

Item No. 15.	Classification: Open	Date: 26 February 2024	Meeting Name: Pensions Advisory Panel
Report title:		Actuarial Funding Update – December 2023	
From:		Senior Finance Manager – Treasury and Pensions	

Recommendation

1. The Pensions Advisory Panel is asked to:
 - Note the updated funding position at 31 December 2023.
 - Note the amended funding strategy statement attached at Appendix 1 to this report.

Background

2. The last triennial actuarial valuation of the Fund took place as at 31 March 2022. The valuation determined the Fund was 109% funded and had a surplus of £177m.
3. The actuaries provide quarterly funding updates which are projected from the results of the 2022 valuation. The purpose of the funding updates is to give a broad picture of the direction of funding changes since the actuarial valuation.

Funding Position

4. Since the 2022 valuation, the funding level has increased marginally to 115%, and the surplus has increased (to £275m). This is due to asset returns being higher than expected over the quarter.
5. Allowance has been made for the actual pensions increase since the 2022 valuation up to the 10% loading for short term inflationary impacts that was allowed for at the 2022 valuation. The expected April 2024 pension increase of 6.7% has not yet been fully allowed for.

Revised Southwark Council Contribution Rate

6. Southwark Council, as administering authority of the London Borough of Southwark Pension Fund, received a request from Southwark Council in its role as a scheme employer to review the contribution rate set at the 2022 valuation with a view to removing the secondary contribution rate from 1 April 2024.
7. Advice was obtained from the Fund's actuaries, who recommended we go through the process of amending the funding strategy statement (FSS) to cover this particular situation, which is recognised as unique and clarifies that the

administering authority is only permitting this given the employer is effectively “overpaying” and the review would not result in the contributions being reduced below the primary rate.

8. Once the changes to the FSS were agreed with the actuaries, a consultation of scheme employers was conducted on the proposed changes. No responses were received and, following the end of the consultation period, the actuaries issued a revised Rates and Adjustments Certificate, reflecting the change in contribution rate payable by Southwark Council from 1 April 2024.
9. The removal of the secondary rate equates to a reduction of c.£1.6m in the contributions payable annually by the council to the Fund.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

10. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

11. There are no immediate implications arising.

Health Impact Statement

12. There are no immediate implications arising.

Climate Change Implications

13. There are no immediate implications arising.

Resource Implications

14. There are no immediate implications arising.

Legal Implications

15. There are no immediate implications arising

Consultation

16. There are no immediate implications arising.

Financial Implications

17. There are no immediate implications arising.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. Not applicable.

APPENDICES

Name	Title
Appendix 1	Funding Strategy Statement

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Caroline Watson, Senior Finance Manager - Treasury and Pensions	
Version	Final	
Dated	15 February 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director of Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		19 February 2024