Report To:	**GMPF LOCAL PENSION BOARD**
Date:	9 August 2018
Reporting Officer:	Sandra Stewart, Director of Pensions Euan Miller, Assistant Director of Pensions (Funding and Business Development)
Subject:	**GAD'S SECTION 13 VALAUTION**
Report Summary	The 2016 LGPS valuations in England and Wales will be the first to be reviewed under the framework set out in Section 13 of the Public Service Pensions Act ("S13"). This report summarises the purpose of the Section 13 valuation and the implications for GMPF.
Recommendations:	Board members are recommended to note the report.
Policy implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	Employer contribution rates in the LGPS are determined by the triennial actuarial valuation process. The latest actuarial valuation took place with an effective date of 31 March 2016 and determined contribution rates for the period between 1 April 2017 and 31 March 2020. The Section 13 valuation has no direct impact on contribution rates, but its existence may help ensure that all funds set contributions at an appropriate level.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	It is a statutory requirement for an actuarial valuation of the Fund to be undertaken every three years. The work carried out must comply with the relevant regulations and professional standards. The Section 13 valuation process helps ensure that this is the case.
Risk Management:	A key risk when administering the LGPS is that an employer fails whilst its sub fund is in deficit. The valuation adjusts employer contribution rates with the aim of matching asset and employer values in the future, in line with the GMPF's Funding Strategy Statement.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	For further information please contact Euan Miller, Assistant Executive Director – Funding and Business Development. Telephone: 0161 301 7141 e-mail: euan.miller@tameside.gov.uk

1. BACKGROUND

1.1 The 2016 LGPS valuations in England and Wales will be the first to be reviewed under the new framework set out in Section 13 of the Public Service Pensions Act ("S13"). This piece of primary legislation requires that an appointed person, in this case, the Government Actuary's Department ("GAD"), reports on whether each LGPS fund's formal funding valuation adheres to the following criteria.

Compliance – to confirm the valuation has been carried out in accordance with the LGPS Regulations

Consistency – to confirm the valuation is not inconsistent with other LGPS funds' valuations and that differences in assumption and methodology can be justified and evidenced

Solvency – to confirm contributions are sufficient to ensure solvency

Long term cost efficiency – to confirm contributions are sufficient to meet benefit accrual and repay any existing deficit

a. If GAD has concerns about LGPS funds under any of these measures then they can recommend remedial actions (such as imposing a given level of contributions on employers in the fund) which may ultimately be enforced by MHCLG using powers granted under the legislation.

b. GAD is due to release its Section 13 report over the next few weeks.

2. APPROACH

2.1 In summary, GAD will calculate a number of metrics for each of the LGPS funds using consistent actuarial assumptions. Funds will be ranked in a league table based on these metrics and assigned a RAG (Red/Amber/Green) status against each metric to identify those funds that may need to take action. The absolute value of the assumptions in the chosen actuarial basis is not important – the important fact is that all LGPS funds are measured on the same assumptions, allowing comparison across funds.

2.2 It has come to light over the past few months that the scope of GAD's work is perhaps wider than many had envisaged. As part of their solvency tests GAD have been attempting to analyse how funds would withstand asset and liability 'shocks' (i.e. sudden changes to the values of assets and liabilities) and whether this would have an impact on the ability of the underlying local authorities to provide services.

2.3 GAD has informed GMPF that it would have received an amber flag for the asset shock, if it had been in deficit post asset shock, however as it is in surplus post asset shock the fund is not flagged. Both GMPF and its actuary, Hymans Robertson, have written to GAD questioning the appropriateness of its approach. GAD's analysis is attached as **Appendix 1** for information. Responses of the Fund and Hyman's the Fund's actuaries are attached. at **Appendix 2**.

2.4 Officers' understanding is that GMPF will not be receiving any flags on any other measure.

3. RECOMMENDATIONS

3.1 As set out on the front of the report.