

Warwickshire Local Pension Board

Review of the triennial valuation

21 July 2020

Recommendation(s)

That the Local Pension Board notes the contents of the report

1. Executive Summary

- 1.1 This report is a review of the 2019 triennial valuation of the Warwickshire Pension Fund. It identifies possible areas of improvement.

2.. Supporting Information

- 2.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the Fund as a whole.
- 2.2 This process is data intensive and involves the collection of data from 200 scheme employers, data on 50,000 scheme members and from the Fund on investment returns and cash analysis.
- 2.3 It is a labour-intensive period for officers and the Fund Actuary.
- 2.4 This report will briefly look at the following areas and will identify improvements upcoming or for consideration:

- **Data**

- Overall the Actuary reported that the data was fit for purpose and similar to that submitted for the 2016 valuation.
- The Administration team experienced problems with data accuracy and cleansing particularly when loading to Hymans Robertson's portal.
- There were significant issues with data submitted by the administering authority's payroll system, initiated by the

implementation of a new system.

- There was a significant data cleansing workload the last year and last months of the valuation process.

Improvements:

- The planned implementation of *i-connect* will improve the submission and quality of data from employers.
- Submission of data to the Hymans Robertson's portal more frequently to check the quality of the data. The more frequent submission of cash data would also assist the end process.
- Regular and routine liaison with the administering authority payroll to be maintained through the whole valuation period.
- Identification of tasks that could be done more frequently to prevent workload from peaking at year-end and valuation-end.

- **Engagement**

- Engagement with the majority of employers is good, however the Fund did not appropriate levers to enforce employer actions where training, support, and encouragement/reminding did not work.
- The Fund spends a considerable amount of time reminding employers of their responsibilities including holding roadshows in the build up to the valuation emphasising the importance of clean data.
- Engagement between officers and Hymans Robertson was good.

Improvements:

- More experienced officers hold most of the knowledge about employers; this needs to become more widely accessible through formalised documentation.
- The introduction of *i-connect* will improve employer engagement.
- A revised Administration Strategy with more options to enforce employer activity.

- **Assumptions**

- There was good engagement and a rigorous review of the assumptions.
- Where necessary, officers and elected members sought the advice of the Scheme Actuary throughout the process.

- There was discussion about whether assumptions were too prudent and therefore the valuation too high and employer contributions unnecessarily high. However this was discussed in detail and assumptions were approved in light of this feedback. In hindsight the impact of Covid-19 makes assumptions look robust.

Improvements:

- None

- **Funding Strategy**

- The Fund carried out detailed asset liability modelling for the larger employers.
- It recognised different types of employers when setting employer rates by listening to feedback from certain groups (e.g. academies).
- The Fund consulted all employers on the funding strategy statement.

Improvements:

- The Fund undertakes limited covenant reviews and should expand this to include high risk employers.

- **Final Results**

- There was a high flow of information between the Fund and Hymans Robertson as the valuation came to a conclusion with the despatching of the final results to employers.
- There was good engagement between the Scheme Actuary, Elected Members, Officers and Employers before the Rates and Adjustment certificate is issued and the final schedules to employers.

Improvements:

- Acknowledging feedback from employers who want a final schedule of results issued following the draft schedule.
- Expediting liaison with employers who challenge their contribution rates.

3. Financial Implications

3.1 None

4. Environmental Implications

4.1 None

5. Timescales associated with the decision and next steps

5.1 None

Appendices

1. None

Background Papers

1. None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members:

THIS PART MUST BE COMPLETED WITH THE NAMES OF THE COUNCILLORS CONSULTED.