Meeting:	**Pensions Committee**
Date:	**27/06/2022**
Title:	**Section 13 Report**
Author:	**Dafydd L Edwards – Pension Fund Director**
Recommendation:	**For information only**

What is Section 13?

1. Section 13 of the Public Services Pensions Act 2013 requires a report to be published on the valuation of the 91 English and Welsh Local Government Pension Scheme (LGPS) funds every 3 years.

2. The Department of Levelling Up Housing and Communities ("DLUHC") have appointed the Government Actuary's Department (GAD) to carry out this exercise.

3. The Section 13 valuation carried out by GAD is based on the formal actuarial valuations of the 91 English and Welsh LGPS funds, as carried out by their Fund actuary.

4. The Section 13 valuation adopts standard assumptions for all LGPS funds, with the aim of providing a level playing field so that funds can be compared on a like for like basis.

5. Hymans Robertson submitted data and information regarding the 2019 valuation on the Fund's behalf to GAD and they used this data, along with data from the other LGPS Funds to carry out their analysis.

6. GAD published their report on the 2019 valuations on 16 December 2021. Gwynedd Pension Fund has met all the criteria of the Section 13 Valuation, without any amber or red flags raised.

7. The full report can be found at:

https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019

What does the Section 13 report cover?

8. This GAD analysis is very analytical and presents various metrics in a "like-for-like" fashion so that reasonable comparisons can be made between LGPS funds. Section 13 requires GAD to ascertain whether each local fund valuation has achieved the following aims:

- The valuation ***complies*** with the LGPS regulations.

In assessing compliance, GAD has focussed on Regulation 62 covering mainly the valuation report and employer contribution rate setting and has not considered other elements of the valuation process, including the compliance of the Funding Strategy.

- The valuation has been carried out in a way which is ***not inconsistent*** with other local fund valuations.

- The valuation has set employer rates that ensure the ***solvency*** and the ***long-term cost efficiency*** of the fund.

9. For solvency GAD focuses on whether the assets held, together with employers' contributions are sufficient to target 100% funding over an appropriate period.

10. For long-term cost efficiency GAD also considers issues of inter-generational fairness in employer contribution rates, ensuring that employers pay a fair amount to cover benefits earned during the current period of participation.

Gwynedd Pension Fund's results

11. The valuation was considered compliant with the relevant Regulations.

12. To assess **solvency** and **long-term cost efficiency** GAD designed a number of metrics and raised flags against these metrics against specific funds to highlight areas where risk may be present, or further investigation is required, using a red/amber/green/white rating approach:

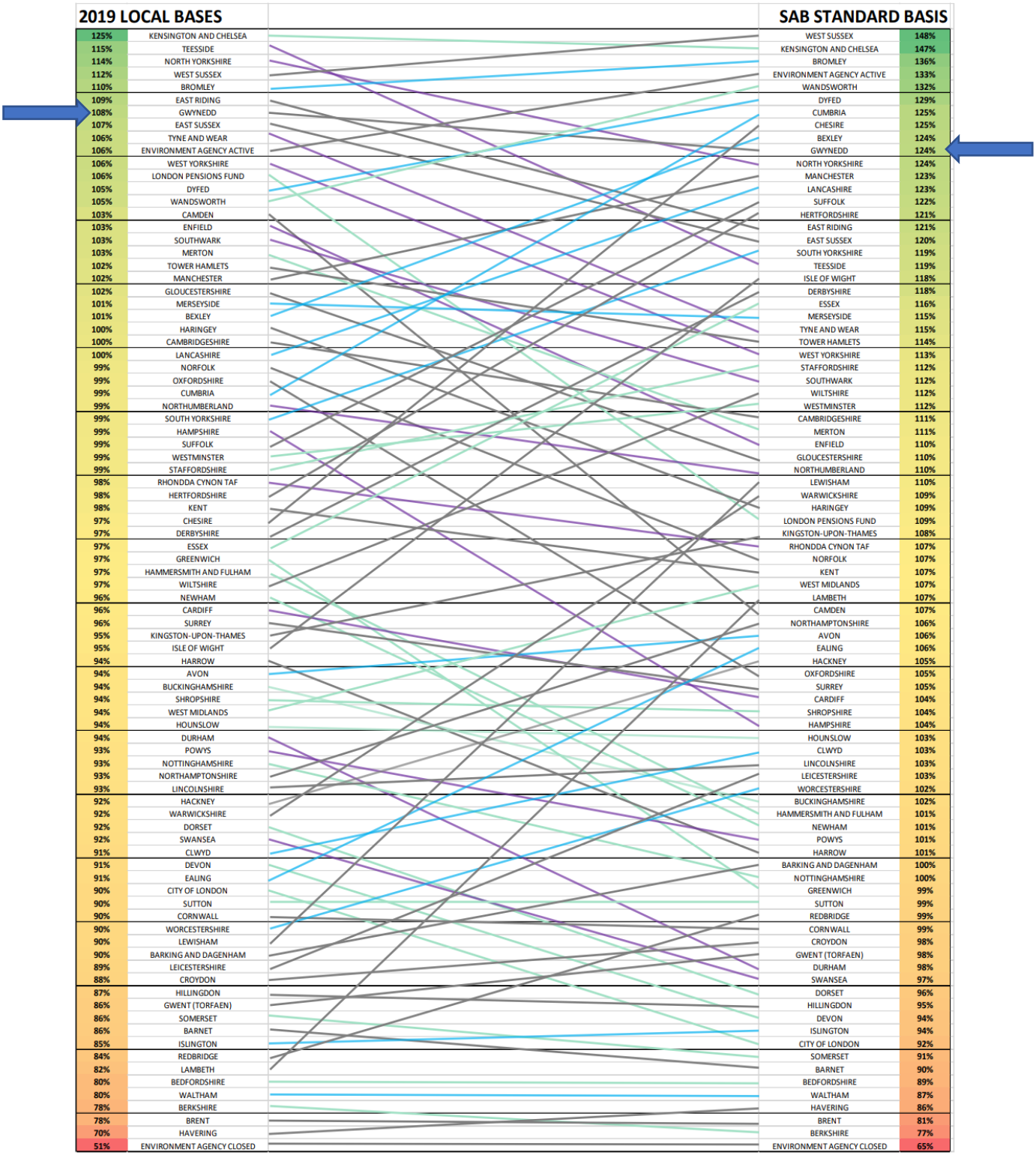
    Red = Material issue
    Amber = Potential material issue
    White = Advisory highlighting a general issue
    Green = No material issues

13. Gwynedd Pension Fund received all green flags for both Solvency and Long-Term Cost Efficiency

Funding Level on SAB Standardised Basis

14. The Funds are shown here ranked by funding level at the last valuation, firstly on the Fund's own basis and then using the SAB standard basis. The SAB standard basis facilitates like-for-like comparison but is not suitable for funding purposes.

15. Based on the fund's own basis the fund is ranked 7th with a funding level of 108%. Based on SAB Standard's basis the fund is ranked 10th with a funding level of 124%. The following table shows the results for all the funds.



Presentation by Hymans Robertson

16. Hymans Robertson, Gwynedd's Fund Actuary, have prepared the independent update for the Committee on the Section 13 exercise and the Gwynedd Fund's results, which is submitted here as an appendix.

17. The update will be presented by Malcolm Stanley, an actuary at Hymans Robertson.

Conclusion

18. GAD are content that the Gwynedd Fund has a reasonable funding plan in place and there are no concerns identified in the report that require action by the Committee.

Recommendation

19. The Pensions Committee are asked to note and provide any comments on the Section 13 exercise and the paper produced by Hymans Robertson.