



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**WEDNESDAY, 26 APRIL 2023**

**Report of the Director - Finance and ICT**

**Actuarial Valuation & Provision of Actuarial Services**

**1. Purpose**

- 1.1 To receive and consider Derbyshire Pension Fund's (the Pension Fund/the Fund) Report on the Actuarial Valuation at 31 March 2022 (the Valuation Report) attached as Appendix 2.
- 1.2 To update Committee on the current procurement process in respect of the provision of actuarial services and to seek delegation for the Director of Finance & ICT to approve the appointment of a provider of actuarial services following completion of the procurement evaluation process.

**2. Information and Analysis**

**2.1 Actuarial Valuation**

The Actuarial Valuation of the Pension Fund takes place every three years and is a planning exercise for the Fund to determine:

- The expected cost of providing the benefits built up by members at the valuation date in today's terms (the liabilities) compared to the investments held by the Pension Fund (the assets).
- The contributions needed over an appropriate time horizon to cover the cost of the benefits that active members will build up in the future (the Primary Contribution Rate).
- An adjustment for the difference between the Primary Contribution Rate above, and the actual contribution the employer needs to pay

over the time horizon, referred to as the Secondary Contribution Rate. In broad terms, payment of the Secondary Contribution Rate is in respect of benefits already accrued at the valuation date.

The actuary determines the information above for individual employers, or pools of employers, as well as for the Pension Fund as a whole in order to determine the appropriate contribution rates for each employer, or pool of employers.

- 2.2 At its meeting in December 2022, Committee considered a report on the initial whole fund results of the actuarial valuation of the assets and liabilities of the Pension Fund at 31 March 2022 carried out by Hymans Robertson LLP. Since that date, the method of setting contribution rates for different categories of employers has been agreed and confirmed following a consultation exercise on the Pension Fund's Funding Strategy Statement.
- 2.3 The whole fund results, which provide a high-level snapshot of the funding position at 31 March 2022, reported an improvement in the funding level of the Pension Fund from 97% at 31 March 2019 to 100% at March 2022, moving from a deficit of £163m to a small positive surplus of £1m. For the purposes of reporting a funding level, an investment return of 3.8% p.a was assumed.

The funding level provides a high-level snapshot of the funding position at a particular date and could be very different the following day on a sharp move in investment markets.

Valuation Date	31 March 2022	31 March 2019
<b>Past Service Liabilities</b>	<b>(£m)</b>	<b>(£m)</b>
Employees	2,470	2,019
Deferred Pensioners	1,116	923
Pensioners	2,545	2,150
<b>Total Liabilities</b>	<b>6,131</b>	<b>5,092</b>
<b>Assets</b>	<b>6,132</b>	<b>4,929</b>
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>(163)</b>
<b>Funding Level</b>	<b>100%</b>	<b>97%</b>

## 2.4 The Valuation Report includes:

- the Actuary's approach to the valuation
- the valuation results
- sensitivity & risk analysis
- a summary of the investment strategy used for the calculation of employer contribution rates and to derive the future assumed investment return
- the financial & demographic assumptions used
- a Rates and Adjustments Certificate

The Rates and Adjustments Certificate sets out the minimum contribution rates payable by the Fund's employers from 1 April 2023 to 31 March 2026.

The Valuation Report has been published on the Fund's website.

## 2.5 **Provision of Actuarial Services**

The Fund is currently in the process of procuring a provider of actuarial services with a contract start date of 1 January 2024. The procurement is being undertaken in compliance with Public Procurement Regulations, using the National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services.

Invitation to Participate in a Further Competition documents have been published in respect of the procurement and provider responses and presentations will be evaluated by Pension Fund officers, supported by an officer from County Procurement.

Delegation is sought for the Director of Finance & ICT to approve the appointment of a provider of actuarial services following completion of the evaluation process to allow for the timely award of a contract and a smooth transition of service period.

## 3. **Implications**

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

## 4. **Background Papers**

- 4.1 Held by the Head of Pension Fund.

## **5. Appendices**

- 5.1 Appendix 1 – Implications
- 5.2 Appendix 2 – Derbyshire Pension Fund Report on the Actuarial Valuation at 31 March 2022.

## **6. Recommendation(s)**

That Committee:

- a) receives and considers Derbyshire Pension Fund's Report on the Actuarial Valuation at 31 March 2022 attached as Appendix 2.
- b) notes the current procurement process in respect of the provision of actuarial services.
- c) delegates to the Director of Finance & ICT, approval of the appointment of a provider of actuarial services following completion of the procurement evaluation process.

## **7. Reasons for Recommendation(s)**

- 7.1 One of the functions of the Pensions and Investments Committee is to receive and consider the Fund's triennial valuation report.
- 7.2 The Committee is also responsible for appointing the Fund's Actuary.

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**Implications**

**Financial**

- 1.1 The costs of the Actuarial Valuation are met by the Pension Fund.

**Legal**

- 2.1 Under Regulation 62 of the Local Government Pension Scheme Regulations 2013, administering authorities of LGPS funds are required to obtain an actuarial valuation of the assets and liabilities of the pension fund on 31 March every three years.
- 2.2 The terms of the new contract will be reviewed by the Director of Legal and Democratic Services.

**Human Resources**

- 3.1 None.

**Information Technology**

- 4.1 None.

**Equalities Impact**

- 5.1 None.

**Corporate objectives and priorities for change**

- 6.1 None.

**Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

- 7.1 None.