



London Borough of Hackney Pension Fund Employer Forum

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- Gavin Picken
- 7 March 2019

What are we going to cover?

The Role of the Actuary



Actuarial Valuation

- Process
- Preparation
- Data



What you need to look out for

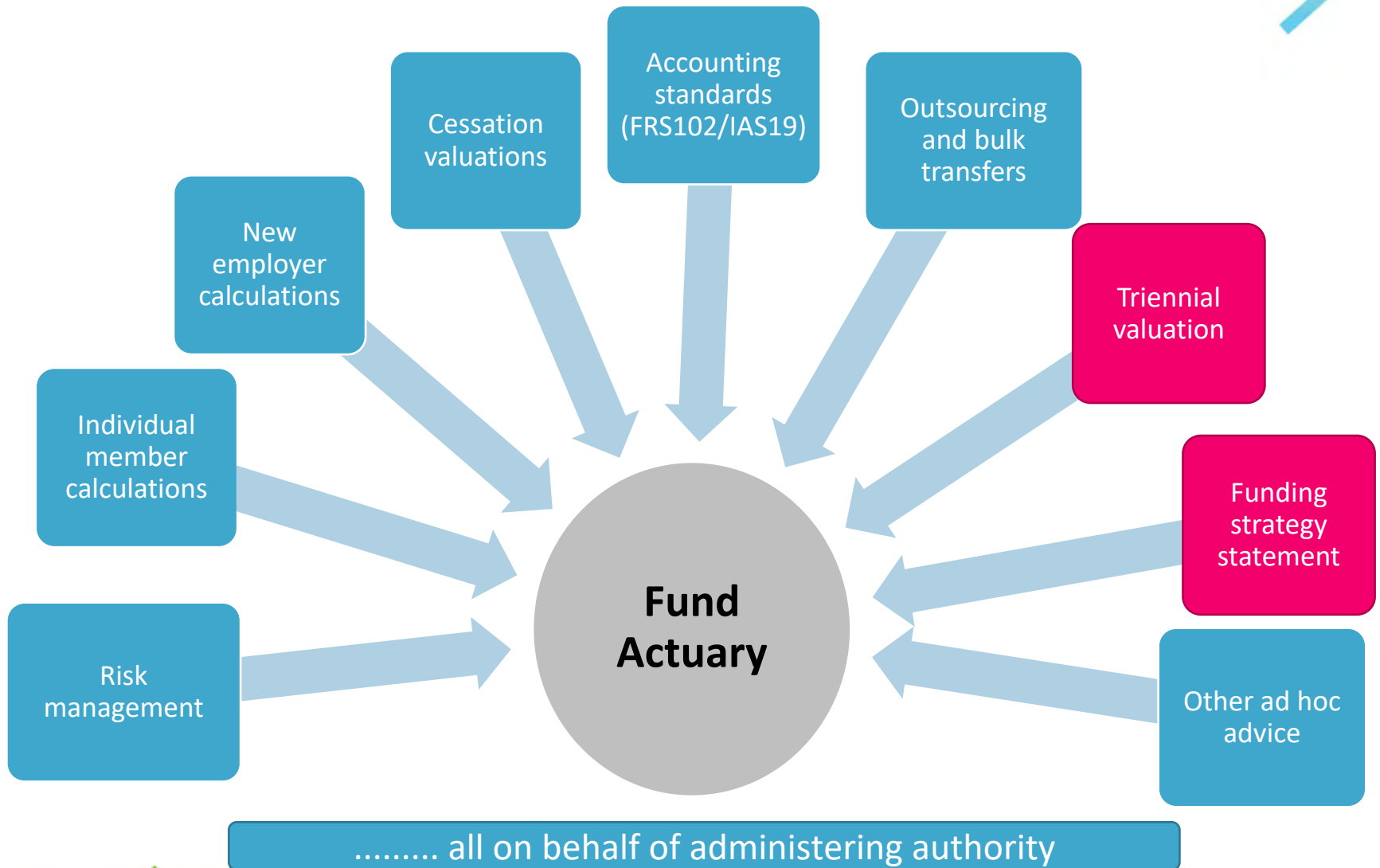


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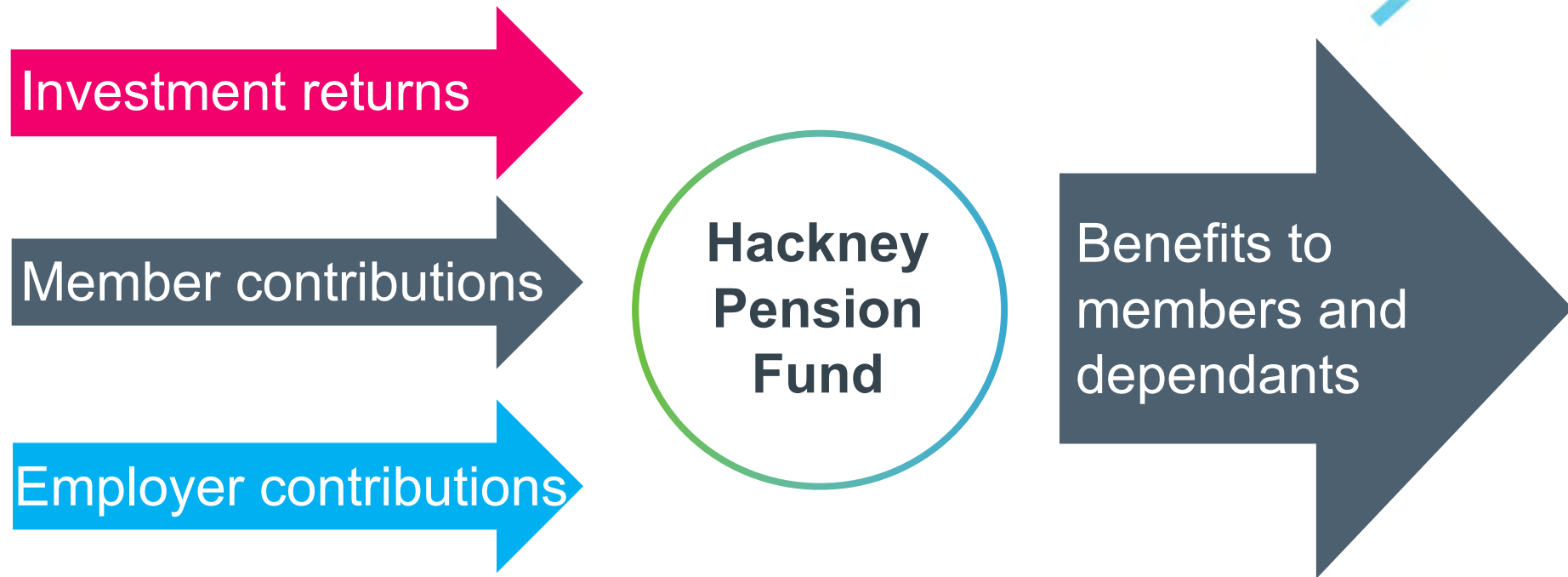
What is an actuary?



The Role of the Fund Actuary



How does the Fund work?

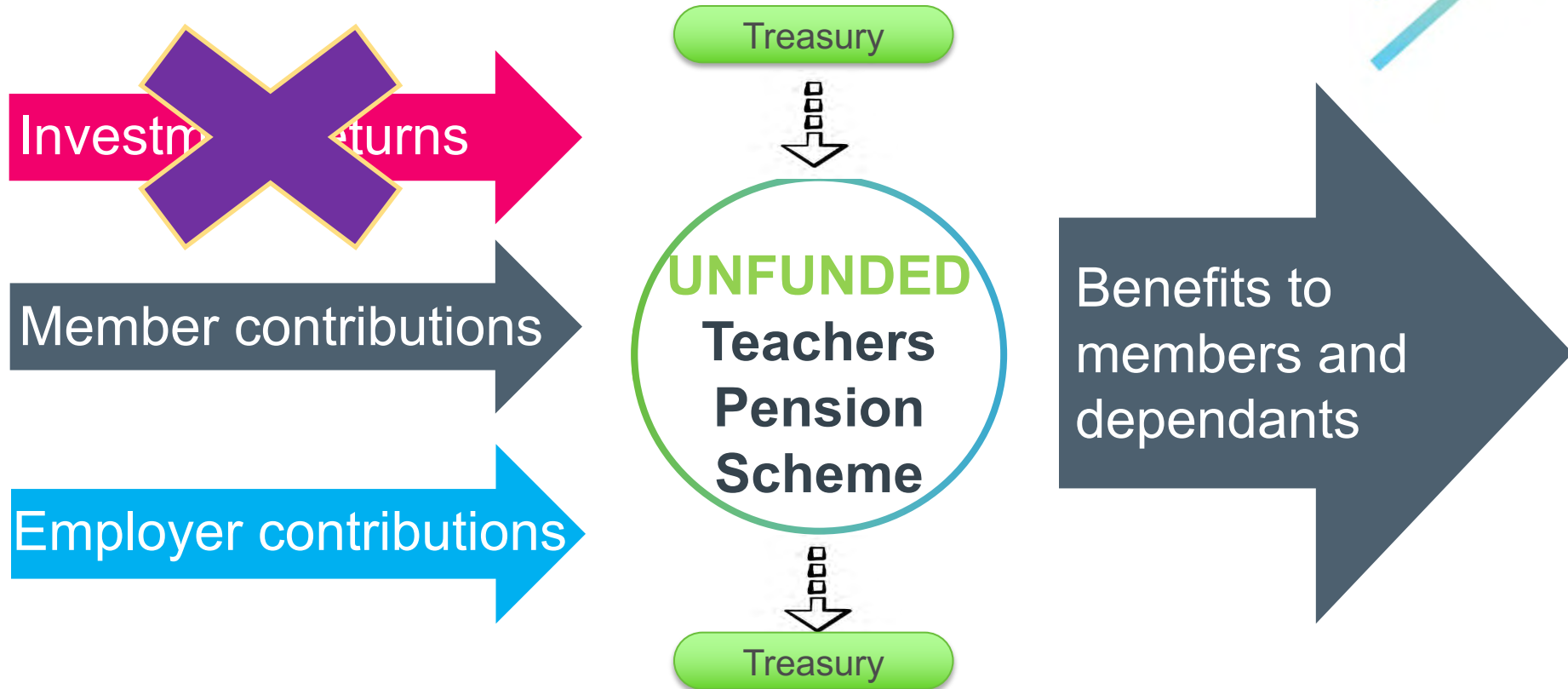


Determined by investment strategy & manager performance

Determined by LGPS Regulations

Must meet balance of cost over longer term

LGPS vs Teachers Scheme



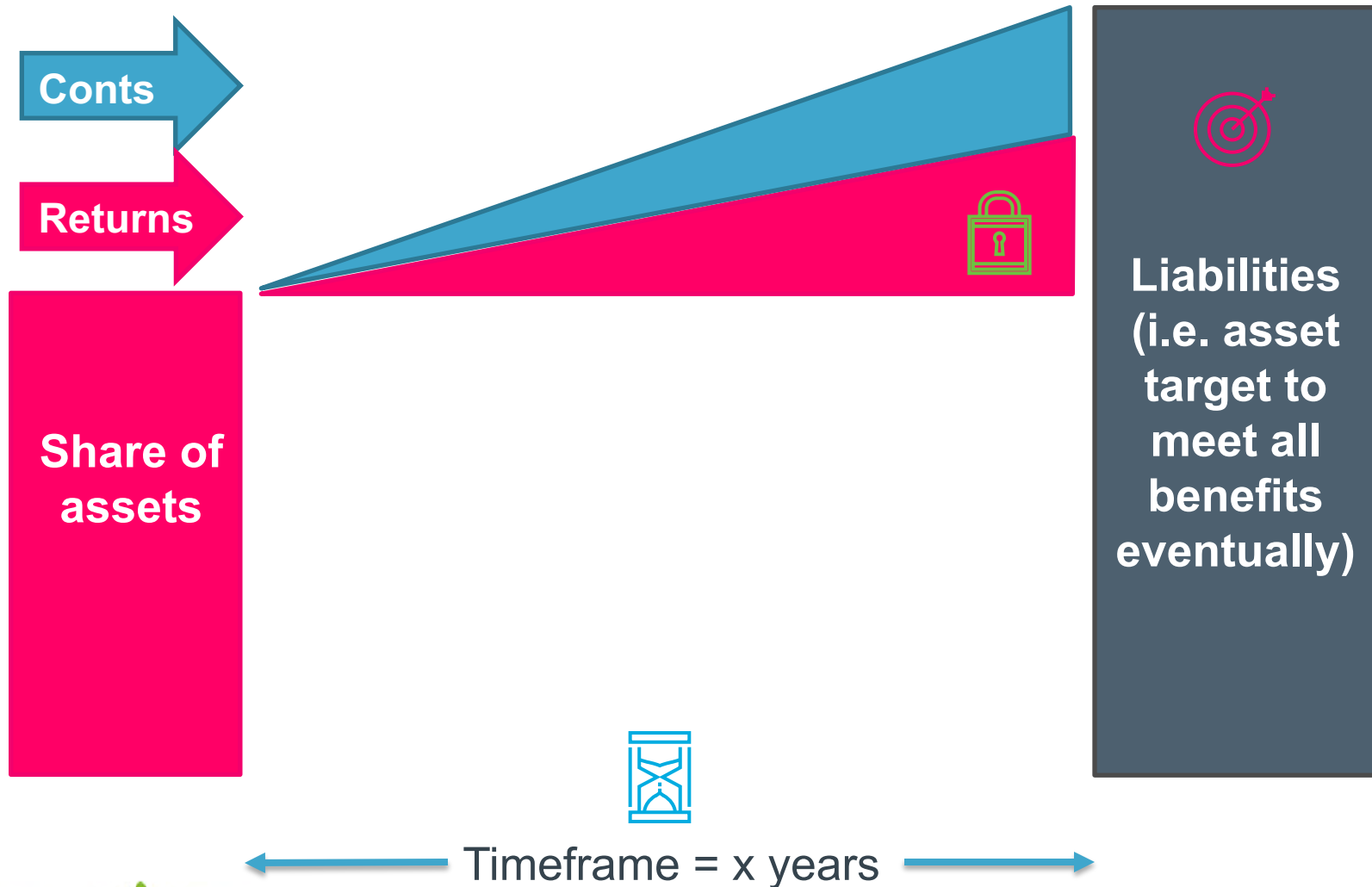
~~Determined by investment strategy & manager performance~~

Determined by Teachers Scheme Regulations

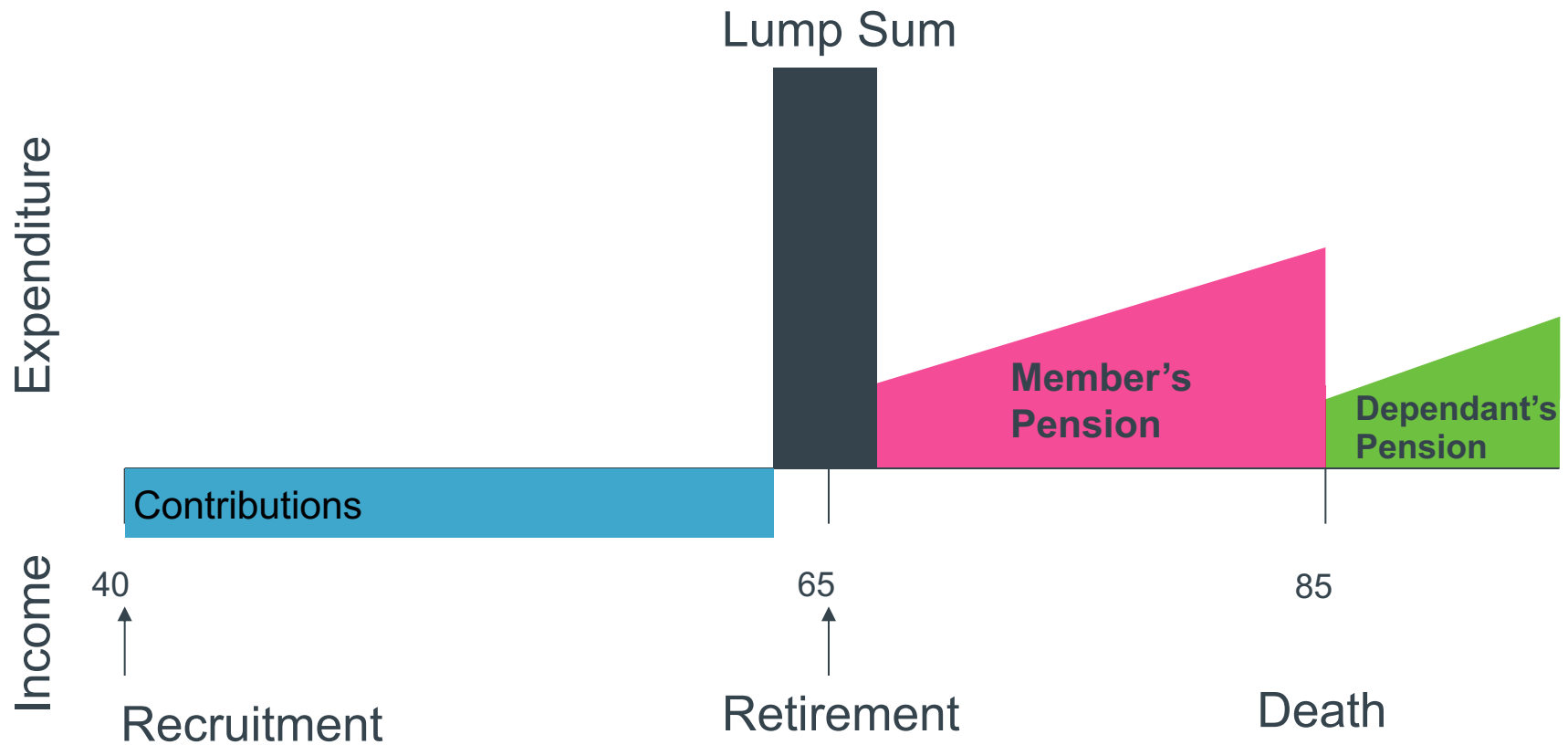
Must meet balance of cost over longer term

Must meet balance of cost over short term

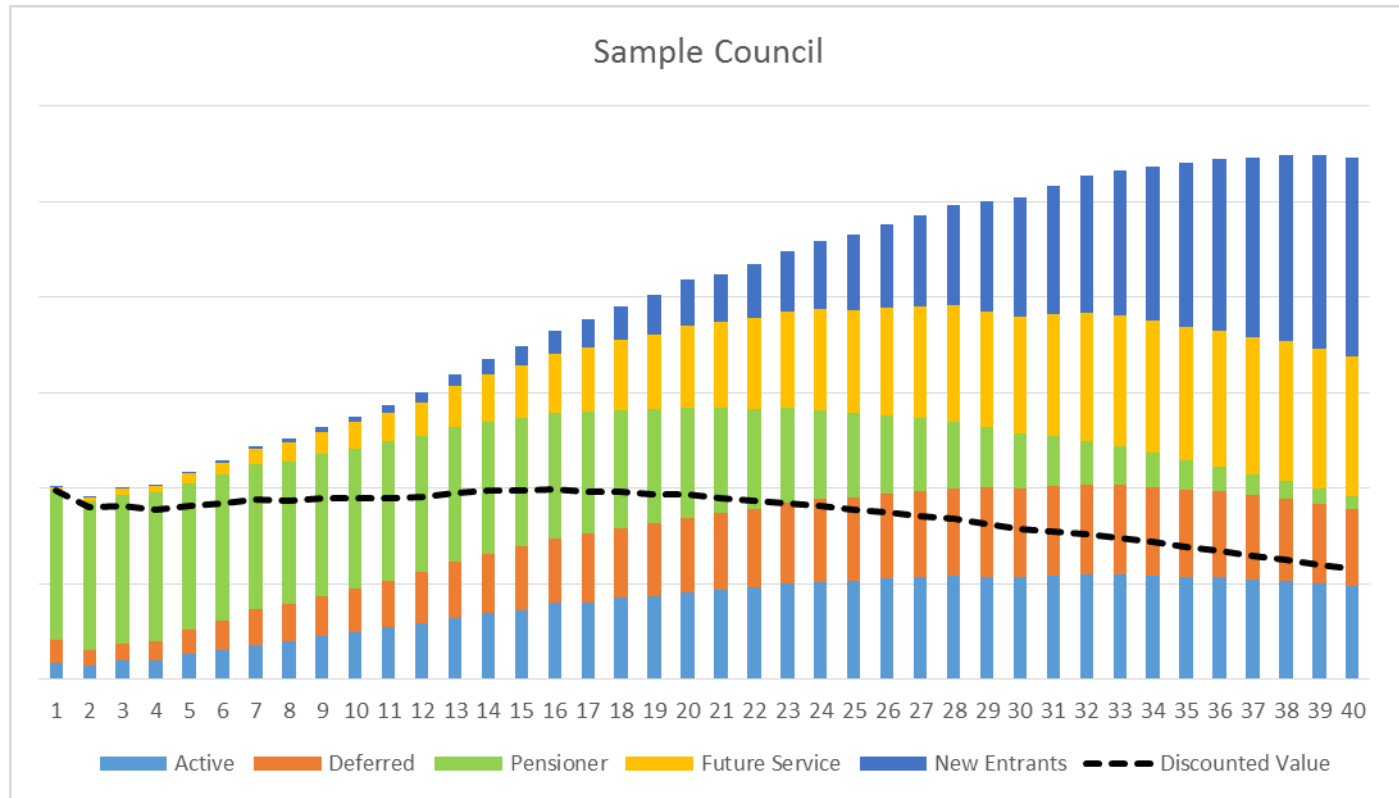
In principle



Valuation begins at member level



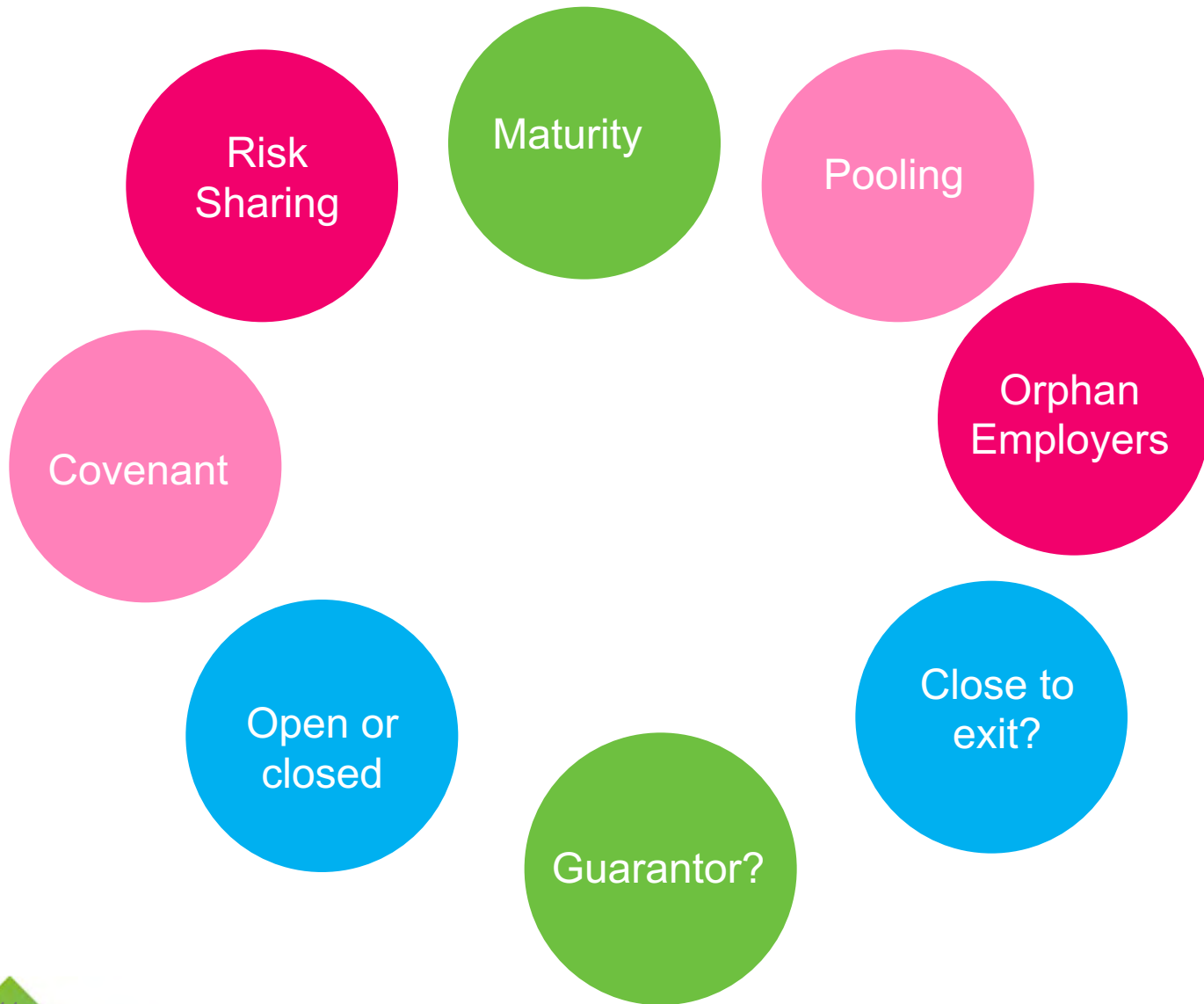
Valuing all members (past, present and future) per employer



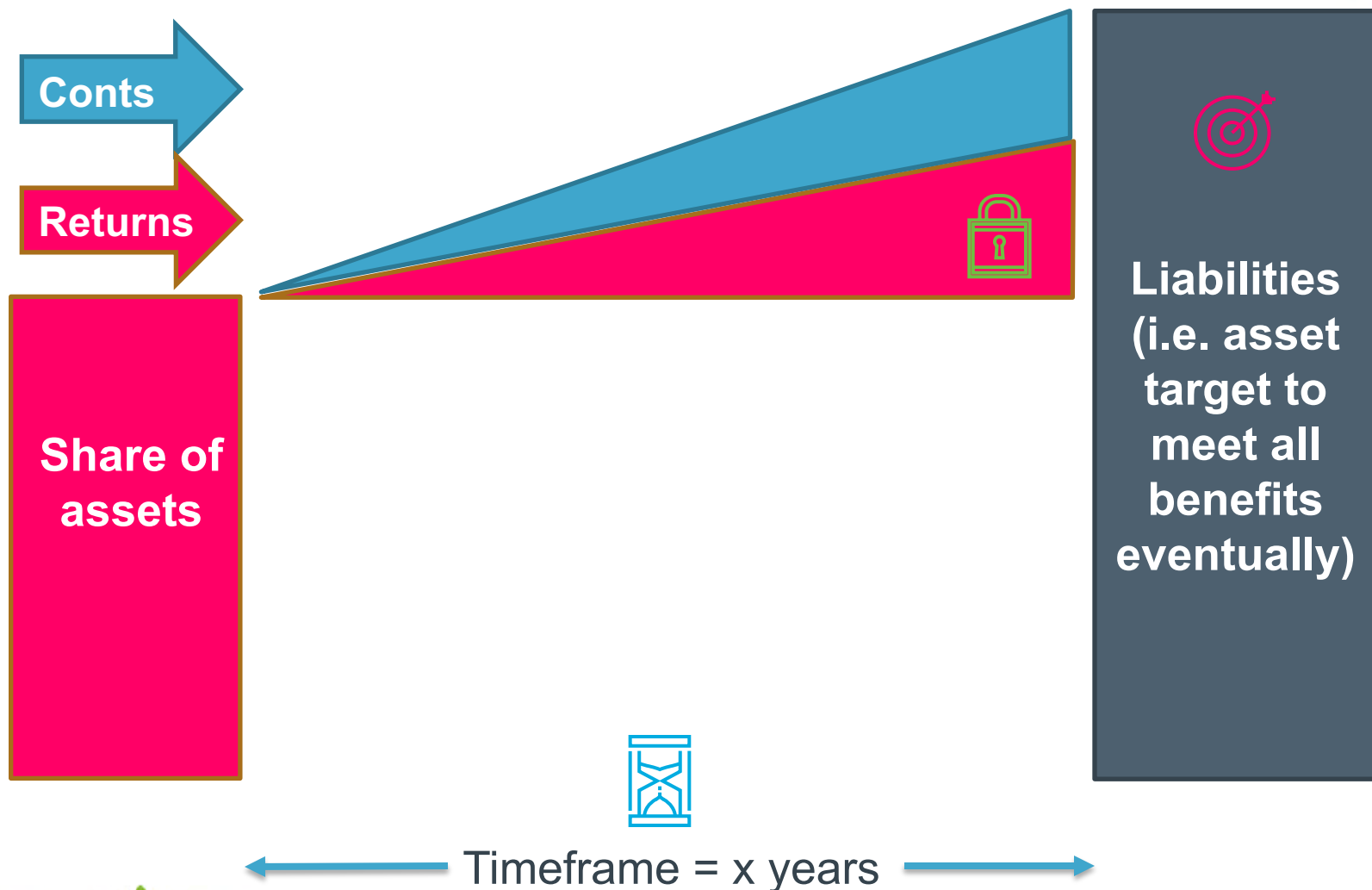
Each employer tends to its own patch



Why aren't we all treated the same?



Remember this?



Different approaches for different employers



Council	Academies	Colleges	"TABs"	"CABs"
Ongoing	Ongoing	Ongoing	Ongoing	Cessation?
Long	Long	Long	Short	Medium
Low	Low	Medium	Low/Medium	High

What data do Employers need to provide?

Leaver

New salary

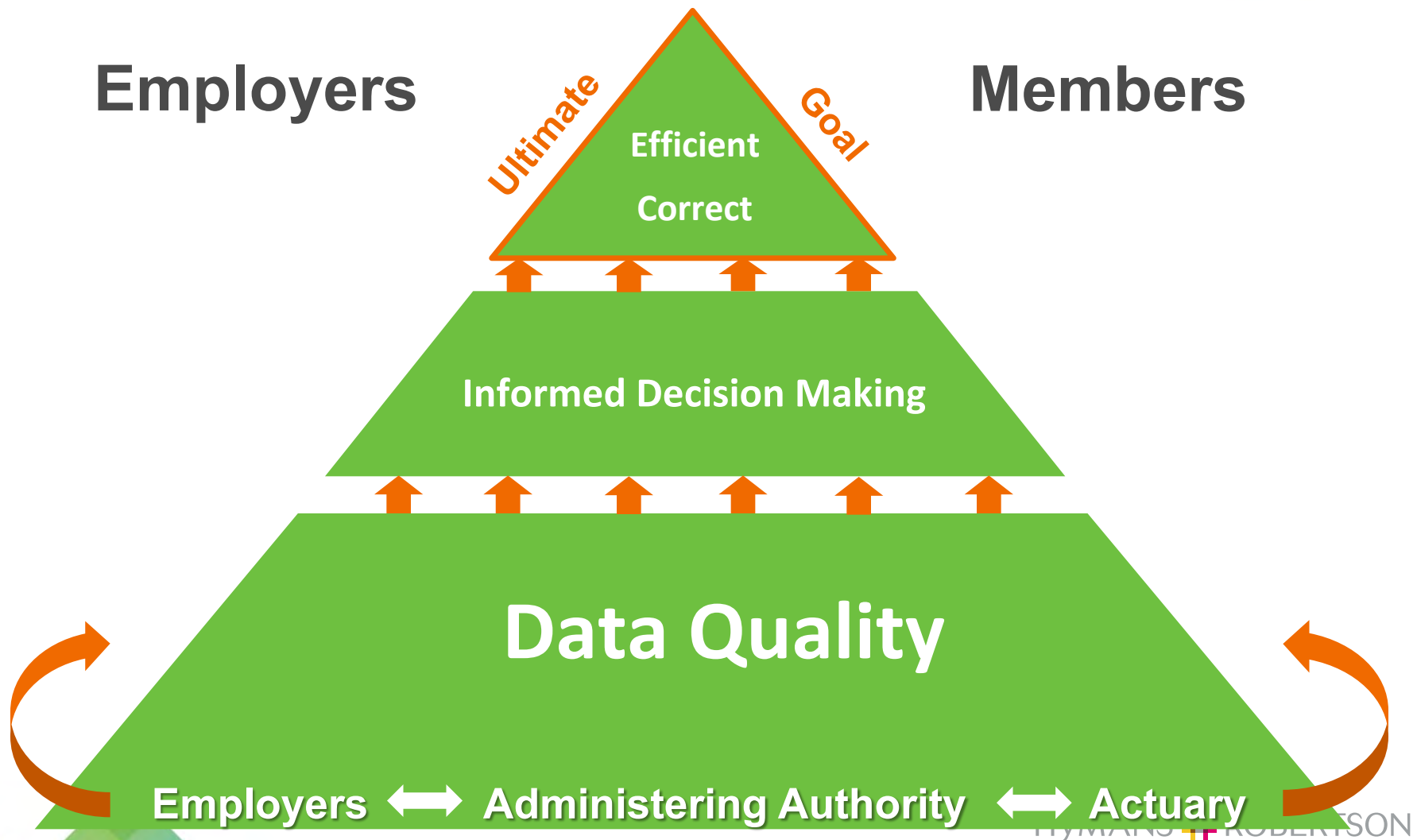
New Joiner

Year-end data





New address



Clean data – why does it matter?



Does data really matter?

1. As long as the member data is correct by the time of retirement, that's the main thing? 
2. We can pick up everything once a year 
3. You may end up **paying much higher contributions** than you need to 
4. You may receive your **valuation results much later** in comparison to the rest of the LGPS 



Impact of incorrect data

Pensionable Pay:

Example (Active Member)

Sex	DOB	Start Date	FTE Salary £	Liability £
M	01/01/1954	01/01/1998	10,500	50,667
M	01/01/1954	01/01/1998	15,000	76,000

Liability ↑ 50%

Contribution rate ↑ 10% of pay

Please note – all figures and calculations contained herein are based on a number of assumptions and are therefore for illustrative purposes only.

Impact of incorrect data

Date of Birth:

Example (Pensioner)

Sex	DOB	Pension £	Liability £
F	01/01/1943	2,000	15,600
F	01/01/1934	2,000	23,600

Liability ↑ 50%

Contribution rate ↑

Please note – all figures and calculations contained herein are based on a number of assumptions and are therefore for illustrative purposes only.

Consequences

Member

- Overpayments/underpayments
- Recovery

Employer

- Reputational Damage
- Failure to understand pension obligations
- Incorrect contribution rate

Every action ...

Salary
increases

Changing
MAT
(academies)

Outsourcings

Contributions

Business
transfers

Workforce
restructuring

Pooling
arrangements



... has a reaction in your pension costs

Valuation timetable

31 March
2019

2018/Q1 2019

- Preparation for valuation



Q2 2019

- Data for actuary
- Agree principles

Q3 2019

- Actuary does their sums
- Formalise Funding Strategy

Q4 2019

- Valuation results
- Consult / finalise Funding Strategy Statement

Q1 2020

- Finalise employer contributions

31 March
2020

New
Rates
Payable

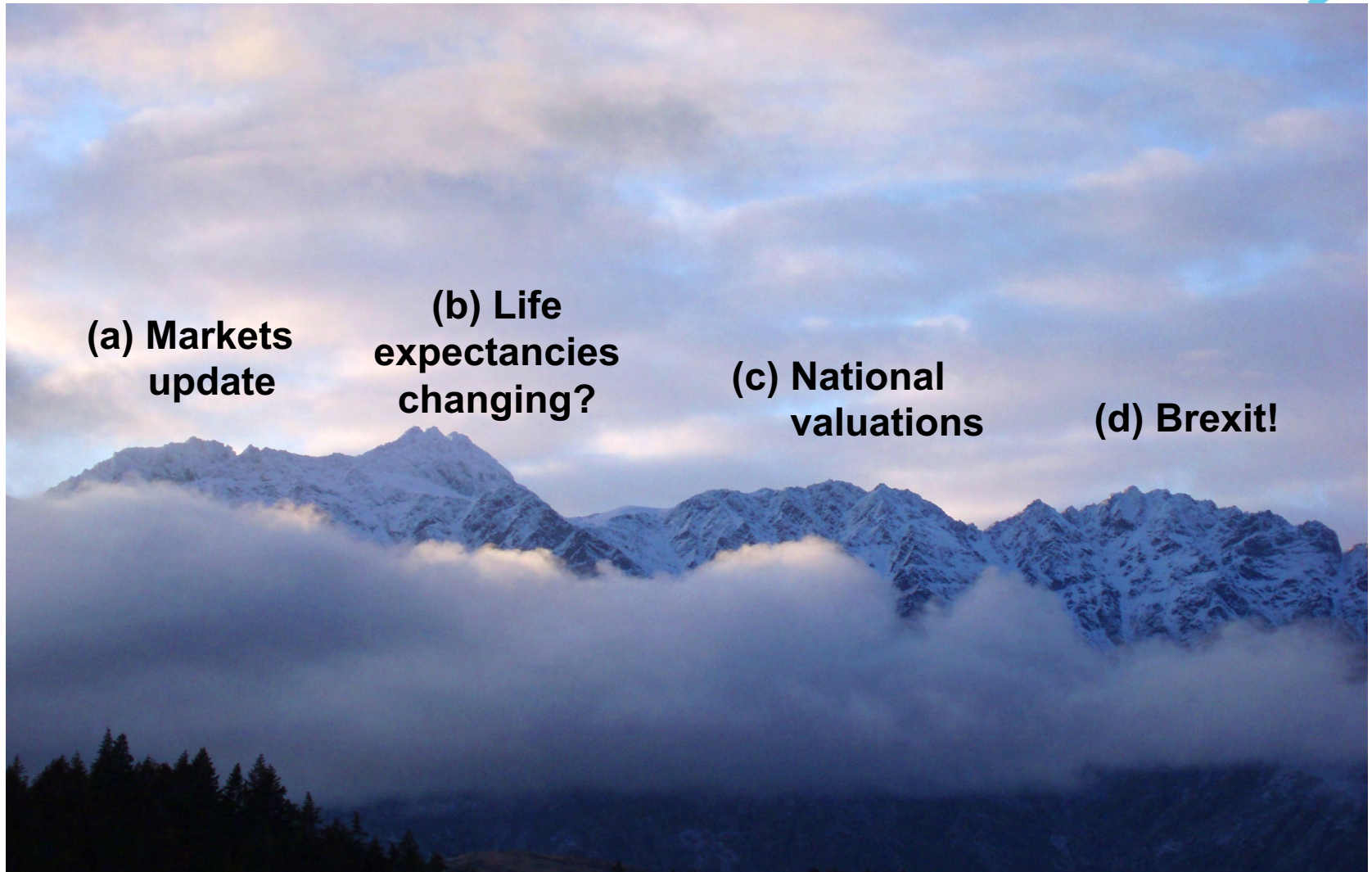
Now is the time to prepare

Teachers Pension Scheme

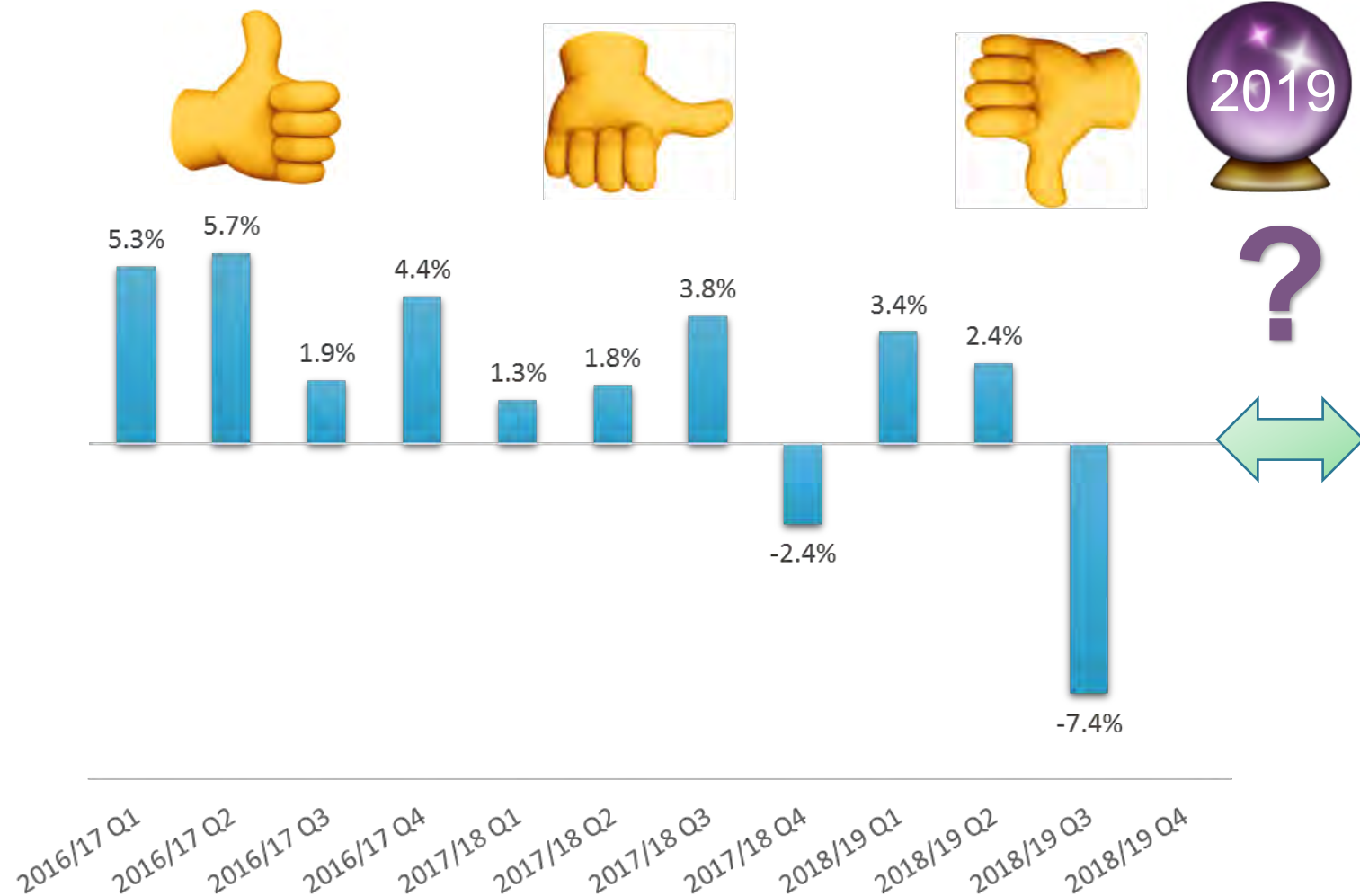
... for English & Welsh teachers

- Current TPS employer contribution rate of 16.48% will be increasing to an **estimated** 23.6%
- Applies from 1 September 2019 until 31 March 2023
(NB Delayed from 1 April 2019 due to delay in reporting)
- Funding from DfE for financial year 2019/20 to help maintained schools and academies (but not colleges etc?)
- Funding for 2020/21 onwards will be discussed as part of the next Spending Review round.

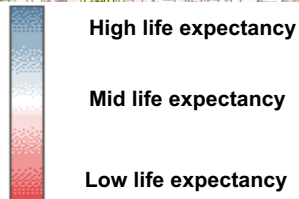
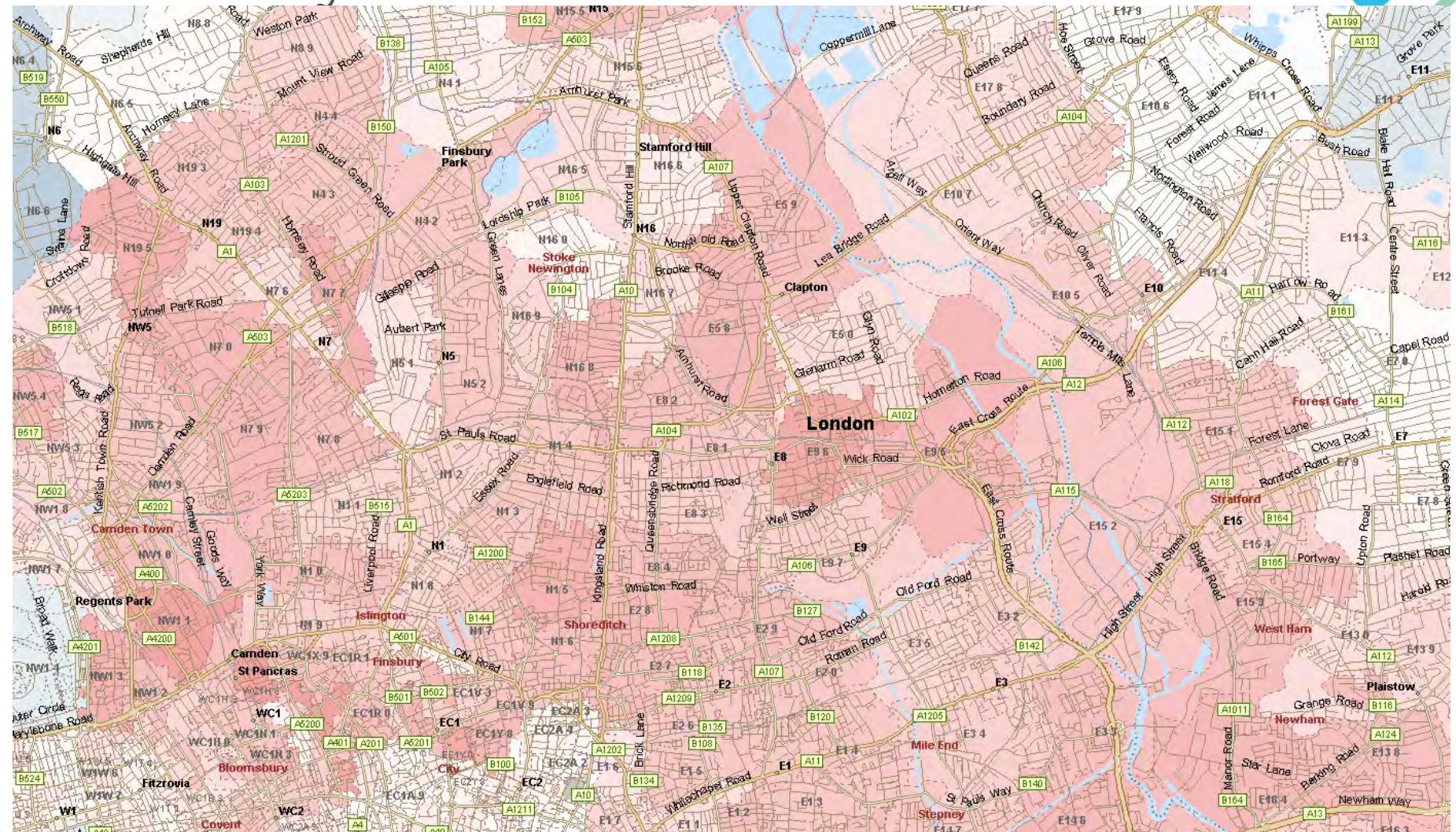
What's on the horizon?



(a) Markets update

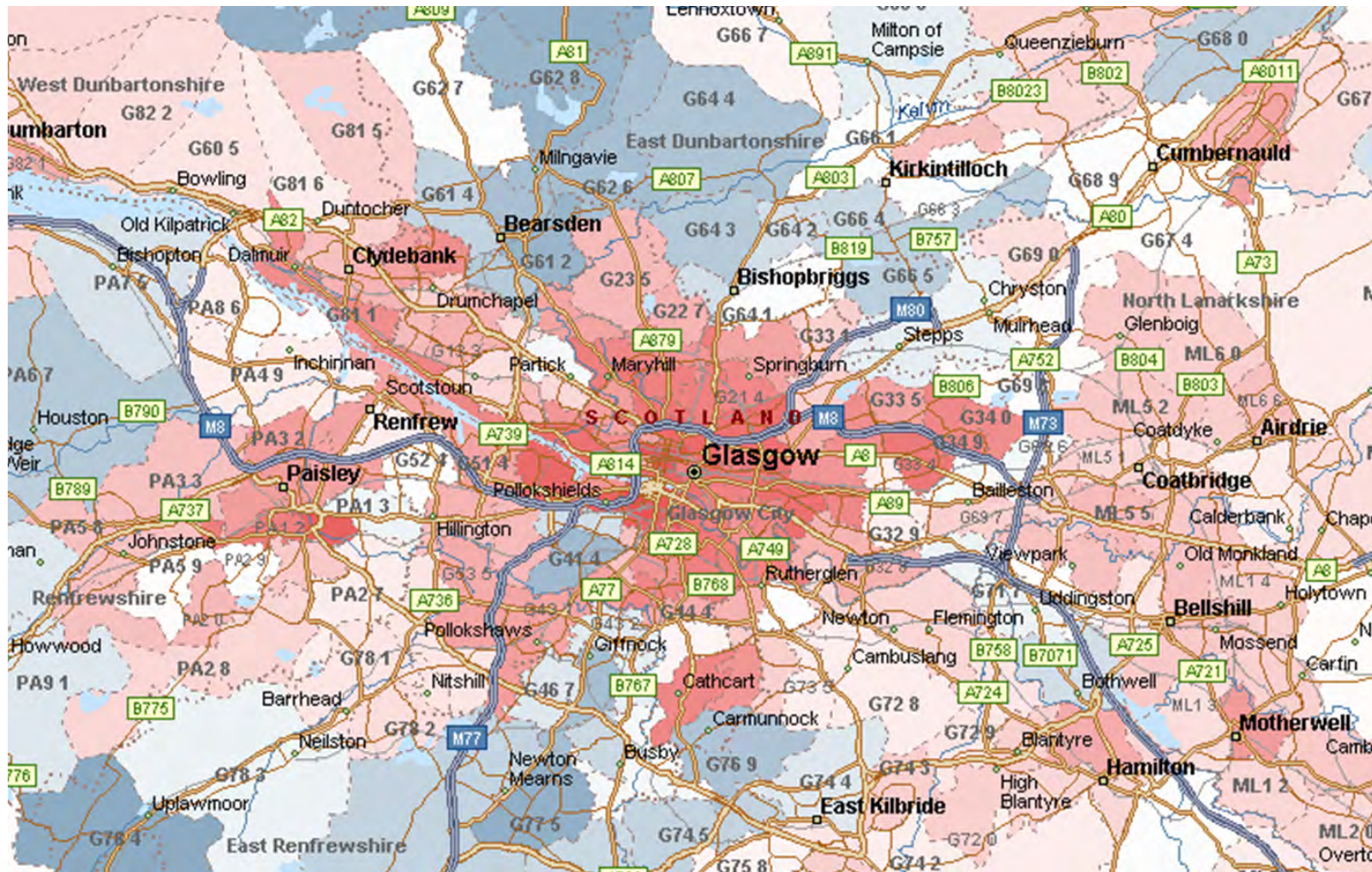


Hackney Area



Source: Club Vita research based on VitaBank as at January 2017

We feel your pain!



In the news



A screenshot of the BBC News website. The top navigation bar includes the BBC logo, a user profile icon labeled 'Peter', and links for News, Sport, Weather, iPlayer, TV, and Radio. Below this is a red banner with the word 'NEWS' in white. Underneath the banner is a horizontal menu with links for Home, UK, World, Business, Politics, Tech, Science, Health, and Family & Education. The 'Health' link is highlighted. Below the menu, the article title 'UK among worst for life expectancy rises' is displayed in large black text. To the left of the title is the date '7 August 2018' and a small red flag icon. To the right of the title are social media sharing icons for Facebook, WhatsApp, Twitter, Email, and a 'Share' button.

BBC Peter News Sport Weather iPlayer TV Radio

NEWS

Home UK World Business Politics Tech Science **Health** Family & Education

Health

UK among worst for life expectancy rises

7 August 2018 | 

     Share

MailOnline

Life expectancy of men and women in Britain has STOPPED getting longer, new figures reveal

- Improvements in life expectancy in the UK have almost come to a halt since 2010
- Lifespans have lengthened thanks to medical advances and economic changes
- Analysts appeared to challenge the suggestion that government cuts could be responsible

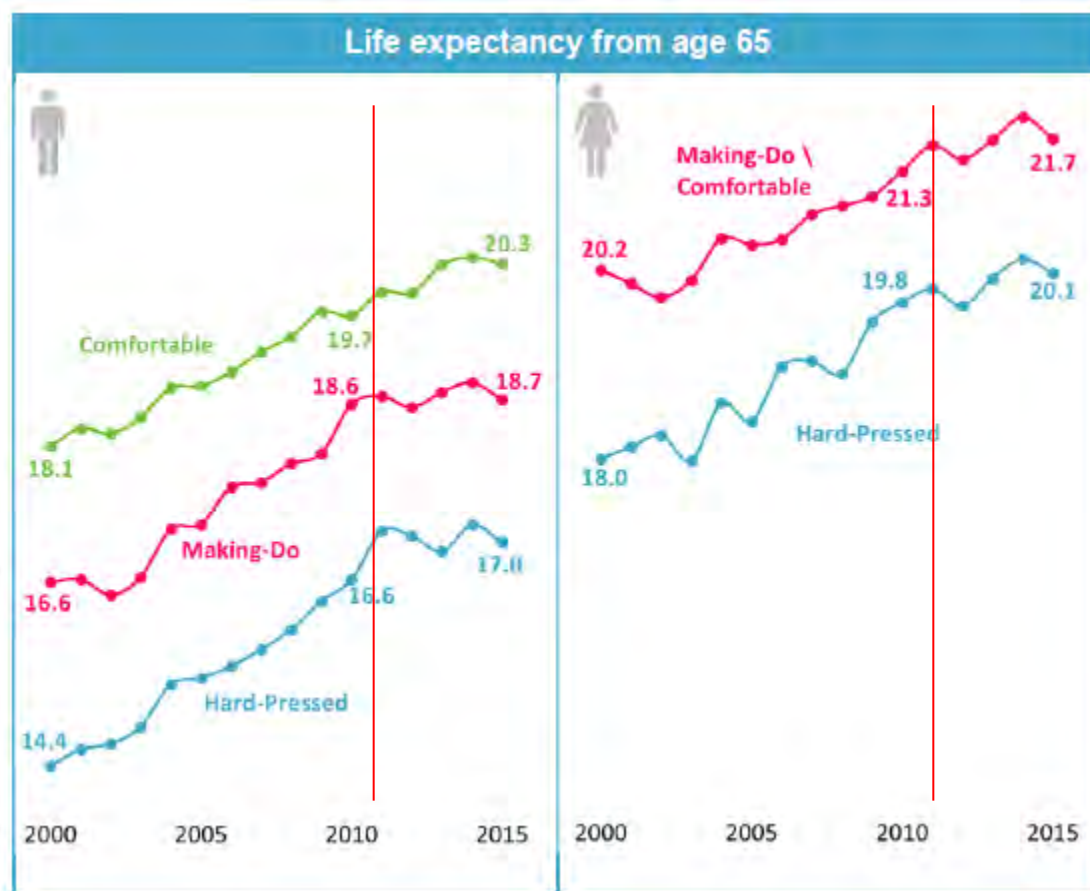
By STEVE DOUGHTY SOCIAL AFFAIRS CORRESPONDENT FOR THE DAILY MAIL
PUBLISHED: 01:04, 19 June 2018 | UPDATED: 13:10, 19 June 2018

What does this mean for the LGPS?

Future improvements stalling?

Most LGPS liabilities

Slowdown in improvements



Life expectancy improvements assumption tailored to the membership of the Hackney Fund

Future valuations & benefit changes?

Unfunded schemes' cost cap valuations



2016



2020



2024



LGPS cost cap valuations



2016



LGPS Funding valuations



2016

2019



2022



2025



Will LGPS funding valuations align?

(d) Brexit!


- Brexit date = valuation date (maybe)
- Unknown how this will affect markets ...
- ... but how we set contributions gives some protection from movements





Thank you...

Any questions



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