

PENSIONS COMMITTEE

22 JUNE 2018

GOVERNMENT ACTUARY DEPARTMENT (GAD) PENSION REVIEW UPDATE

Recommendation

- 1. The Chief Financial Officer recommends that the Government Actuary Department (GAD) Pension Review update be noted.**

Background and detail

2. In addition to the normal actuarial valuation carried out by the Fund Actuary, the Public Service Pensions Act 2013 means that the Department of Communities and Local Government (DCLG) are required to commission a "Section 13" valuation which will look at the 2016 valuation results for LGPS Funds and check whether, in their opinion, the various Funds have carried out their valuations 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.

3. The Section 13 valuation is carried out by the Government Actuary's Department (GAD). GAD will produce a report which analyses each LGPS Fund's valuation results from 2016. This is likely to be formally published in September 2018.

4. The GAD assessment applies six tests around solvency, and seven tests on long-term cost efficiency. Funds can be assessed as green, amber or red on each of them. Although there are seven tests on long-term efficiency, they are more or less measuring the same thing which is simply whether GAD believes the level of employer contributions is sufficient.

5. GAD have carried out an initial review on the 2016 valuation results (see Appendix) and the good news is that the Worcestershire County Council Pension Fund received no red flags and only one amber flag which was in relation to its funding level being 84.4% using the 2016 data.

6. A courtesy call with GAD was undertaken on the 30 May which helped explain the process, discuss the results and understand the next steps.

7. It was explained that the funding levels of the fund were now close to 100% funded at the end of 2017.18 and that number of investment strategy changes had been undertaken such as reducing equity investments, increasing Property & Infrastructure investments and the implementation of an Equity Protection Strategy.

8. These will be taken into consideration before publication of GAD's final report due around September. A draft report will be shared in July for Funds to comment on.

Supporting Information

- GAD Initial Findings - Appendix

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Rob Wilson

Pensions Investment, Treasury Management & Capital strategy manager

Tel: 01905 846908

Email: RWilson2@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.