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London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject:	**Initial Triennial Valuation Results For 2022 and Review of Funding Strategy Statement for Enfield Pension Fund**
Cabinet Member:	**Cllr Leaver**
Executive Director:	**Fay Hammond**
Key Decision:	**[ ]**

Purpose of Report

This report provides the Pension Policy and Investment Committee with an update on the Fund's 2022 triennial actuarial valuation. It sets out the initial results of the valuation and presents a draft Funding Strategy Statement for review by the Committee prior to consultation with employers. The Fund actuary will be attending the Pension Policy & Investment Committee meeting to provide training and discuss the results in more detail.

Over the three year valuation cycle to 31 March 2022 the funding level has increased to 104%	The Fund is still in surplus from surplus position of £39.3m as at 31st March 2019 with a gain of £13.2m to a surplus position of £52.5m as at 31st March 2022.
The Fund's asset has increased over the period, by £339m, and liabilities increased by £324m	The Fund's assets were £1,185m and the value of the liabilities was £1,146m, which created a surplus position of £39.3m, and a funding ratio of 103% in 2019. In 2022, Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generated a surplus of £53m over the period with a funding ratio of 104%.
The key elements of gain or loss leading to this change in funding level are investment profit and loss from change in financial assumptions	The main changes to the assumptions are: i) Investment returns above the discount rate adopted at the 2019 valuation, given rise to a gain of about £169m ii) The fall in the real discount rate relative to inflation given rise to £192m loss (which on its own worsened the funding position).

Aggregate Employers contribution rate change from 20% to 18.9%	Employee's contributions are set by the Government, so employers must pay the balance of any cost in delivering the benefits to members. The cost of future benefits on the 2022 valuation result has decreased moderately.
The actuary expectation at this meeting and next step to their process are outlined as follows	i) Discuss their initial results and agree initial funding target ii) Agree contributions for London Borough of Enfield Pension Fund iii) Present initial results (on agreed funding target) to employers at Employers' Meeting January 2023 iv) Consultation on Funding Strategy Statement (from 6th October to 5th December 2022) v) Finalise all employer results – October 2022 to January 2023 vi) Sign off valuation report and Rates & Adjustments Certificate – by 31 March 2023

Proposal(s)

1. Members are recommended to:

a) Note the contents of this report;

b) Note the Fund Actuary will be presenting updates at this meeting as part of the training section for members;

c) Note, consider, comment and agree the initial results of 31st March 2022 triennial actuarial valuation attached to this report as Appendix 1;

d) Note and comment on the draft Funding Strategy Statement (FSS) of the Enfield Pension Fund attached to this report as Appendix 2; and

e) Agree to circulate the Funding Strategy Statement to all participating employers of the Fund for their comments.

Reason for Proposal(s)

2. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The Committee's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication.

3. Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) together with the guidance issued by CIPFA provides the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

4. Following consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy with all relevant interested parties involved with the fund – for example, local authority employers, admitted bodies, scheduled/resolution bodies.

5. The administering authority will prepare and publish its funding strategy by having have regard to: -

   i) the guidance issued by CIPFA for this purpose; and

   ii) the Investment Strategy Statement (ISS), whichever is appropriate.

6. The FSS will be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the statement of investment principles or investment strategy statement.

7. The revised FSS should be completed and approved by the Pension Policy & Investment Committee (or equivalent) prior to the completion of each valuation.

8. The Fund actuary must have regard to the FSS as part of the fund valuation process.

Relevance to the Council's Corporate Plan

9. Good homes in well-connected neighbourhoods.

10. Build our Economy to create a thriving place.

11. Sustain Strong and healthy Communities.

Background

12. The 2022 initial valuation results demonstrated the funding position of the **Fund as a whole** has moderately improved.

13. The valuation report is set out in Appendix 1. The highlights are, since the last valuation was carried out as at 31st March 2019:

    i) The funding level has improved from 103% to 104%.

    ii) In monetary terms the Fund is still in surplus from surplus position of £39.3m at 31st March 2019 and has improved slightly by £13.2m to a surplus position of £52.5m at 31st March 2022.

    iii) The Fund's assets were £1,185.5m and the value of the liabilities was £1,146.2m, which created a surplus of £39.3m, with a funding ratio of 103% in 2019. For 2022, Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generates a surplus of £53m and a funding ratio of 104% in 2022 as shown below.

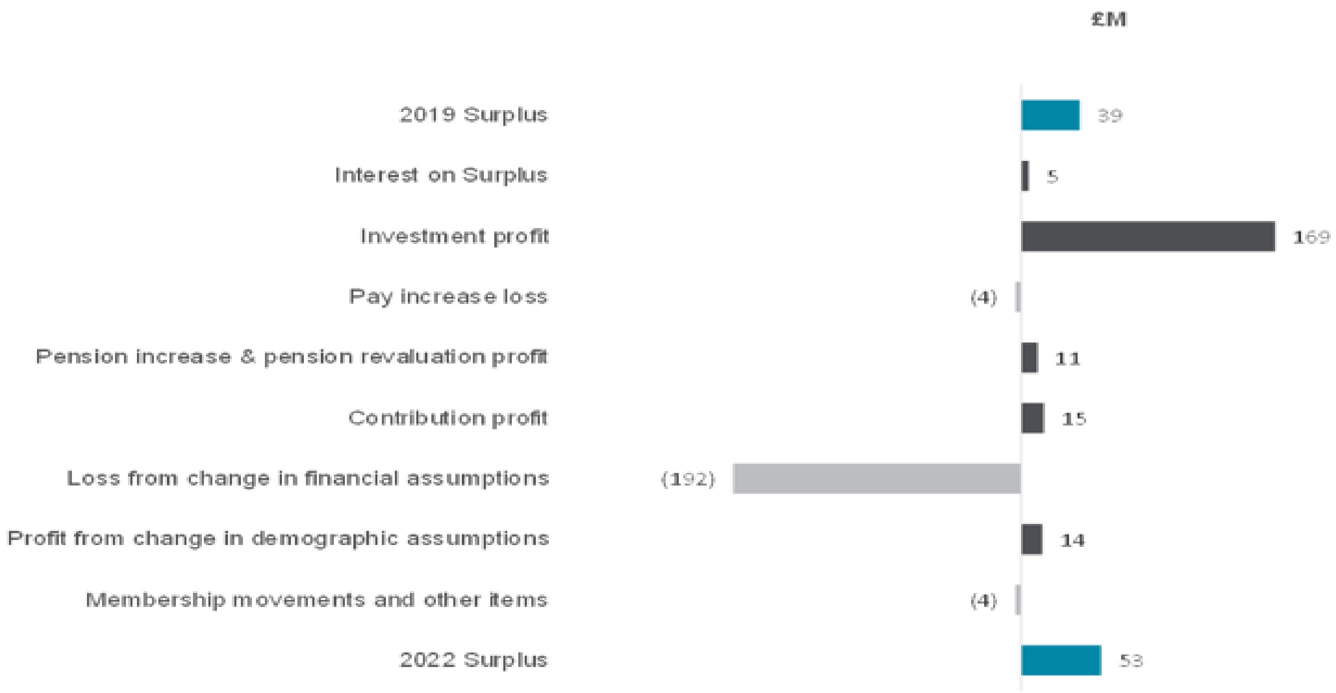
The initial results calculated using the different bases are shown below alongside the results from the previous valuation.

	31 March 2019	Initial valuation results at 31 March 2022		31 March 2022
£M	2019 valuation results	5% loading for inflation risk	10% loading for inflation risk	Low risk / exit basis
Probability of Funding Success (PoFS)	80%	80%	80%	N/A
Assets	1,185.5	1,522.8	1,522.8	1,522.8
Past service liabilities	1,146.2	1,406.8	1,470.3	2,543.9
Split as: Actives	*360.3*	*472.0*	*493.0*	*1,005.2*
Deferreds	*245.4*	*284.6*	*297.5*	*628.7*
Pensioners	*540.5*	*650.2*	*679.8*	*910.0*
Past service surplus / (deficit)	39.3	116.0	52.5	(1,021.1)
Funding ratio	103%	108%	104%	60%

14. The table shown below analyse the change of surplus. The main reason for the for Fund to be in surplus are as follows:

i) Investment returns above the discount rate adopted at the 2019 valuation, giving rise to a gain of approximately £169m

ii) The fall in the real discount rate (with additional 10% margin of inflation risk) causing a £192m loss (which on its own worsened the funding position).



15. It is noticeable from the chart above, that the elements of the valuation assumptions that are controllable by the Council (investment returns, retirements & salary increases) has positively impacted the results; whereas the assumptions that are outside the Council's control (gilt yields and inflation during the valuation period) have had a negative impact on the results.

Contribution Rates

16. The contribution rates carried out by the Fund Actuary (AON) at the valuation, are made up of two elements:

i) the estimated cost of future benefits being accrued, ***(the "Primary Rate")*** – this is the cost of an officer earning an extra year of pension benefit; plus

ii) an adjustment for the funding position of the benefits accrued in the past – usually where there is a deficit in the pension fund***, (the "Secondary Rate")***. If there is a deficit/surplus there will be an increase/decrease in the employer's contribution rate, with the surplus or deficit spread over an appropriate period.

17. **Individual *Employer Contribution Rates*** - While the fund is managed as a whole, it is effectively a number of sub funds for each individual employer. This means that each employer contributes according to a contribution rate that specifically reflects the individual employer's membership profile. Under guidance from the actuary, we have continued to set deficit recovery as a percentage of pensionable pay. Employee contributions are payable in addition to the employer contributions.

18. The cost of benefits that members will earn in the Fund in future are shown below, alongside the results from the previous valuation.

	2019 valuation results	Initial valuation results
Value of benefits accruing	24.4%	24.9%
Expenses	0.7%	0.8%
Less member contributions	(6.6%)	(6.8%)
Net employer cost (Primary Rate)	18.5%	18.9%
Allowance for regulatory uncertainties	1.5%	n/a
Employer rate as % Pay	20.0%	18.9%

19. The results of the previous valuation as at 31 March 2019 were as follows:

i) The Fund's assets were £1,185m and the value of the liabilities was £1,146.2m, which corresponds to a surplus of £39.3m and a funding ratio of 103%.

ii) The assessed employer cost of future service benefits was 18.5% of pay across the Fund as a whole and 1.5% (in money terms £10.6m) to be added as an allowance for possible cost of McCloud / Cost cap for past service liability over 19 years.

iii) No additional contribution is required as the Fund is fully funded for the next 19 years provided the primary rate is maintained.

20. The results of 31 March 2022 valuation are as follows:

i) The Fund's assets were £1,523m and the value of the liabilities was £1,470m, which created a surplus of £53m and a funding ratio of 104%.

ii) ***Primary rate*** - the assessed employer cost of future service benefits was 18.9% of pay across the Fund as a whole.

iii) ***Secondary rate*** - no additional contribution is required as the Fund is fully funded for the next 19 years provided the primary rate is maintained.

Membership

21. The Fund Actuary has conducted high level checks on the membership data provided and are satisfied with its adequacy for the purpose of this actuarial valuation.

22. The results are based on membership data as at 31 March 2022:

i) Original membership data provided by the Administering Authority on 30 June 2022

ii) Additional data provided by the Administering Authority on 22 July 2022 in response to our data queries, which we substituted into the original data

iii) We estimated some data as set out in reports dated 23 September 2022

23. A summary of the final data used is set out below. Average ages are unweighted, and pensions include the April 2022 revaluation/pension increase.

Active members

	Number	Average age	Total pensionable salaries (2014 scheme definition) (£000 pa)	Total pre 2014 pension (£000 pa)	Total pre 2014 accrued lump sum (£000)	Total post 2014 pension (£000pa)
Male	1,989	46.2	63,319	3,415	4,858	5,811
Female	6,357	47.5	137,265	6,660	8,340	13,034
Total	8,346	47.2	200,584	10,075	13,199	18,845
Total 2019 (for comparison)	*7,740*	*46.6*	*160,780*	*11,847*	*16,274*	*11,601*

Pensionable pay is over the year to the valuation date, and includes annualised pay for new entrants during the year. Actual part-time pay is included for part-timers.

24. The Actuary has not yet reconciled the valuation results for every employer in the Fund. As part of the reconciliation, it may be necessary to update the data. The membership shown in the final valuation report may therefore differ from that shown above.

Uncertainties

25. There are a number of uncertainties regarding the benefits payable to LGPS members which may affect the valuation results. The actuary has made an approximate allowance for these uncertainties in this result, at a whole of Fund level only. These uncertainties relate to:

i) GMP equalisation and indexation after 5 April 2021

ii) The cost management process

iii) The remedy which may be agreed in relation to the McCloud/Sargeant case

26. The actuary's final valuation report is set out in Appendix 1. The Pension Fund is required by statute to publish a Funding Strategy Statement (FSS), to keep the Statement under review and to revise it whenever there is a material change in the policy set out within it.

McCloud remedy

27. The LGPS Regulations covering the McCloud remedy have not yet been laid, however there has been a ministerial statement following the July 2020 consultation which confirmed the key elements of the expected changes. The Fund Actuary has therefore valued these key elements in the 2022 valuation.

28. As the full membership data to value the proposed remedy was not available, the Fund Actuary had used approximate methods. The liabilities have been initially calculated based on the current Scheme benefits. And then calculated an additional liability to cover members where the value of members benefits earned between 1 April 2014 and 31 March 2022 is expected to be greater under the previous final salary scheme provisions than the post-reform career average provisions.

Cost management

29. Since the 2019 valuation the 2016 LGPS (E&W) cost management valuations have concluded by the Government Actuary's Department, one commissioned by the LGPS Scheme Advisory Board in accordance with the LGPS Regulations and the other commissioned by HMT in accordance with the Public Service Pensions Act 2013. Both found the costs of the scheme to be within the relevant limits such that no changes to the scheme provisions were required. However, the way in which the McCloud remedy was allowed for in the cost management process is currently subject to Judicial Review and there is a possibility that this process will need to be revisited and ultimately, additional employer costs may arise. It is possible that the outcome will not be known until after the valuation has been concluded.

30. The Fund Actuary has made no allowance within their calculations for the risk of additional costs falling on the Fund (and ultimately employers) as a result of the Judicial review process.

GMP indexation and equalisation

31. Following legislative change in 2021, the LGPS is now required to pay full CPI increases on GMPs for members whose State Pension Age is after April 2016. Separately to this, the High Court ruled in two Lloyds Banking Group cases (2018 and 2020) that schemes are required to equalise male and female benefits for the effect of unequal GMPs, and these requirements extend to members who have died and transferred out.

32. In relation to public service schemes, the Fund Actuary understand the Government believes payment of full indexation of GMPs as set out above will equalise payment terms for the vast majority of members, but some uncertainty remains for a small minority of members. The Actuary is awaiting a Government response in relation to equalisation requirements for historic deaths and transfers.

33. The Fund Actuary has valued pension increases in line with the indexation requirements. However, they have not estimated a potential cost of equalising payment terms for members whose benefits remain unequal after full indexation, nor for historic deaths or transfers.

Goodwin

34. A recent Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. A ministerial statement on 20 July 2020 announced that changes would be required to other public service pension schemes with similar arrangements. In the LGPS this will create an additional liability for post-2005 widowers where the original member had pre-1988 service.

35. The Government is yet to reflect this ruling within LGPS Regulations. The Fund Actuary therefore made no allowance for the Goodwin ruling in the 2022 valuation results. Although the Actuary expect the additional liability to be small.

Funding Strategy Statement (FSS)

36. The Funding Strategy Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

37. The FSS set out in Appendix 2 has been drawn up by the Fund’s actuary, in conjunction with Officers of the Council. The Pension Fund previously published

a FSS following the 2019 valuation and this has been updated to reflect changes made for the 2022 valuation.

38. In accordance with Regulation 58(3), all employers participating within the London Borough of Enfield Pension Fund would be consulted on the contents of this Statement and their views would be taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole

39. As set out in the FSS the objectives of the statement are to:

a) ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;

b) ensure that employer contribution rates are reasonably stable where appropriate;

c) minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB., this will also minimise the costs to be borne by Council Tax payers);

d) reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

e) use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

40. In addition to the objectives set out above, the FSS also sets out the different treatments for different types of employers ranging from tax raising bodies such as the Council and other scheduled bodies such as Academies to Community and Transferee Admission Bodies. Various factors are considered during the contribution setting process, including the funding target (the assets required to pay member benefits), the time horizon and the probability of reaching the funding target over that time horizon. Each of these factors may be varied according to employer type, as this will influence the level of risk posed by each employer.

41. The FSS also covers the links to investment strategy which are set out in Investment Strategy Statement. The investment strategy for the Pension Fund is set for the longer term. The investment strategy is an important and time consuming activity that the Committee needs to devote its time to. This may include dedicated strategy meetings to consider the longer term investment strategy for the Fund as well as looking at options for risk reduction over the longer term, should the funding level improve.

42. The FSS includes a number of detailed appendices covering key points around responsibilities, risks and regulations.

43. The main policy changes are set out in the updated FSS as follows:

    i) Section 3.9.2: Interim reviews of contribution rates

    ii) Section 3.9.8: Spreading exit debs (and at the end of this section we comment that you will not enter deferred debt arrangements)

44. In both cases wording has been added to cover off the requirements of MHCLG's statutory guidance dated 2 March 2021 and also had regard to the Scheme Advisory Board's guidance.

Other changes since 2019 are:

45. **New Passthrough policy (section 3.8.3) -** The new policy allows small admission body employers to be pooled with the letting authority so they pay the same contribution rate (in most cases this will be Enfield Council, but also academies who outsource their catering and cleaning contracts). This reduces the administration and actuarial costs of setting up these small, numerous and often short-term employers, and it helps facilitate the procurement process for these contracts too. This is adding detail to an existing policy where admission bodies with 10 or fewer members could pay the same contribution rate as Enfield Council. This includes confirming that assets and liabilities will be pooled; extending the policy to be clear this also covers situations where academies are outsourcing services; making it clear how secondary contributions will be shared when these are certified as monetary amounts, and to confirm that where a passthrough arrangement is in place the employer will not be required to pay an exit debt or receive an exit credit when they leave the Fund. Further details on this policy are included within the Employer Policy which has been updated and I suggest is consulted on alongside the updated FSS.

46. **New exit credit policy (Section 3.9.7) -** The LGPS Amendment Regulations 2018 provided for exit credits to be paid from the Fund, and your current FSS already sets out your policy for paying exit credits. However the LGPS Amendment Regulations 2020 put the onus on administering authorities to determine the amount of the exit credit, having regard to the amount of surplus that has arisen from the employer contributions paid, any representations by the employer or connected employers, and any other relevant factors. This policy has been updated to set this out.

47. Allowing for regulatory uncertainties in actuarial calculations (Section 3.7). This section has been added to be transparent that the actuary will allow for regulatory uncertainties such as the McCloud judgement when setting funding requirements.

The main changes (since the August 2021 version) are as follows:

48. Updating the wording for ill health and death in service dependants' pension risk sharing to say this will not apply from April 2022 (page 14).

49. Updated wording for regulatory/benefit risks (pages 11 and 12)

50. Addition of climate change risk (page 35).

51. Updating references of MHCLG to DLUCH.

52. The FSS will be circulated in draft to all employers who participate in the Enfield Pension Fund to allow comments to be made prior to its finalisation. Employers would be invited to respond with any comments by Monday 7th November 2022.

53. Following the consultation, the FSS will be considered and approved by the Committee at its November 2022. Comments received from consultation will be brought to the attention of the Committee.

54. The Committee are asked to consider and agree the draft Funding Strategy Statement for consultation with other employers in the Fund.

Safeguarding Implications

55. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

Public Health Implications

56. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

Equalities Impact of the Proposal

57. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

Environmental and Climate Change Considerations

58. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

59. All material, financial and business issues and possibility of risks have been considered and addressed within the report and its appendices, and that the actuarial report and funding strategy statement will provide the Pension Fund with a solid framework in which to achieve a full funding status over the long term.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

60. The Funding Strategy Statement forms part of the broader framework for funding and management of the Enfield Pension Fund. It sets out how the Fund will approach the future funding of its liabilities and the recovery periods for recovering any deficit.

Financial Implications

61. Most of the Fund's benefits are increased annually both before retirement (revaluation) and after retirement (pension increases), by reference to the change in the Consumer Price Index (CPI)

62. Aon recommends the CPI inflation assumption of 2.3% which is the long term (30 year) best estimates based on Aon's Capital Markets Assumptions (CMAs), with further adjustment for short term inflationary pressures applying at this valuation

63. So, at this valuation Aon propose to increase past service liabilities for funding targets that are not gilt based by 5% to allow for the 6 months of high inflation not reflected in the CMAs, and to reduce the impact of adverse inflation experience on the liabilities at the next valuation

64. Broadly it is equivalent to assuming CPI will be in the region of 5% for Year 1, followed by 2.2% p.a., thereafter. When combined with the recommended 5% uplift covering high inflation for the 6 months to 31 March 2022 this is equivalent to allowing for a pension increase of around 10% in April 2023, then 2.2% p.a. thereafter

65. But CPI inflation was 7% p.a. (year to March 2022). Aon's assumptions are based on CMAs as at 31 March 2022, however the April 2023 pension increase will be based on the full year CPI from September 2021, and in the 6 months since September 2021, CPI inflation has been 4.2% (an annual rate of 8.5%).

66. Hence officers opted for a prudent option, which include a 10% risk margin rather than the recommended 5% inflation uplift margin. The opted option is alternative result 1 as officers envisage the risk of inflation being higher than the Fund Actuary assumption, and as a consequence this will increase the pensions that need to be paid during the valuation period.

Strategy	Balance Sheet at This Valuation (£M)		Current Contributions			Theoretical Contributions 2023/24					
	Surplus / (Shortfall)	Funding Level	Current Rate	Current Additional Monetary Amount £s	Equivalent Total Rate (based on current pay)	Recovery Period (years)	Primary Contribution Rate	Secondary Contribution Additional Amount £s	Secondary Contribution Reduction % pay	Equivalent Total Rate (based on current pay)	Change in total rate
Initial valuation result: 5% inflation risk loading, 105% surplus buffer	95.542	107.6%	20.2%	0	20.2%	19	19.1%		(1.3%)	17.8%	-2.4%
Alternative result 1: 10% inflation risk loading, 105% surplus buffer	38.652	102.9%	20.2%	0	20.2%	19	19.1%			19.1%	-1.1%
Alternative result 2: 5% inflation risk loading, 110% surplus buffer	95.542	107.6%	20.2%	0	20.2%	19	19.1%			19.1%	-1.1%

67. Alternative result 1 indicates the funding level for London Borough of Enfield (as a single employer) stands at 103%, improved slightly from 102% from 2019 valuation outcome as shown in the table above.

68. The employers' contribution rate for the London Borough of Enfield (as a single employer) is currently set at 20.2% for 2022/23. The slight improvement to the funding level of the Fund has brought about a reduced contribution rate of 19.1%.

69. There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.

Legal Implications

70. The Constitution delegates to the Pension Policy & Investment Committee the function of setting the overall strategic objectives for the Pension Fund.

71. Regulation 58 of the Local Government Pension Scheme Regulations 2013 requires the Council as an administering authority to publish and maintain a funding strategy statement.

72. When preparing, maintaining or publishing the funding strategy statement, the Council is required to make such revisions as it considers appropriate following material change to the policy set out in the statement; any revisions must be made following consultation with such persons as the Authority considers appropriate.

73. When reviewing the funding strategy statement, the Council is required to have regards to:
   i) the CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement; and

ii) the Council's statement of investment principles/Investment Strategy Statement.

74. The review of the funding strategy statement has been undertaken by the Fund Actuary and Fund officers with reference to a and b above as required.

75. When performing its functions as administrator of the LB Enfield pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Workforce Implications

76. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Other Implications

77. None

Options Considered

78. There is no alternative because the requirements to carry out the triennial revaluation and prepare a Funding Strategy Statement are prescribed in regulations

Conclusions

79. Aon's best estimate CPI inflation assumption of 2.3% p.a. was based on Aon's Capital Markets Assumptions (30 year assumption) at 31 March 2022 allows for a short term inflation spike followed by longer term trend back towards the Bank of England target.

80. Short term inflation expectations have increased so the additional +5% uplift to liabilities to allow for inflation between 1 October 2021 and 31 March 2022 being higher than 2.3% p.a., which will feed into the April 2023 pension increase (noting 2.3% p.a. is forward-looking from 31 March 2022 but the April 2023 pension increase is likely to be based on inflation in the year to 30 September 2022 although this cannot be guaranteed.

81. So, there is around a 15% chance inflation over the next three years will be 5% higher than the assumptions that the Fund actuary have used in their initial valuation result. The impact of this on benefit payments in isolation would worsen the funding ratio, although this may be partly offset by lower medium term inflation.

82. Hence officers opted for a prudent option, which include a 10% inflation risk margin rather than the 5% inflation uplift margin recommended by the Fund

Actuary. The opted option is alternative result 1 as officers envisage the risk of inflation being higher than the Fund Actuary assumption, and as a consequence this will increase the pensions that need to be paid during the valuation period.

83. The Fund’s asset increased over the three years period by £339m, and liabilities increased by £324m.

84. The Fund's assets were £1,523m and the value of the liabilities was £1,470m, which generated a surplus of £53m over the period with a funding ratio of 104%.

85. The main changes to the assumptions are:

   i) Investment returns were above the discount rate of 4.2% per annum adopted at the 2019 valuation, given rise to a gain of about £169m.

   ii) The fall in the real discount rate relative to inflation given rise to £192m loss (which on its own worsened the funding position).

86. The aggregate Employers contribution rate change from 20% to 18.9%

87. The Fund Actuary expectation at this meeting and next step to their process are outlined as follows:
   i) Discuss their initial results and agree initial funding target
   ii) Agree contributions for London Borough of Enfield Pension Fund
   iii) Consultation on Funding Strategy Statement (from 6th October to 7th November 2022)
   iv) Finalise all employer results – October 2022 to December 2022
   v) Present initial results (on agreed funding target) to employers at Employers' Meeting January 2023
   vi) Sign off valuation report and Rates & Adjustments Certificate – by 31 March 2023

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Date of report 20th September 2022

Appendices
Appendix 1 – Initial Triennial Actuarial Valuation Results For 2022 (Confidential)
Appendix 2 – Funding Strategy Statement (September 2022)

Background Papers - None