



# Board Report

Committee	<b>LOCAL PENSION BOARD</b>
Date	<b>5 APRIL 2023</b>
Title	<b>TRIENNIAL VALUATION 2022</b>
Report of	<b>PENSION FUND MANAGER</b>

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## EXECUTIVE SUMMARY

1. This report confirms the completion of the triennial valuation at 31 March 2022 for the Isle of Wight Pension Fund, and the publication of the final actuarial report.
2. It further confirms the publication of the Funding Strategy Statement arising from that valuation.

## RECOMMENDATION

3. That the Board acknowledges:
  - (a) the completion of the triennial valuation at 31 March 2022.
  - (b) the publication of the report on the actuarial valuation at 31 March 2022.
  - (c) the publication of the Funding Strategy Statement March 2023.

## BACKGROUND

4. Throughout the 2022 valuation process, members of the local pension board and pension fund committee have been provided regular updates from both officers and the fund's actuary, Hymans Robertson LLP.
5. Most recently, at its meeting on 8 February 2023, the pension fund committee received a presentation setting out the valuation results, the proposed employer contribution rates and the draft valuation report.
6. The committee agreed 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 of the valuation report prior to publication on or before 31 March 2023.

7. At the date of the committee meeting, three employers had yet to confirm their agreement to the proposed contribution rates for the three years from 1 April 2023. On 8 March 2023, the final confirmation was received, which enabled the rates and adjustment certificate to be finalised.
8. The other remaining outstanding item at that meeting was the final appendix in relation to the Government Actuaries Department (GAD) section 13 dashboard report. This is designed to allow comparability of valuation results across funds, by recalculating the valuation results on a set of standard assumptions across the LGPS. Subsequent to the meeting, GAD confirmed their requirements, and the actuary has completed their calculations.
9. The section 13 dashboard confirms the funding position of the Isle of Wight Pension Fund and the assumptions upon which that result is based. The section 13 dashboard, an extract from the final valuation report, is included as appendix 1 to this report. This is then used by the Government Actuaries Department to calculate the funding positions of all LGPS funds based on a standard set of assumptions, and compare their results with those of the local actuaries.
10. As reported at the 8 February committee meeting, it had been agreed that the formal completion of the 2022 valuation exercise would be deferred until after the conclusion of both the council's and pension fund's external audit work.
11. As previously reported, at the Audit Committee meeting on 20 March 2023 the external auditors confirmed they had not yet completed their work on the council's accounts.
12. The auditors did, however, confirm that recent auditor guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicated that the completion of the fund's 2022 valuation process would not require any additional work to be undertaken on the council's accounts, so the valuation process could be finalised in advance of the completion of the council's (and hence the pension fund's) external audit.
13. The final valuation report was received on 28 March 2023. At the date of publication of these papers, the valuation report had not been published on the pension fund website. A verbal update will be provided at the meeting to confirm publication before 31 March 2023, and a link to the published document will be circulated.

#### FUNDING STRATEGY STATEMENT

14. The Local Pension board considered the draft Funding Strategy Statement at its meeting on 17 January 2023, as part of the consultation process on that document.
15. At the pension fund committee meeting on 8 February 2023, the Funding Strategy Statement was adopted, subject to references to additional policies being made available on request.
16. At the date of publication of these papers, the final version of the Funding Strategy Statement had not been published on the fund's website. A verbal update will be provided at the meeting to confirm publication before 31 March 2023, and a link to the published document will be circulated.

## STRATEGIC CONTEXT

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 funding strategy objectives, supporting the primary objective above, are to:
  - (a) take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
  - (b) use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
  - (c) where appropriate, ensure stable employer contribution rates.
  - (d) reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
  - (e) use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
19. Completion of the triennial valuation and publication of the funding strategy statement ensures compliance with the following agreed objective:
  - (a) Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

## FINANCIAL / BUDGET IMPLICATIONS

20. The costs of the completion of the triennial valuation and the preparation of the funding strategy statement are consistent with the value included in the pricing considerations when the actuarial services contract was procured in 2018.
21. 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.
22. The setting and agreement for affordable and sustainable employer contribution rates is part of this exercise.

## APPENDICES ATTACHED

23. Appendix 1: Extract from final valuation report – Section 13 dashboard.

## BACKGROUND PAPERS

24. Isle of Wight Pension Fund Committee 8 February 2023, item 9 Triennial valuation update.  
<https://iow.moderngov.co.uk/documents/s10693/ITEM%209%20Triennial%20Valuation%20Update.pdf>

25. Local Pension Board 17 January 2023, item 10 Funding Strategy Statement  
<https://iow.moderngov.co.uk/documents/s10490/ITEM%2010%20Funding%20Strategy%20Statement.pdf>

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