

Local Pension Board of the Warwickshire

Pension Fund

8 July 2019

Valuation Update

Recommendation

That the Local Pension Board of the Warwickshire Pension Fund note and comment on the report.

1.0 Introduction

1.1 This report seeks to update the Board on a number of different areas relating to the administration of the Warwickshire Pension Fund. Board members are requested to note the report and comment on any areas of interest or concern.

2.0 Matters arising from the meeting of 11 March 2019

2.1 None.

3.0 Valuation update

3.1 The Fund is part way through the triennial valuation cycle.

3.2 Data will have been submitted to the Actuary by 30 June 2019 and the administration team are currently dealing with any queries raised by Hymans.

3.3 Delays in the submission of data from the Fund's largest employer due to introduction of a new payroll system had an impact on the reconciliation of data for the submission.

3.4 Extra resource (agency staff) was allocated to deal with the backlog of over 6,000 amendments (starters, leavers or changes to members personal records).

3.5 Dealing with this backlog caused inevitable delays with the submission of test data to the Actuary.

3.6 Senior Pension Officers and more experienced staff were allocated to the resolving of errors and warnings in order to achieve submission by the deadline.

3.7 Over July and August the data will be reviewed and any validation queries resolved with Hymans

3.8 Interim results are expected September/October 2019.

4.0 Financial Implications

4.1 There are no direct implications at this point in time.

5.0 Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
Assistant Director (Interim)	Lisa Kitto	lisakitto@warwickshire.gov.uk
Strategic Director	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butlin	cllrbutlin@warwickshire.gov.uk

This report was not circulated to members prior to publication

Warwickshire Pension Fund: 2019 Valuation

The below table details the main tasks/considerations associated with each individual valuation workstream. The table details two possible approaches:

1. Compliance - the valuation tasks required to comply with the LGPS Regulations; and
2. Best Practice - the valuation tasks that, in our view, represent best practice for a LGPS fund to help achieve the best possible funding outcomes and service for employers.

The table has been prepared in mind to facilitate a discussion with the Fund's Officers and therefore does not attempt to include the full detail for each task. This can be covered in our discussions.

Workstream	Compliance	Best practice
Planning	Agree timetable for delivery of key project milestones	Discuss and agree any pre-valuation work Valuation training for Committee, Officers, Employers, LPB Employer forums (early warning) e.g. academies briefing day Early warning reports Agree content to be presented at each Committee meeting ahead of valuation
Data	Submit data for valuation & respond to validation queries Submit new employer data as part of valuation data submission Fund review of employer database	Data cleanse ahead of valuation to resolve data queries Consult with Actuary to identify any significant data issues for the valuation Liaise with employers to discuss and highlight data issues Data reporting back to employers Submit all new employer data ahead of valuation
Valuation assumptions	Assumptions based on Hymans Robertson proposals	Investigate choice of assumptions and make evidence based decisions (based on Fund views) Agree assumptions ahead of calculations & present evidence to Committee
Whole fund calculations	Balance sheet and experience for whole fund Initial results document for discussion	
Employer results/ communications	Employer results spreadsheet	Employer assets up to date and auditable Individual results schedules Employer surgeries (discuss results) & test alternative contribution rates Employer forums (split between employer types)
Funding strategy	Risk based contribution rates for all employers - Single funding target - Generic time horizon - Single risk parameter	Stabilisation for precepting employers - Review eligible employers - long term, secure, stable employers - Test stabilisation parameters for each employer Risk based rates for non-stabilised employers - Target either ongoing or gilts basis (depending on circumstances) - Review time horizon used in funding plan - Different levels of risk to reflect employer strength and risk profile - Understand funding profile & employer covenant - Evidence choice of risk levels Review investment strategy as part of funding strategy review - Ensure investment and funding strategies are optimised - Investigate whether alternative investment strategies would suit certain groups of employers - Consider implementation of dynamic investment strategies Review, investigate, monitor and mitigate potential sources of funding risk - Ill health retirement & Death in Service strains - Early retirement strain (review early retirement factors) - Salary increase strain - Significant changes in employer risk profile & strength - Cessation planning (gilts glide path) - Bond assessments up to date and reflect level of employer risk
Funding Strategy Statement	Sign off updated Funding Strategy Statement	Review, re-draft Funding Strategy Statement (if required)
Final valuation report	Prepare final valuation report and rates & adjustment certificate	

Warwickshire Pension Fund: 2019 valuation DRAFT timetable

Month commencing	Tasks - Hymans Robertson	Tasks - Warwickshire Pension Fund	Meetings
Jul-18			
Aug-18			Valuation planning meeting
Sep-18	Propose scope of comPASS modelling (contributions & investments)		
Oct-18	Data cleansing via Data Portal Discuss results of data cleanse with WCC	Agree scope of comPASS modelling	
Nov-18	comPASS modelling for precepting employers & test alternative investment strategies	Update data after data cleansing Liaison with employers to discuss issues with data	
Dec-18	Issue comPASS modelling results for precepting employers Develop approach to ill health risk management	Receive comPASS modelling results for precepting employers & investment strategies	
Jan-19	Prepare and issue employer covenant questionnaire	Agree ill health risk management approach	comPASS results meeting
Feb-19	Collate results of employer covenant survey	"Spring clean" of employer database Consider comPASS modelling conclusions and communicate any changes Consider if any investment strategy changes required	Pre-valuation meeting & Officer training Employer pre-valuation briefings/training WAFO briefing to communicate comPASS results
Mar-19	Carry out assumptions modelling	Discuss assumptions modelling results and confirm assumptions to use	
Apr-19		Submit all outstanding new employer work before the valuation	
May-19			
Jun-19		Submit triennial valuation data to Hymans via Data Portal	
Jul-19		Respond to data queries on 2019 valuation data	
Aug-19	Carry out whole fund calculations		
Sep-19	Issue whole fund valuation results Discuss whole fund valuation results Start employer level calculations	Receive whole fund valuation results Discuss whole fund valuation results	Initial results meeting
Oct-19	Carry out employer level calculations Discuss employer results Agree funding targets for employers Agree recovery periods		Employer results meeting
Nov-19	Refine employer results Prepare individual employer results schedules Draft FSS		AGM
Dec-19	Issue individual results schedules	Issue individual results schedules to employers Issue draft FSS for consultation to employers	
Jan-20		Consultation on employer contribution rates Consultation on FSS	Employer one-to-one meetings
Feb-20	Finalise employer results Update FSS post consultation	Close FSS consultation	Employer one-to-one meetings
Mar-20	Issue final valuation report and R&A certificate	Present final FSS to Committee for sign off	