

# London Borough of Hackney Pension Fund Employer Forum

- Geoff Nathan
- 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

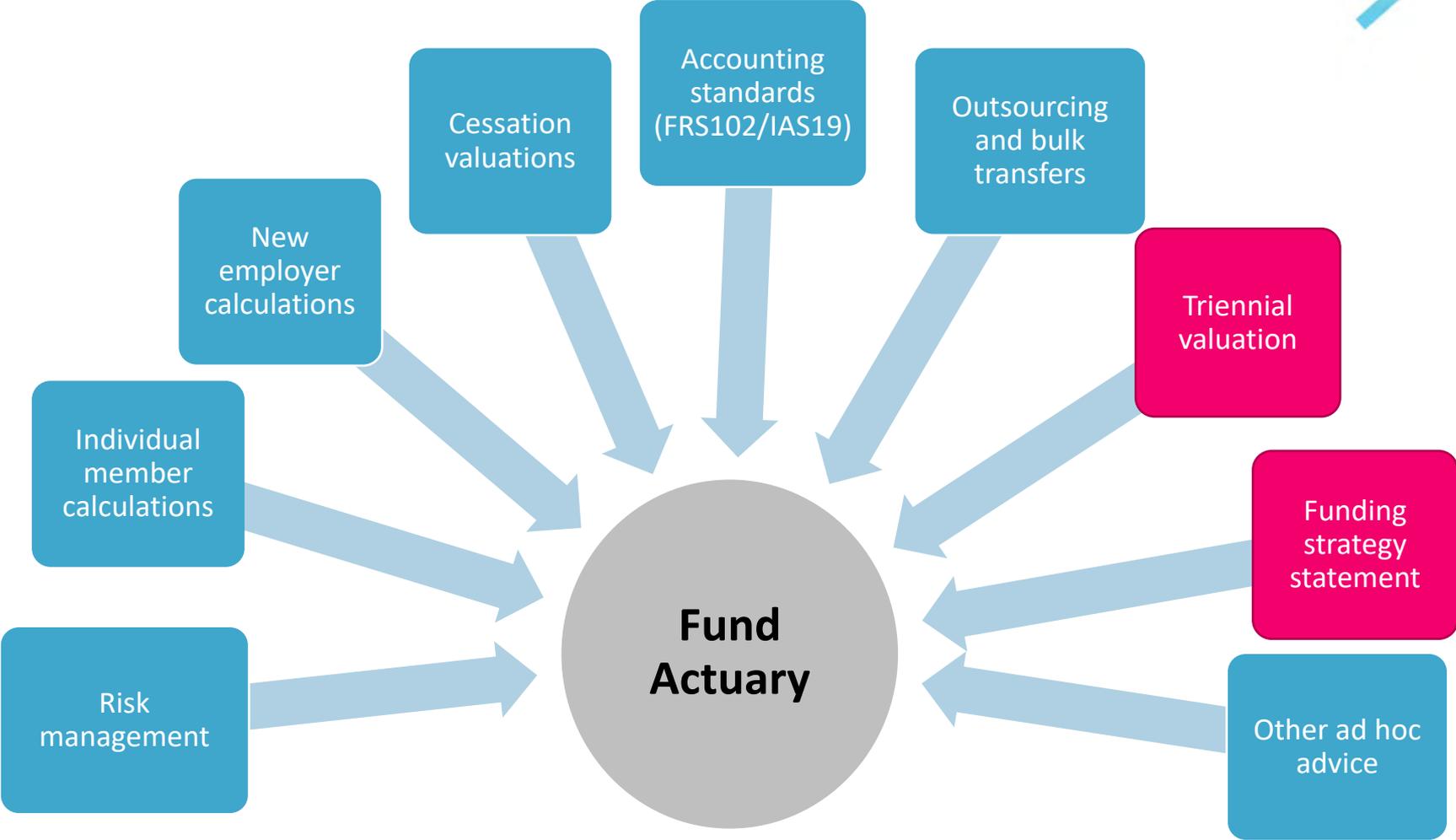


shutterstock.com · 243217471

# What is an actuary?

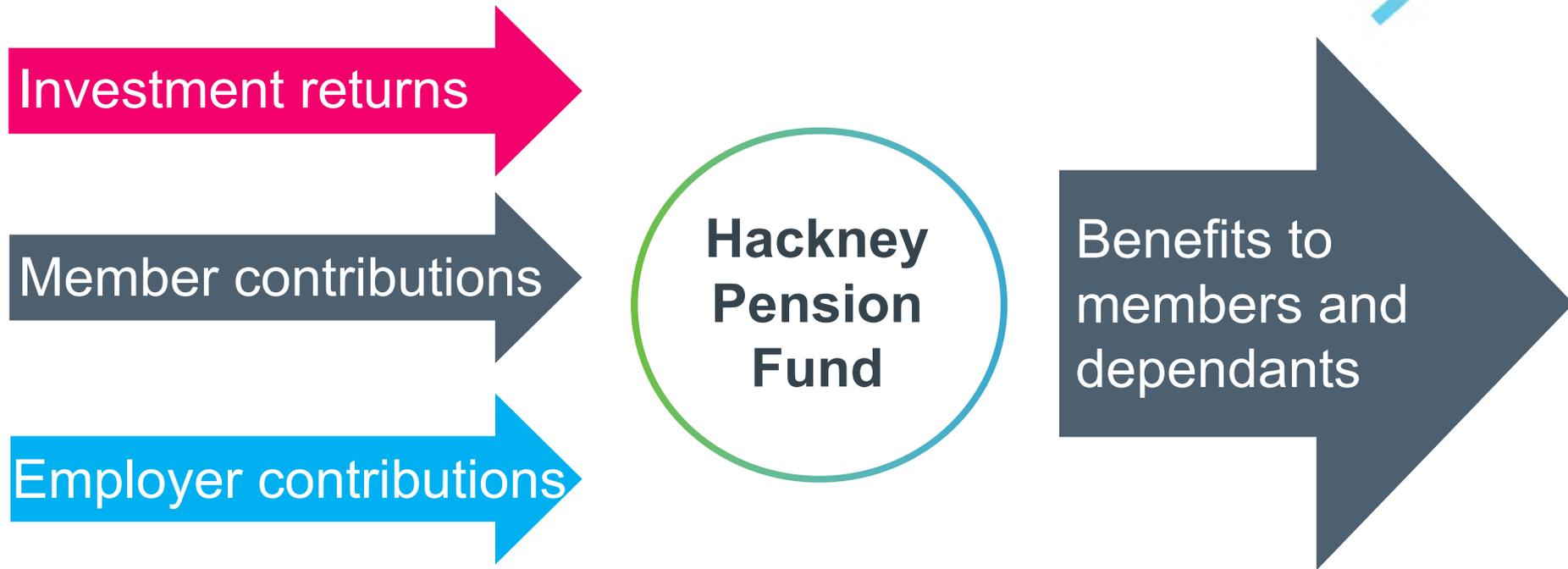


# The Role of the Fund Actuary



..... all on behalf of administering authority

# How does the Fund work?

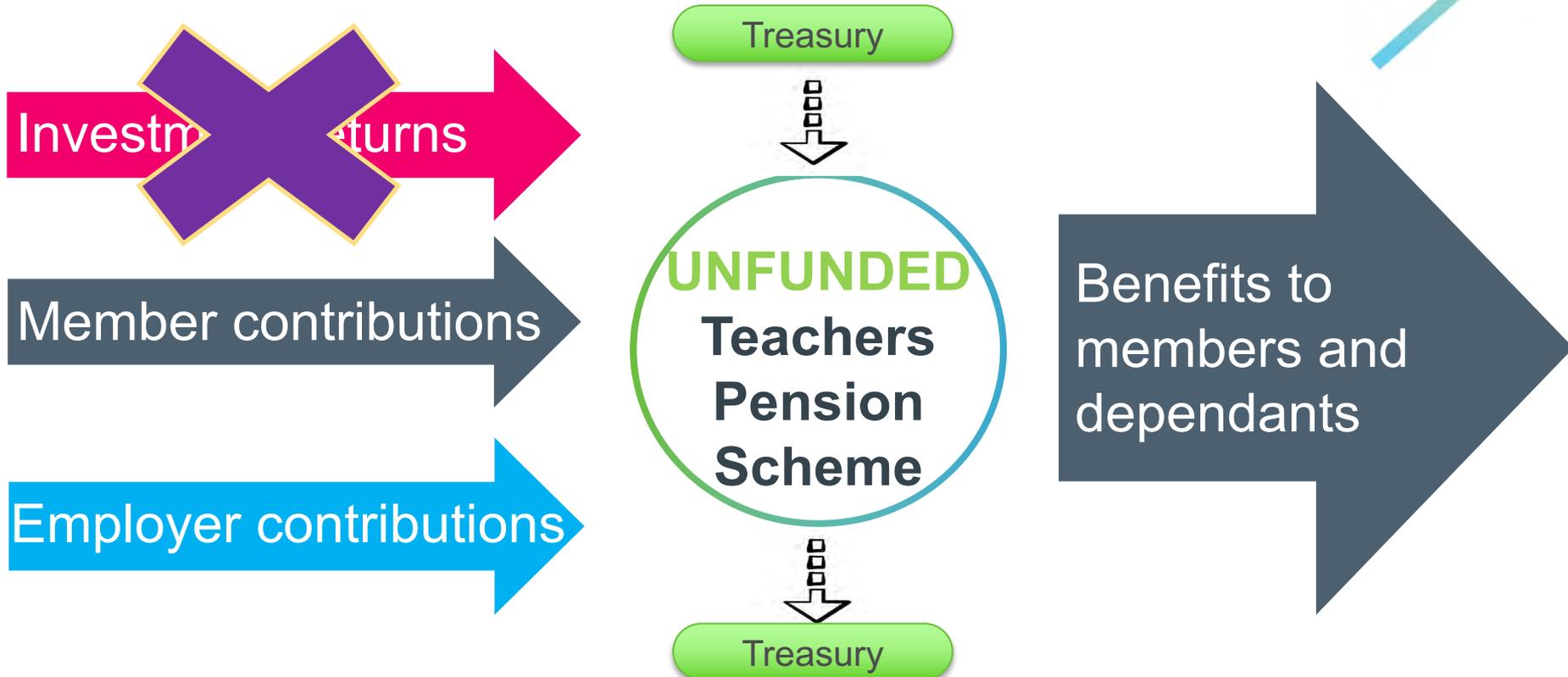


Determined by investment strategy & manager performance

Determined by LGPS Regulations

Must meet balance of cost over longer term

# LGPS vs Teachers Scheme



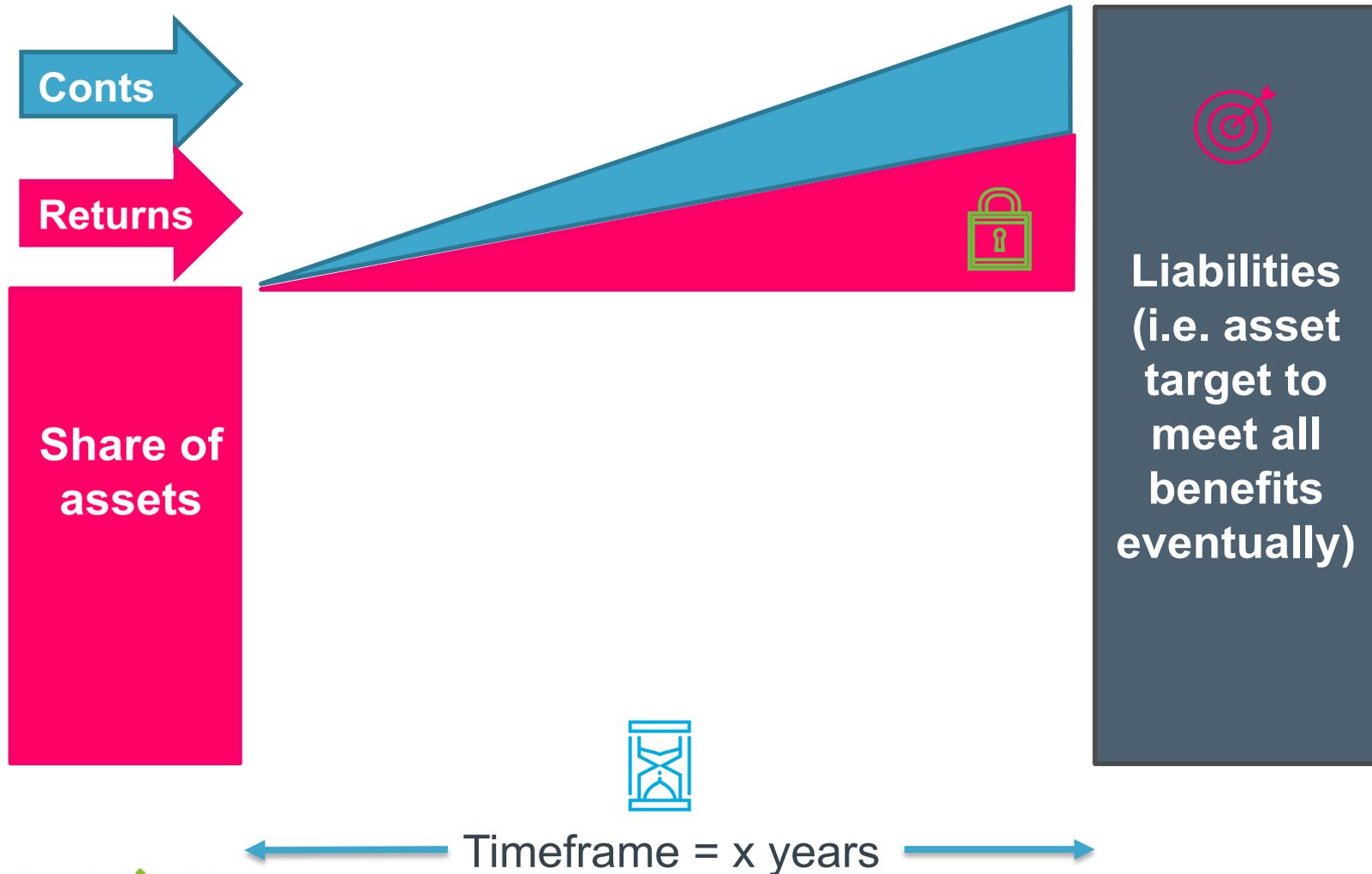
~~Determined by investment strategy & manager performance~~

Determined by Teachers Scheme Regulations

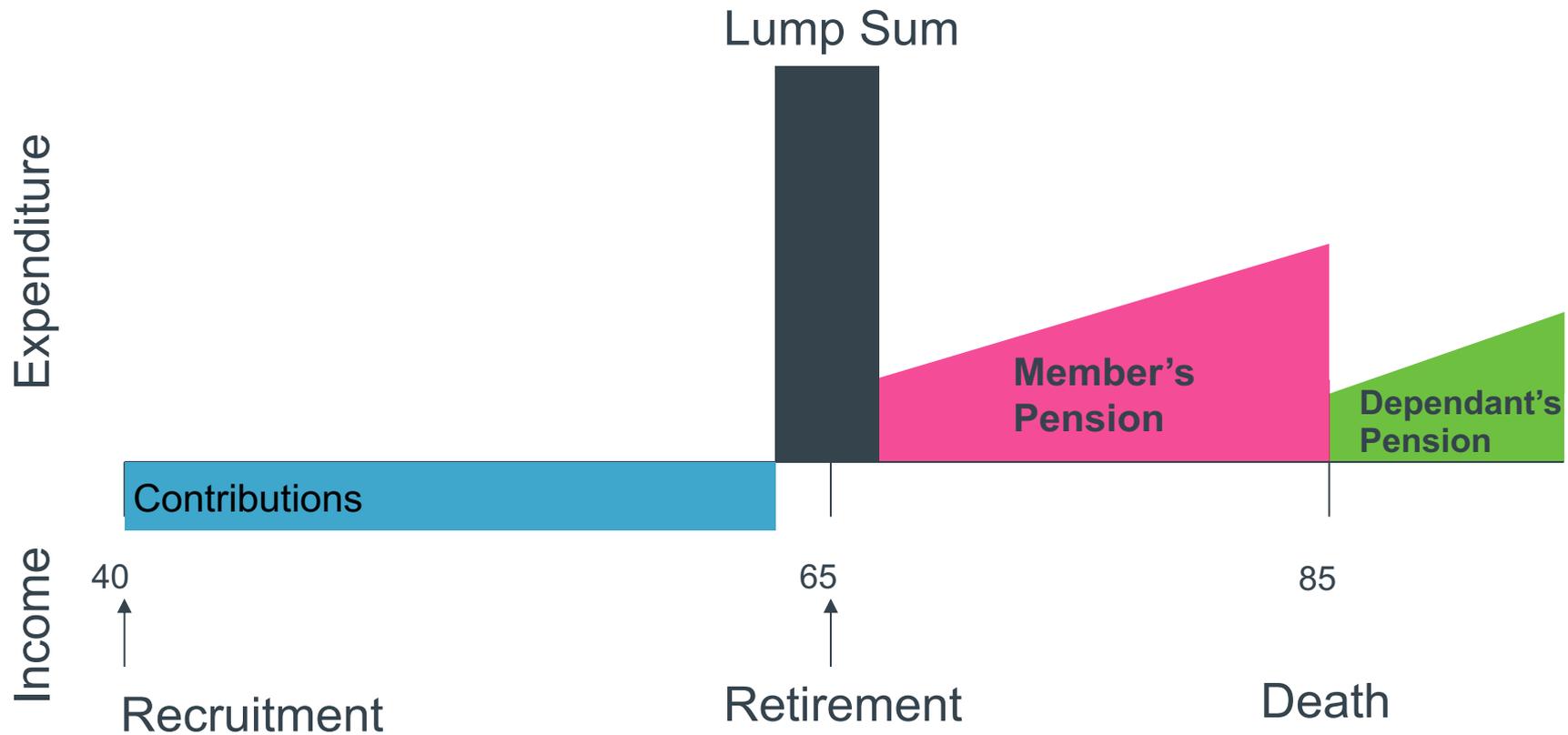
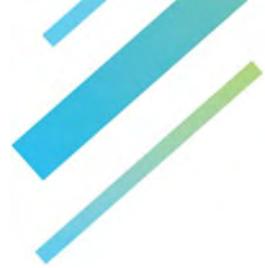
Must meet balance of cost over longer term

Must meet balance of cost over short term

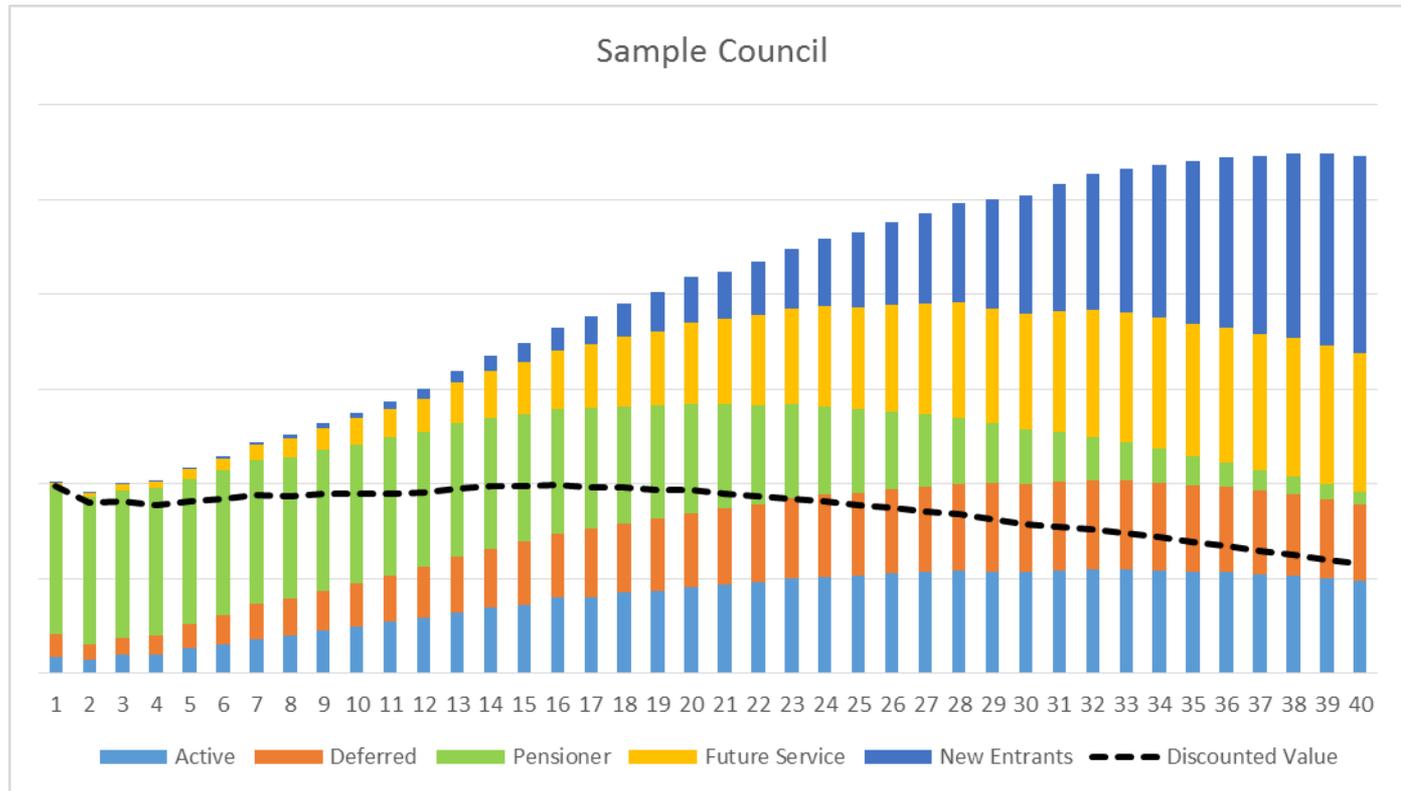
# In principle



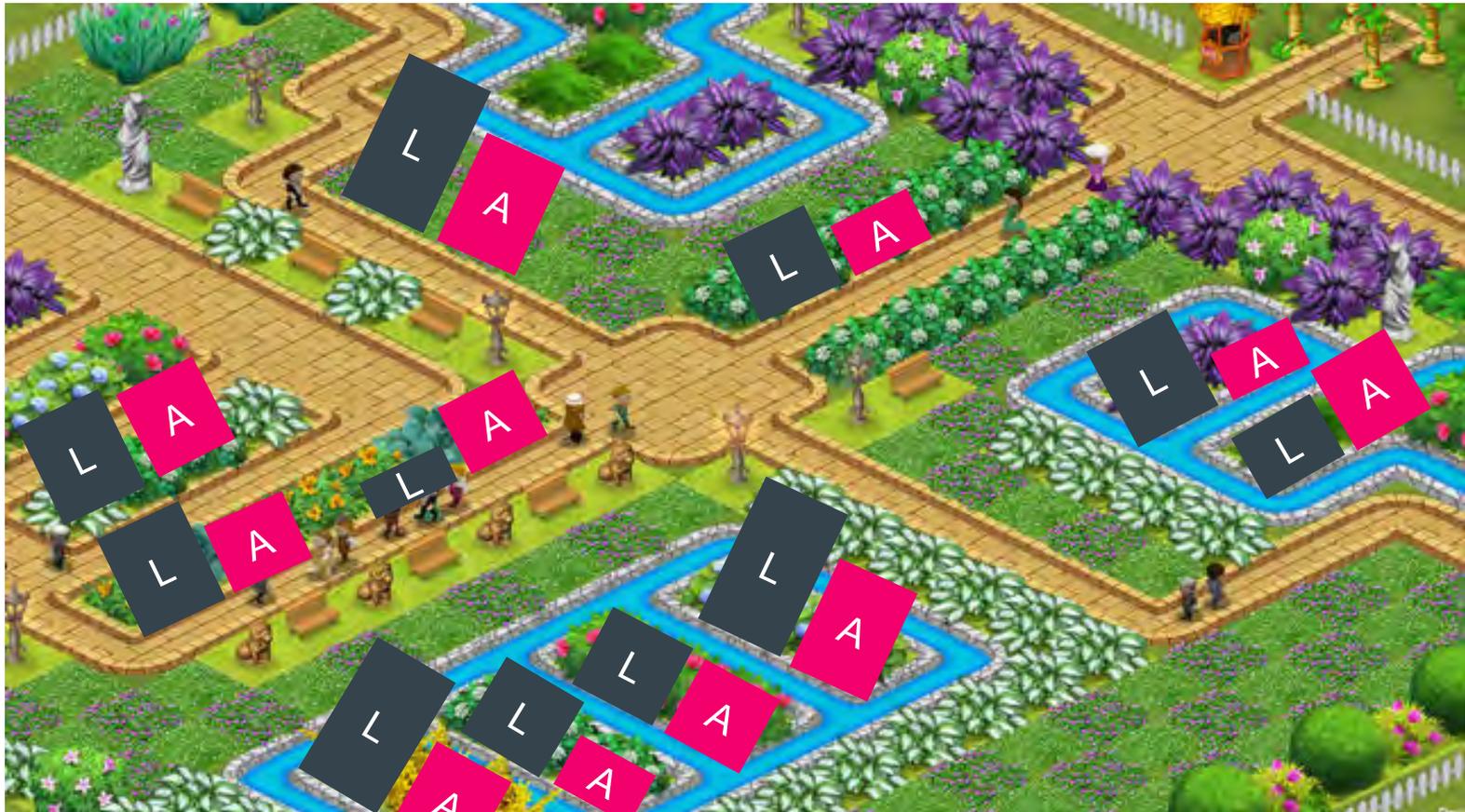
# Valuation begins at member level



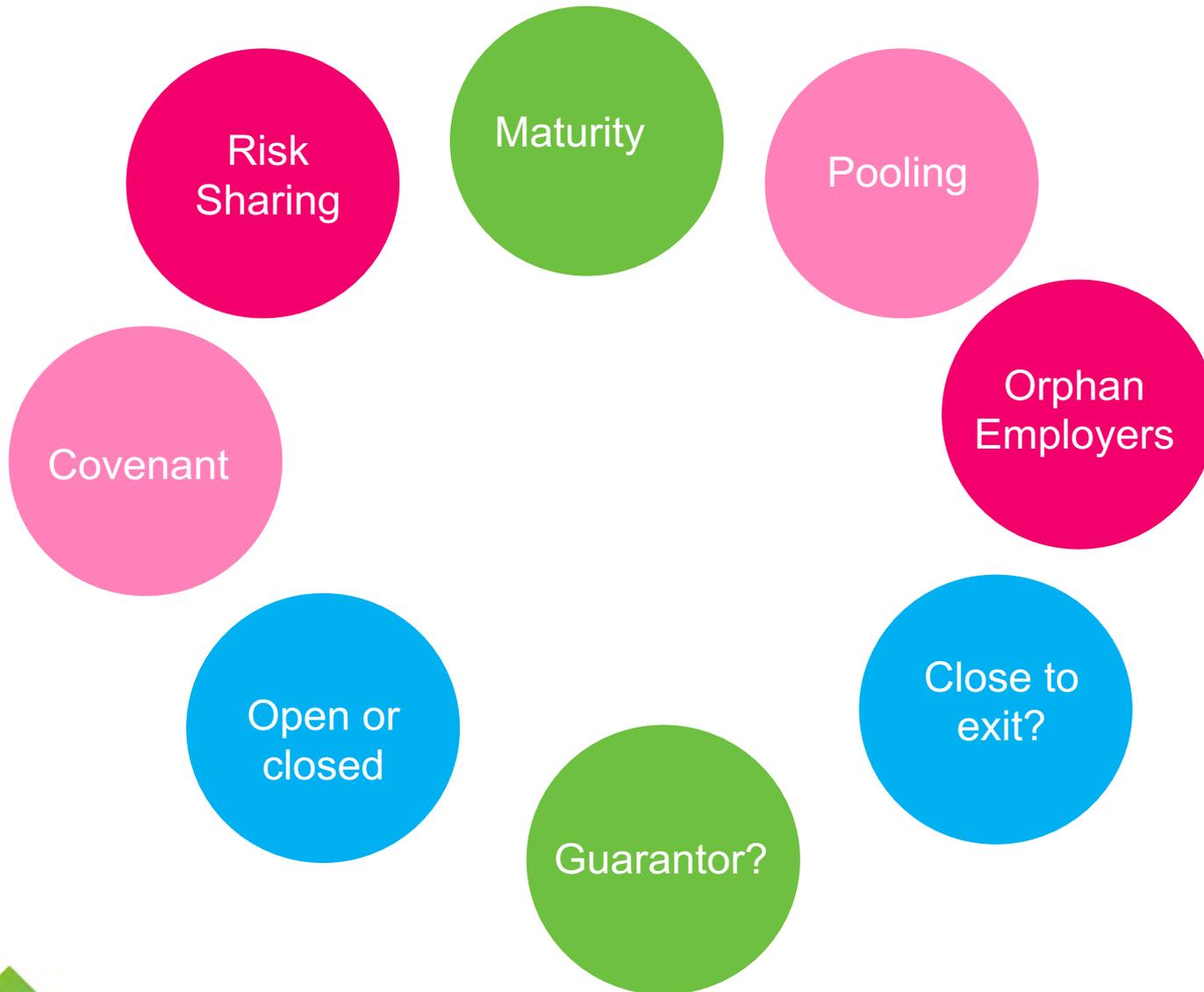
# Valuing all members (past, present and future) per employer



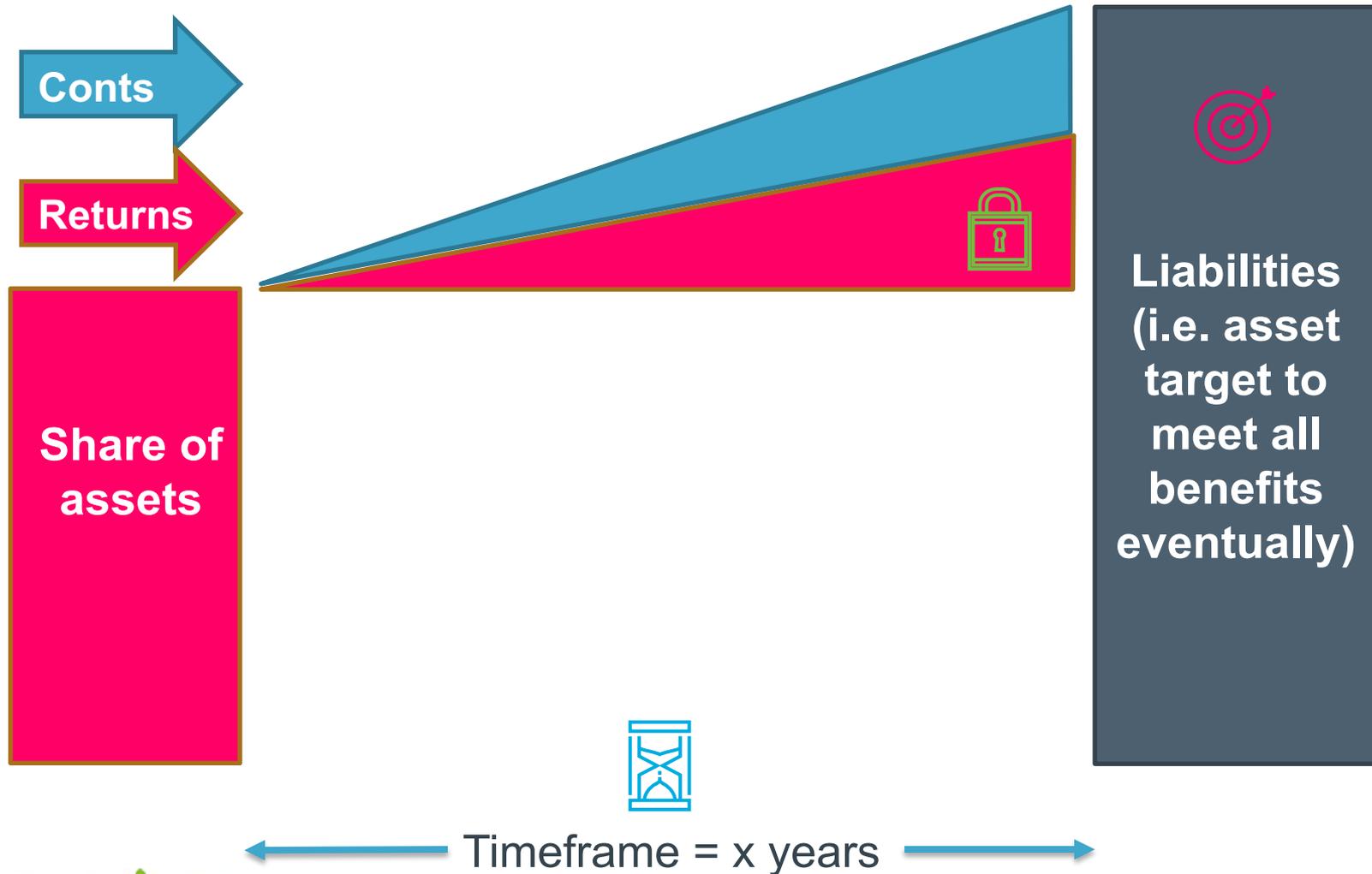
# Each employer tends to its own patch



# 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

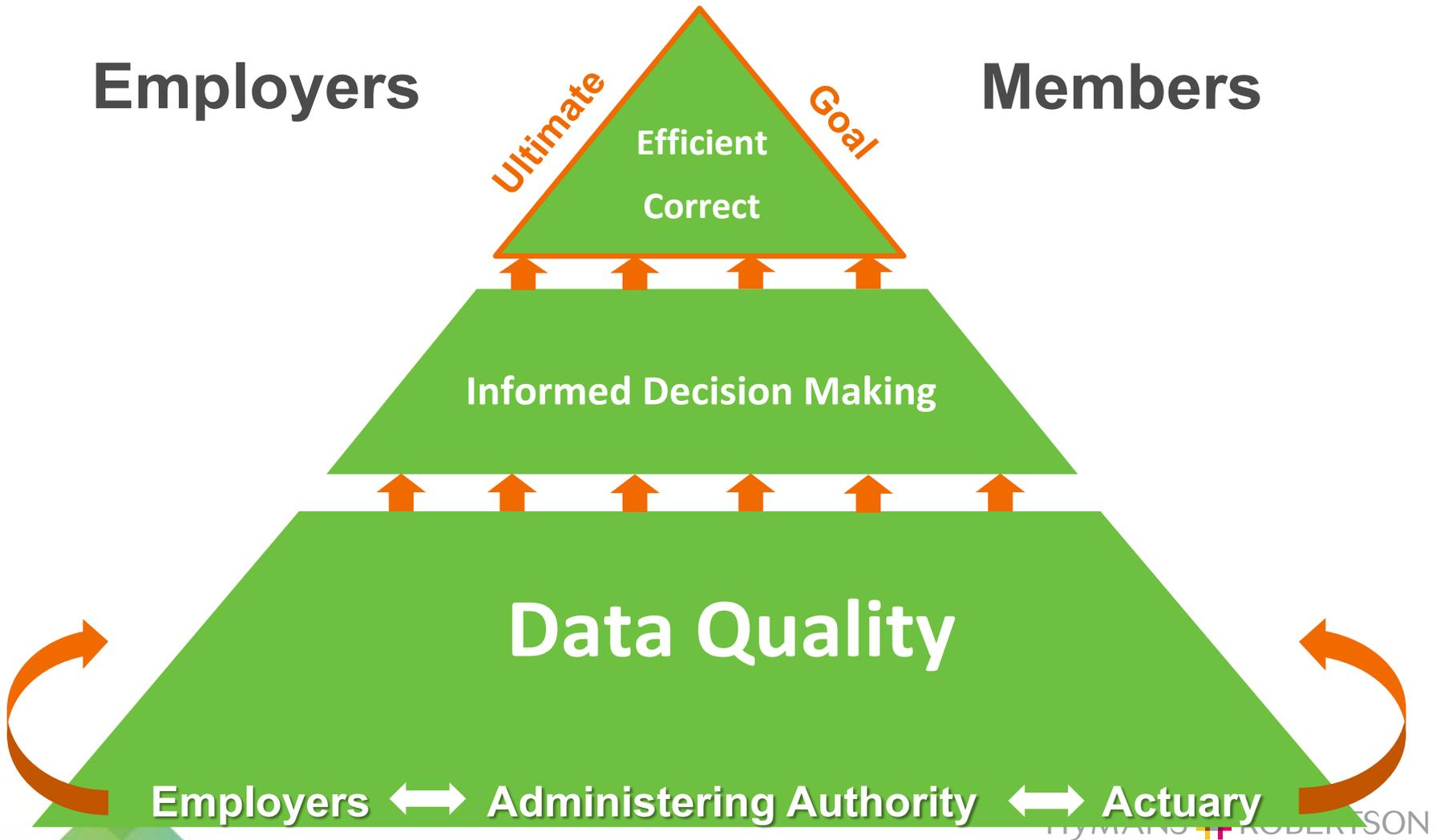
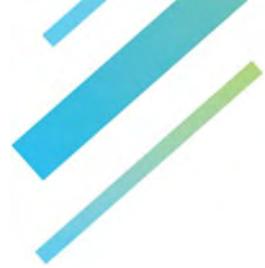
New Joiner

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

31 March  
2020



- Preparation for valuation



- Data for actuary
- Agree principles



- Actuary does their sums
- Formalise Funding Strategy



- Valuation results
- Consult / finalise Funding Strategy Statement



- Finalise employer contributions

New Rates Payable

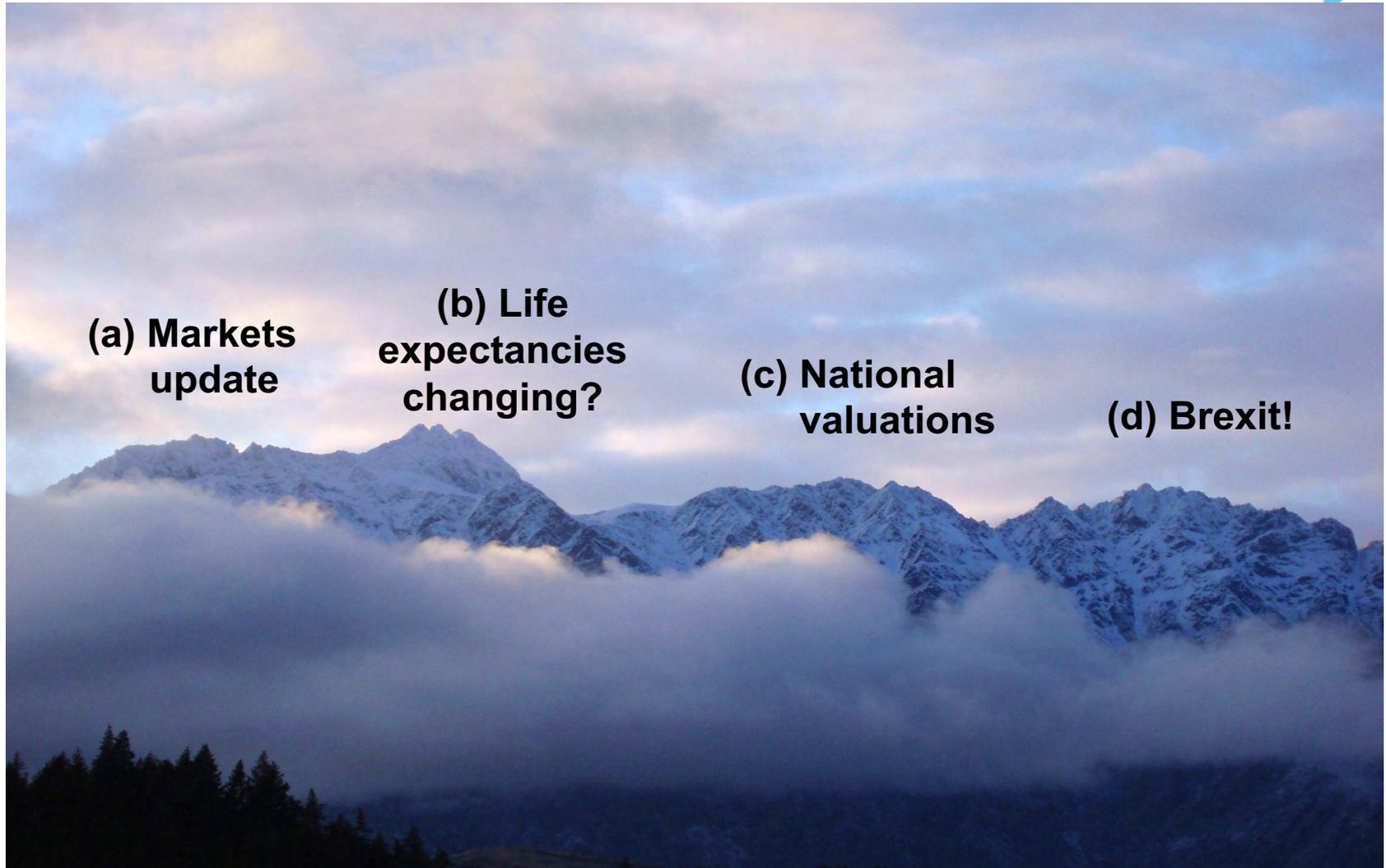
*Now is the time to prepare*

# 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.

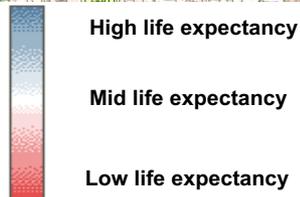
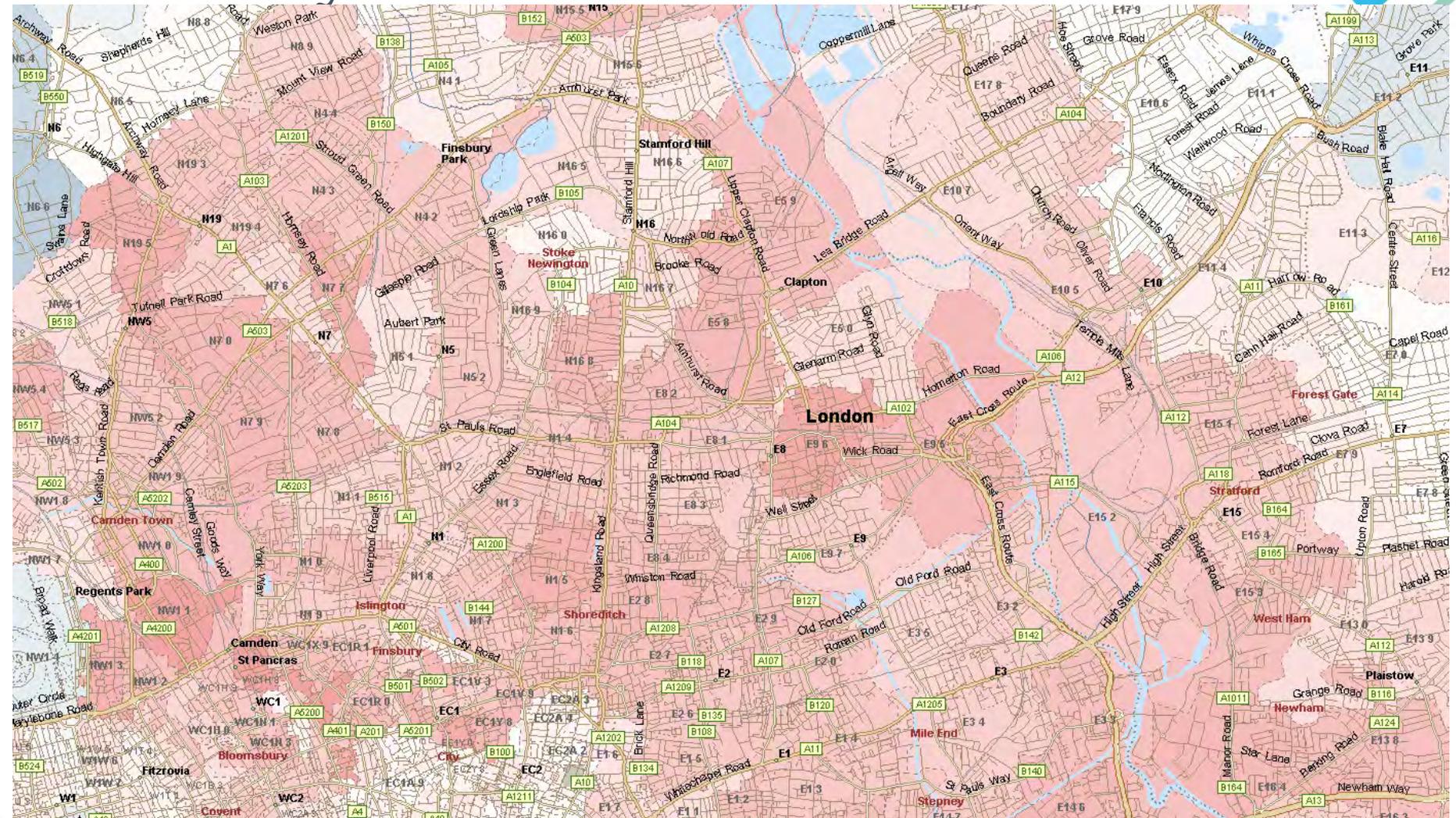
# What's on the horizon?



# (a) Markets update

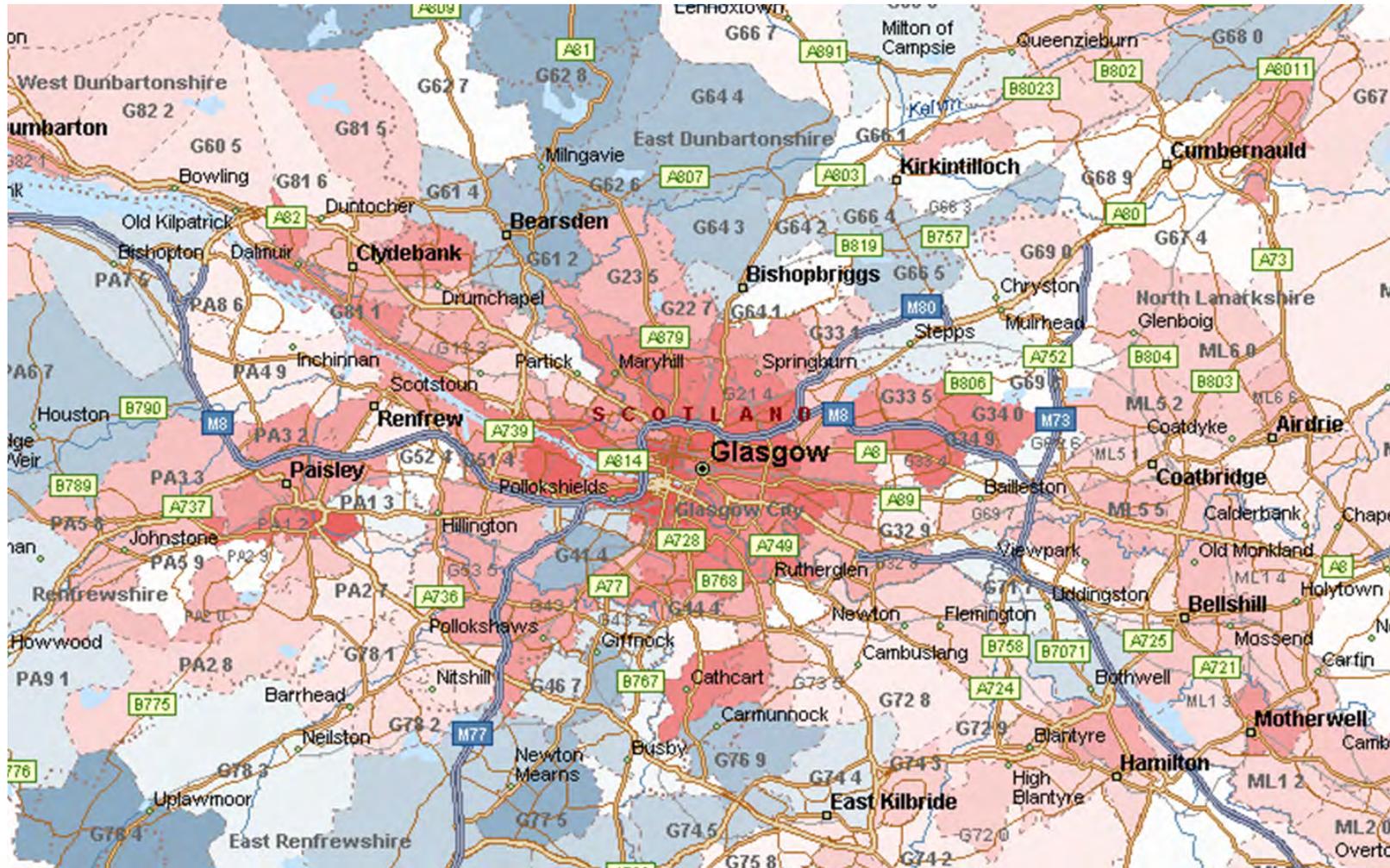


# Hackney Area



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

# We feel your pain!



# In the news



The screenshot shows the BBC News website interface. At the top, there is a navigation bar with the BBC logo, a user profile for 'Peter', and menu items 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 secondary navigation bar with links for Home, UK, World, Business, Politics, Tech, Science, Health, and Family & Education. The 'Health' link is highlighted. Below the navigation is the article title 'UK among worst for life expectancy rises' in a large, bold font. Under the title, it says '7 August 2018' and '7 min read'. There are social media sharing icons for Facebook, WhatsApp, Twitter, Email, and a 'Share' button.

## MailOnline

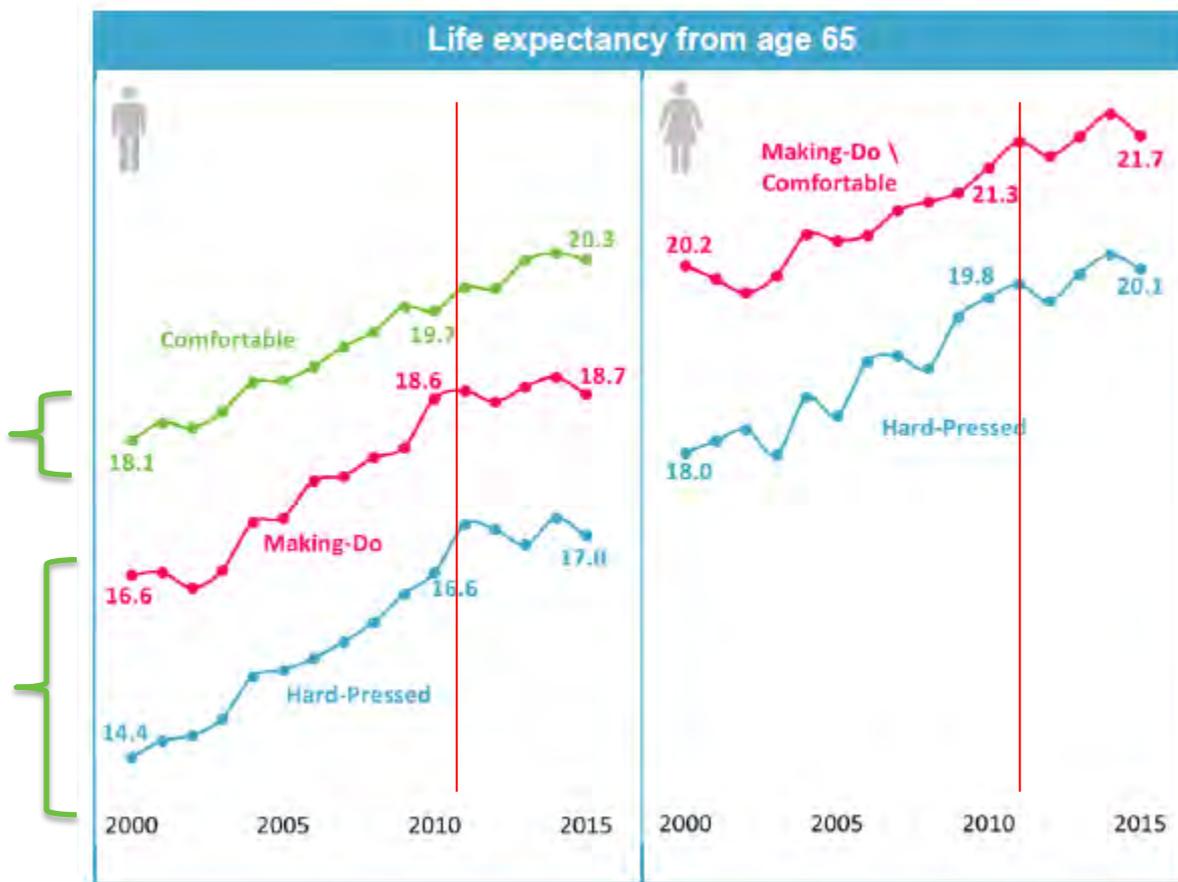
### Life expectancy of men and women in Britain has STOPPED getting longer, new figures reveal

- 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!

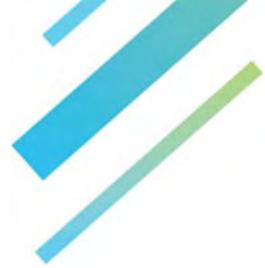
- Brexit date = valuation date (maybe)
- Unknown how this will affect markets ...
- ... but how we set contributions gives some protection from movements





Thank you...

Any questions



The material and charts included herewith are provided as background information for illustration purposes only. It is not a definitive analysis of the subjects covered, nor is it specific to circumstances of any person, scheme or organisation. It is not advice and should not be relied upon. It should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability for errors or omissions or reliance upon any statement or opinion.