DF/22/24
Investment and Pension Fund Committee
25 February 2022

SECTION 13 REPORT ON THE 2019 ACTUARIAL VALUATION

Report of the Director of Finance

Please note that the following recommendations are subject to consideration and determination by the Pension Board before taking effect.

Recommendation: That the Committee notes the outcome of the “Section 13” review of the 2019 Valuation.

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1. Introduction

1.1 In addition to the normal actuarial valuation carried out the by the Fund Actuary, the Public Service Pensions Act 2013 requires the Department of Levelling Up, Housing and Communities to commission a “Section 13” valuation on each LGPS triennial valuation to review the results to check whether, in their opinion, the various Fund valuations had been carried out in a way that:

- Is compliant with the LGPS Regulations.
- Is not inconsistent with other Funds.
- Will ensure solvency.
- Will ensure long-term cost efficiency.

1.2 This report summarises the outcome of the “Section 13” review of the 2019 Triennial Valuation which was conducted by the Government Actuary’s Department and published in December 2021.

2. Section 13 Report

2.1 The Section 13 valuation was carried out by the Government Actuary’s Department (GAD). A copy of the full report and appendices can be found at: https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019

The main findings from the report are summarised in the following table.

Requirements	GAD Findings
Compliance	Fund valuations were compliant with relevant regulations.
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Requirements	GAD Findings
Consistency	Funds implemented GAD's 2016 recommendation to provide a standard dashboard to aid readers when comparing results for different funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
Solvency	The size of pension funds has grown considerably more than local authority budgets since 2016, so there is an increased risk of strain on employers from any future funding changes.
Long-term Cost Efficiency	Where relevant, funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four funds where they are concerned about the level or trajectory of employer contributions and the implications for taxpayers.

2.2 The report contained four recommendations as follows:

- 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 a reconciliation of 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.

2.3 GAD initially had some concerns in relation to the Devon Fund's valuation, and whether the deficit contributions charged were sufficient given the funding level and the long deficit recovery period. However, following discussion with GAD, it emerged that GAD had not taken account of the post valuation payment of £72 million received from a fund employer in October 2019, and its impact on reducing the overall level of deficit contributions going forward. Following discussion, GAD agreed that it was appropriate to allow for this one-off increase in asset value and this was sufficient to alleviate their concerns.

2.4 The Devon Fund and the Fund Actuary will need to ensure that the contribution rates set by the 2022 Triennial Valuation are sufficient to ensure no concerns are raised by GAD in their Section 13 Report on the 2022 valuation. This will mean that the Actuary will need to adopt a reasonable level of prudence and ensure that the recovery period continues to reduce.

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Electoral Divisions: All

Local Government Act 1972:
List of Background Papers: Nil
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