



Report to Pension Fund Committee

Date:	21 st March 2022
Title:	Section 13 Report on the 2019 Actuarial Valuation
Contact officer:	Julie Edwards, Head of Pensions
Recommendations:	The Committee is asked to review and note the Section 13 report.

1. Executive summary

- 1.1 The Government Actuary Department (GAD) has undertaken a Section 13 valuation of the 91 English and Welsh LGPS funds. The Section 13 valuation adopts standard assumptions for all LGPS funds with the aim of providing a level playing field so that Funds can be compared on a like for like basis.

2. Content of report

- 2.1 GAD has been appointed by the Department of Levelling Up, Housing and Communities (DLUHC) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the Local Government Pension Scheme in England and Wales ('LGPS' or 'the Scheme'). The Section 13 valuation carried out by GAD is based on the formal actuarial valuations of the 91 English and Welsh LGPS funds, as carried out by their Fund actuary.
- 2.2 The Section 13 valuation adopts standard assumptions for all LGPS funds with the aim of providing a level playing field so that Funds can be compared on a like for like basis. In summary, the purpose of the Section 13 valuation is to identify any outlying funds measured against the following objectives:
 - Compliance – whether the actuarial valuation has been carried out in accordance with the Regulations;
 - Consistency – whether the actuarial valuation has been carried out “not inconsistently” with other funds;

- Solvency – whether a fund has sufficient assets together with employer and employee contributions to pay all the benefits due over the long term; and
- Long term cost efficiency – whether a Fund is paying sufficient contributions to meet the cost of benefits accruing and repair any existing deficit over an appropriate period.

2.3 An executive summary of the LGPS England and Wales Section 13 Report – 31 March 2019 is attached as Appendix 1. The main findings from the report are:

- Compliance – fund valuations met the requirements of the LGPS regulations.
- Consistency – all fund had adopted a consistent “dashboard”, as recommended in the 2016 section 13 report. However, there are some areas of inconsistency.
- Solvency – Over the three years to 31 March 2019, funds’ assets have grown by around a third and liabilities by around 15%. Many funds reduced their contribution rates as a result of the improvement in their funding position. GAD’s view is that the prevailing economic conditions deteriorated between 2016 and 2019. Their opinion is that, for some funds, the deterioration in economic conditions may have warranted a strengthening of the valuation basis, resulting in a requirement to maintain or increase contributions.
- Long term cost efficiency – GAD raised concern about four funds as raising potential concern in relation to long term cost efficiency.

2.4 There were four recommendations in the report:

- The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.
- The Scheme Advisory Board should consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.
- Fund actuaries should provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.

- The Scheme Advisory Board should review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

2.5 All LGPS actuarial valuation reports complied with Section 13, meeting the requirements of the LGPS regulations and containing appropriate detail in relation to primary and secondary contribution rates for employers. There were no flags raised for any fund under the objective of consistency. Buckinghamshire Pension Fund achieved a green flag on solvency. The Fund achieved green flags for all measures used to check if the long term cost efficiency objective was met.

2.6 The key point for the Pension Fund Committee is that the Fund met all the criteria of the Section 13 valuation. There is an increasing amount of scrutiny on the LGPS from external parties and it is becoming increasingly important to ensure the Fund is well governed and takes a balanced, sensible approach to funding and investment strategy, which the Fund has of course been doing.

3. Other options considered

3.1 Not applicable.

4. Legal and financial implications

4.1 There are none arising directly from this report.

5. Corporate implications

5.1 There are none arising directly from this report.

6. Communication, engagement & further consultation

6.1 Not applicable.

7. Background papers

7.1 Local Government Pension Scheme England and Wales Section 13 Report as at 31 March 2019.

[Section 13 report as at 31 March 2019 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

7.2 Local Government Pension Scheme England and Wales Section 13 Report as at 31 March 2019 Appendices.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040200/S13_Appendices.pdf