

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

21 May 2020

ACTUARIAL VALUATION 2019 REVIEW

1. This report summarises the completion of the 2019 Actuarial Valuation exercise for the Wiltshire Pension Fund.

Introduction & Background

2. At the meeting on 25 October 2019, the results of the 2019 Triennial Valuation were presented to the Committee.
3. The Committee noted the proposed contribution rates for the period 1 April 2020 to 31 March 2023 and noted that discussions would be held with employer bodies outside the Stabilisation Policy and officers would be delegated authority to agree any alternative rates proposed by employers within the parameters set within the Funding Strategy Statement.
4. This paper provides a review of the data considerations used, a summary of where revised employer contribution rates were agreed and two appendices showing the final Valuation Report for members to note and report on data.
5. This report was presented to the Committee in March 2020.

Main Considerations for the Board

Setting contribution rates

6. Employers were written to after the meeting on the 25 October 2019 to provide them with details of their results and to request that each employer confirm their agreement to the contribution rates to be paid over the next three years. Further correspondence was sent out in subsequent months to chase the remaining employers which had not confirmed their rates shortly after the date they were sent.
7. The “secure employers” (i.e. those with tax-raising powers) had the option of being part of the Stabilisation Policy, which is supported by the Fund Actuary’s modelling. This policy limits increases and decreases on contribution rates to 1% per annum. All eligible employers remained within this policy.
8. The remaining employers (i.e. those without tax raising powers) were sent a proposed contribution rate schedule as part of their Valuation results.
9. Officers agreed alternative employer contribution rates with 13 employers. This was in line with expectations and all revised rates were within the parameters agreed by Committee.
10. For employers that failed to respond, despite various attempts to engage with them, the rates put into payment from 1 April 2020 were those proposed by the Fund’s Actuary.

Data review

11. The following text was provided by the actuary concerning our data quality. A more formal report can be found in Appendix 1.

a). Employer data

- *Given that we have been involved in completing the formal valuations for the Wiltshire Fund for some time now, the historic records and notes available on fund employers tend to be reasonably accurate (and are updated by the fund at each valuation)*
- *With the introduction of different funding targets (ongoing participation, contractor and low risk exit) available at this valuation, Fund officers have worked hard to ensure that all historic agreements/details/guarantors etc are confirmed and recorded to ensure that each employer's position within the fund (and their responsibility for pension obligations) is known*
- *Further to the work carried out above, small changes were made to notes for a handful of employers*

b). Membership data

- *Overall, the quality of the membership data provided by the Wiltshire Pension Fund was of a good standard, this is consistent with the quality provided as at the 2016 formal valuation*
- *The queries raised/corrective actions taken set out in the second attachment are typical for a county council fund of this size. The majority of the queries included either a) spot-checking data which would lead to high liability values e.g. abnormally high salaries, service or CARE pots or b) making necessary estimations of data in order to accurately carry out the actuarial valuation e.g. estimation of missing spouses proportions*
- *Given the volume of employers who now participate in the fund (and their differing levels of pensions experience), it is expected that there are some issues with data provided for individual employers, incorrect data can have a material impact for small employers. As noted in the Data Report, we carried out reruns for 5 individual employers – again, this is consistent with 2016 and similar to other county council funds*

c). Accounting data

- *The fund has operated a unitisation system for many years now and so the quality of data provided (and the processes in place) are of a high standard*
- *There has been a significant increase in the number of aggregations at the 2019 formal valuation and this has brought an added level of complexity when transferring assets between employers (to reflect the transferred service between employers). It would be helpful to understand a bit more about the processes in place to deal with aggregations and who is responsible for ensuring that this work is completed*
- *As mentioned in the Data Report, there were a handful of missing CETV transfer amounts (for members transferring between employers) but the majority were carried out correctly and over a 3 year inter-valuation period it is expected that there may be a handful of errors relating to these amounts*

d). Multi-academy trusts

- *The fund has experienced an increase in the number of participating multi-academy trusts and, again, this has added complexity to the recording of membership and accounting data*
- *It is important to keep a record of all transfers and combinations of academy/MATs, the contribution rates payable by each and details of any name/employer code changes*

12. Whilst the quality of the data was assessed as being 'good', the Fund will continue to make improvements to processes over the next three years to improve the accuracy further.
13. The Fund has since submitted the Valuation report to the Scheme Advisory Board (SAB) and the Ministry of Housing, Communities and Local Government (MHCLG). It was also required to provide the data it used to the Government's Actuary Department (GAD).

Risk Assessment

14. Risk PEN006a and PEN007a *Significant rises in employer contributions for secure employers due to increases in liabilities and poor investment returns* is being addressed through the implementation of the Stabilisation Policy which limits volatile increases in contribution rates.
15. Risk PEN006b and PEN007b *Significant rises in employer contributions for non-secure employers due to increases in liabilities and poor investment returns* is being addressed by the review of employers' risk to the Fund and the subsequent contributions relief offered to them for the next three years based on this evaluation.

Environmental Impact of the Proposals

16. There are no direct environment impacts from these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There no known implications at this time.

Financial Considerations

18. For "secure employers" the Stabilisation Policy has limited contribution rate increases to 1% per annum, ensuring they remain stable.
19. Employer contributions rates have been tested by the Fund Actuary and provide between a 70% and 75% probability of meeting the full funding target at the end of the agreed time horizon for each employer on an on-going basis. This range satisfies the requirement for prudence in setting employer funding.

Proposal

20. The Board is asked to note the Valuation update provided, including the appendices and to note the valuation report has been published.

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Unpublished documents relied upon in the production of this report:

None.