



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>9 March 2023</b>
<b>Classification:</b>	<b>General Release (Appendix 1 is exempt)</b>
<b>Title:</b>	<b>Final Triennial Actuarial Valuation 2022</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b><i>Tri-Borough Director of Treasury and Pensions</i></b>  <b><a href="mailto:ptringgs@westminster.gov.uk">ptringgs@westminster.gov.uk</a></b> <b>020 7641 4136</b>

## 1. EXECUTIVE SUMMARY

- 1.1 This paper introduces the final results of the 2022 triennial actuarial valuation for the Westminster City Council Pension Fund, which are further discussed in Appendix 1 by the Pension Fund's actuary, Hymans Robertson (Hymans). The Funding Strategy Statement is attached as Appendix 2.
- 1.2 The key highlights are:
  - The Fund's funding level, as a whole, has risen to 128% from the 99% level in 2019, which is broadly due to the excellent investment returns over the period, as well as the Council's additional deficit recovery payments.
  - The major changes to the 2022 actuarial financial assumptions are an increased CPI inflation factor which is linked to pension payments and salary increases. The discount rate has remained the same.

1.3 This paper builds on the initial draft valuation brought to the Pension Fund Committee on 27 October 2022.

## **2. RECOMMENDATIONS**

2.1 That the Pension Fund Committee:

- approve the 2022 triennial actuarial valuation and the Funding Strategy Statement.
- approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

## **3. FINAL ACTUARIAL RESULTS**

3.1 In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the strong investment returns and significant additional deficit recovery payments received from the Council.

3.2 The funding level for Westminster City Council (as a single employer) stands at 111%, improving from 86% previously. Specifically, the effect of strong asset returns and the significant secondary contributions have helped to improve the funding position.

## **4. CHANGES TO ACTUARIAL ASSUMPTIONS**

4.1 A number of assumptions are made during the triennial actuarial valuation process, with the two most significant being longevity projections and the discount rate used to value liabilities.

4.2 The actuarial analysis suggests a long-term trend of 1.5% annual improvements in longevity. When adjusted for the LGPS, this leads to a reduction in liability values. Alongside this, the COVID-19 pandemic has resulted in reduced longevity since 2020, although the reduction in liabilities attributable to the pandemic is estimated to be only circa 0.1% to 0.2%.

4.3 The real discount rate, a proxy for the real investment return, has remained stable at 4.8%. The discount rate is set with reference to the likelihood of the Fund's investment return achieving a certain level of return over the next 20 years. Based on the Hymans analysis as at 31 March 2022, the Fund's assets have a 67% likelihood of returning 4.8% per annum over the next 20 years.

4.4 As a result of the financial changes and demographic changes above, the net decrease to the Fund's overall contribution rate is 0.2%, falling from 17.9% to 17.7%.

- 4.5 Employers have been consulted on their employer contribution rates ahead of the new financial year and have been provisionally agreed.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

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**BACKGROUND PAPERS:** None

**APPENDICES:**

**Appendix 1:** Triennial Actuarial Valuation (exempt)

**Appendix 2:** Funding Strategy Statement