

CYNGOR SIR POWYS COUNTY COUNCIL

**Pension Board
30th November 2018**

REPORT BY: Board Secretary

SUBJECT: Government Actuary's Department Section 13 Update

REPORT FOR: Information

1. Introduction

1.1 The Government Actuary's Department (GAD) was appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to report, under section 13 of the Public Service Pensions Act 2013, in connection with the actuarial valuations of the Local Government Pension Scheme (LGPS) funds in England and Wales.

1.2 Section 13 requires GAD to report on the following items using actuarial reports and other data provided by funds and their actuaries:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

1.3 Section 13 subsection (6) states that if any of the aims of subsection (4) are not achieved:

a) the report may recommend remedial steps

b) the scheme manager must:

- i) take such remedial steps as the scheme manager considers appropriate
- ii) publish details of those steps and the reasons for taking them

c) the responsible authority may

- iii) require the scheme manager to report on progress in taking remedial steps
- iv) direct the scheme manager to take such remedial steps as the responsible authority considers appropriate

1.4 This report has now been completed for the first time using valuation data as at 31st March 2016.

1.5 The full report is available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/743388/GAD_Section_13_Report.PDF

2. Outcome of report

2.1 Upon testing each of the LGPS Funds in England and Wales, GAD used metrics and a “flags” system to highlight underperforming funds and areas of concern that may require remedial action at fund level.

2.2 Against each of the above items, the findings of the exercise nationally are as follows:

Compliance

Fund valuations were found to be compliant with the requirements under the LGPS regulations

Consistency

GAD recommended that the Scheme Advisory Board (SAB) should consider how best to implement a standard way of presenting relevant disclosures in all valuation reports, to better facilitate comparison across funds.

GAD also recommended that the SAB should consider what steps should be taken to achieve greater clarity and consistency in actuarial assumptions, except where differences are justified by material local variations.

Solvency

For open funds (like the LGPS), solvency is dependent on employers being able to pay contributions as required, knowing that these contributions may increase or decrease significantly in future. Considering the LGPS as a whole, the long term expectation is that contributions will fall below their current levels as remaining deficits are paid off. However, there is a significant chance that contributions remain at their current levels or even increase further in the long term, and in the short term there is always the risk that contributions need to increase or decrease following actuarial valuations.

Long term Cost Efficiency

GAD recommended that all funds review their funding strategy statement to ensure that the handling of surplus or deficit is consistent with CIPFA guidance and that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

- 2.3 The Powys Pension Fund had no flags as a result of this review, however work is ongoing to revise the Funding Strategy Statement.

3. Recommendation

The Board is asked to note the contents of this report.