019

### REPORT OF:

Executive Director of Resources  
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Agenda – Part:1	Item: 10
<b>Subject:</b> Actuarial Valuation update	
<b>Wards:</b> all	
<b>Cabinet Member consulted:</b>	

### 1. EXECUTIVE SUMMARY

- 1.1. Initial assumptions on mortality and inflation assumptions have been agreed with the Actuary.
- 1.2. The 2019 actuarial valuation process is underway – membership data is being gathered and verified, in line with the Actuary's timetable.
- 1.3. Initial valuation outcomes at the Whole Fund level will be available by the end of September.
- 1.4. The final valuation will be subject to the outcome of the McCloud case.

### 2. RECOMMENDATIONS

- 2.1. Members are asked to note the report.

### 3. BACKGROUND

- 3.1 The triennial formal valuation is an exercise in risk management to ensure there is enough money to pay members' pensions. At the last valuation in 2016 the Fund had a funding level of 87% with a 19-year recovery period. It is likely that the Fund will see a gain in its funding level, given the strong returns in markets over the last three years and generally subdued inflation offsetting the effect of falling yields. Nevertheless, there are number of key decisions the Committee will need to make. This will include the probability of investment success going forward and the effect of regulatory changes, including the potential impact of the 'Cost Cap' and how this may be affected by the outcome of the McCloud Appeal court case. The Committee will also need to be mindful of the Government Actuary Department's Section 13 report which requires the Fund to make consistent and prudent funding assumptions.
- 3.2 Work is now underway to commence the 2019 actuarial valuation process which will need to be completed and signed off by the Fund's Actuary by 31<sup>st</sup> March 2020.
- 3.3 A detailed timetable is shown in **Appendix 1** and will be included as a standing item to monitor the progress.

- 3.4 The Council's actuary has been asked to attend the meeting to update the Committee on the valuation process and some of the issues that will need to be considered during the process. **Appendix 2 – Actuarial valuation at 31 March 2019 Assumptions Advice.**

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The costs of the valuation been agreed and are included in the Pension Fund's Overview & Scrutiny budget.

#### **5. LEGAL IMPLICATIONS**

- 5.1 It is a statutory requirement for a valuation to be carried out every three years. The valuation report and certificate need to be in compliance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 5.2 In line with the Regulations, the Fund will need to have a Funding Strategy Statement (FSS) in place which is reviewed by the administering authority at each actuarial valuation.
- 5.3 The FSS will set out the underlying assumptions and principles that are to be adopted when valuing the Fund's liabilities and setting contribution rates.



