



# Committee report

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>8 FEBRUARY 2023</b>
Title	<b>TRIENNIAL VALUATION UPDATE</b>
Report of	<b>PENSION FUND MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report presents the final report from the fund's actuaries, Hymans Robertson LLP, in respect of the triennial valuation at 31 March 2022, including the minimum employer contribution rates required for the period from 1 April 2023 to 31 March 2026.
2. This report also sets out the process to ensure the valuation will be completed by 31 March 2023.

## RECOMMENDATION

3. That the committee notes the presentation from Hymans Robertson.
4. That the committee approves the draft valuation report at appendix 1 and the employer contribution rates as set out in the rates and adjustments certificate on page 31 of appendix 1.
5. That the committee notes the requirement for the completion of the valuation process by 31 March 2023, and delegates authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to make minor amendments to the appendices prior to publication on or before 31 March 2023.

## BACKGROUND

6. At the Pension Fund Committee meeting on 23 November 2022, Hymans Robertson presented the progress made to that date in the valuation, including the initial whole fund results, and the process for setting contribution rates for the next three-year period for each of the employers within the fund.

7. Members were advised that initial draft employer results, including draft contribution rates had been discussed with officers on the day before the committee meeting, and that a number of employers had held meetings with the actuaries and staff to discuss their draft results.
8. The draft results and proposed contribution rates were sent to employers on 22 December 2022. Employers were asked to confirm their acceptance of the proposed contribution rate by 27 January 2023.
9. As at the date of writing (30 January 2023) the following confirmation of employer rates have been received. Where necessary further updates will be provided at the committee meeting.

**Table 1: Employer agreement to contribution rates**

Employer group	Number in group	Number (%) confirmed	Comments
Isle of Wight Council	1	1 (100%)	No change to previous rate
Town, parish and community councils	10	10 (100%)	Employers pay same rate as Council – notified; deemed acceptance
Academies	7	5 (71%)	Given option to pay Council rate or own rate
College	1	1 (100%)	
Community Admission Bodies	2	2 (100%)	Yarmouth Harbour last active member left 25 Jan 23
Transferee Admission Bodies	10	9 (90%)	Some employers have fixed rate for duration of contract
	31	28 (90%)	

10. One of the academies who have not yet confirmed their contribution rate is expected to respond following a committee meeting to be held on 10 February 2023. The fund is in correspondence with the other academy, regarding clarification of the treatment of transferring assets and liabilities.
11. The draft valuation report is attached to this report as Appendix 1. This will form the basis of the presentation by Hymans Robertson at the meeting.
12. The proposed Rates and Adjustment certificate, setting out the agreed minimum employer contribution rates for the next three years is presented on page 31 of the valuation report at appendix 1.

#### FINALISATION OF THE VALUATION

13. The statutory deadline for the completion of the 31 March 2022 valuation is 31 March 2023, with the new employer contribution rates being effective from 1 April 2023.
14. Following this meeting, the Pension Fund Manager will work with Hymans Robertson to finalise the valuation report and close any outstanding matters, in consultation with the Director of Finance and the chairman of the Pension Fund Committee.

15. On completion, the valuation report, incorporating the Rates and Adjustments certificate, will be published on the fund's website. The committee will be notified when this is done.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Corporate Aims

16. There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 - 2025](#). Publication of this report supports the Corporate Plan key value of "being fair and transparent".

### Pension Fund Strategic Aims

17. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
18. The fund has also agreed the following objective, which is supported by information in this report:
  - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## CONSULTATION

19. On 11 November 2022, the fund's actuaries delivered a virtual briefing session to employers covering the valuation process and what they should expect to see on the results schedules. All employers were invited to attend this briefing; representatives from eight of the fund's 32 employers actually attended.
20. Following the completion of the draft employer results, meetings were offered to all employers to discuss their individual results with the fund's actuaries. Five employers took up this offer, with one other requesting a meeting with the Pension Fund Manager to discuss their results.
21. Individual employer results schedules were circulated to all employers on 22 December 2022, requesting their acceptance of the proposed contribution rate by 27 January 2023. The outcome of this exercise is detailed in Table 1 above.

## FINANCIAL / BUDGET IMPLICATIONS

22. The cost of the triennial valuation will be borne directly by the pension fund and will have no impact on the council's budget. The cost is consistent with the value included in the pricing considerations when the actuarial services contract was procured in 2018.
23. The triennial valuation is a planning exercise for the fund, to assess the monies needed to meet the benefits owed to its members as they fall due. It estimates the cost of future liabilities for the members of the fund and allows the fund to determine

the appropriate investment strategy and employer contributions required to ensure that there are sufficient assets to meet those liabilities as they fall due.

24. The setting and agreement for affordable and sustainable employer contribution rates is part of this exercise.

### LEGAL IMPLICATIONS

25. Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires that each administering authority must obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and on 31 March in every third year afterwards.

### EQUALITY AND DIVERSITY

26. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
27. The completion of the triennial valuation of the fund, and the agreement of employer contribution rates, has no impact on any of the protected characteristics.

### OPTIONS

28. In respect of the valuation report and the employer contribution rates, the committee has three options:
  - (a) To approve the draft valuation report at appendix 1 and the employer contribution rates as set out in the rates and adjustments certificate on page 31 of appendix 1.
  - (b) To not approve the valuation report, and request changes to be made before it is agreed.
  - (c) To not approve the employer contribution rates.
29. In respect of the completion of the valuation process by 31 March 2023, the committee has two options:
  - (a) To delegate authority to the Pension Fund Manager, in consultation with the Director of Finance and the chairman of the Pension Fund Committee, to make minor amendments to the appendices prior to publication on or before 31 March 2023.
  - (b) Not to delegate authority, and to convene an additional pension fund committee meeting before 31 March 2023 to formally close the valuation.

## RISK MANAGEMENT

30. The triennial valuation is a key risk management exercise for the fund, forming part of a continual 'health check' on the fund's solvency; setting employer contribution rates; analysing actual experience against previous assumptions; and ensuring compliance with legislation.
31. As noted above, the triennial valuation is a planning exercise for the fund, to assess the monies needed to meet the benefits owed to its members as they fall due. Detailed consideration of a number of risks is included within this exercise, which are detailed in the final valuation report (presented herein) and the funding strategy statement (presented elsewhere at this meeting).

## EVALUATION

32. The triennial valuation is completed by the fund's actuaries, following required actuarial standards and in line with Hymans Robertson's professional guidelines.
33. The process was explained to committee and board members in a development session held in February 2022, and progress has been reported at committee meetings in July 2022 and November 2022.
34. The valuation report has been prepared following the completion of the valuation exercise, in accordance with legislative and professional requirements. Representatives from Hymans Robertson will be presenting the report at the committee meeting, and members will be invited to seek further clarification of any points.
35. Should any changes be required, depending on the significance and materiality if such changes, authority to make those changes could be delegated to the Pension Fund Manager, as set out in the recommendation at paragraph 5, being the option in paragraph 28a); or an additional committee meeting could be convened, being the option in paragraph 28b).
36. The employer contribution rates have been calculated in line with actuarial standards, as previously explained to the committee and board, based on each individual employer's membership and experience data. The recommended rates have been communicated to employers, and have been agreed by those employers, as set out in table 1 above.
37. Based on paragraphs 33 to 35 above, option 27a) is recommended.
38. The valuation exercise has to be completed by 31 March 2023, which includes the finalisation and publication of the valuation report, including the rates and adjustment certificate setting out the minimum employer contributions required for the next three years.
39. Given the attendance of representatives from Hymans Robertson at the committee meeting to present the draft report and contribution rates, and to highlight the nature of any final updates to be included, committee members will have sufficient opportunity to understand the nature of any likely amendments and agree them in principle at the meeting.

40. Finding time in committee members' calendars to convene an additional pension fund committee meeting is likely to be challenging, particularly given the workload at the current time of year, in respect of the agreement of the council's budget.
41. Based on paragraphs 37 to 39 above, option 28a) is recommended.

#### APPENDICES ATTACHED

42. Appendix 1: Hymans Robertson draft report on the actuarial valuation at 31 March 2022.

#### BACKGROUND PAPERS

43. Isle of Wight Pension Fund Committee 23 November 2022 – Triennial Valuation update  
<https://iow.moderngov.co.uk/documents/s9714/ITEM%2018%20triennial%20valuation%20update.pdf>
44. Hymans Robertson's LGPS 2022 valuation toolkit  
[https://www.hymans.co.uk/media/uploads/LGPS\\_2022\\_Valuation\\_Toolkit.pdf](https://www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf)

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