2016 Formal Valuation
Top Issues
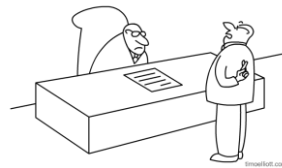
- Barry McKay, Partner
- Hymans Robertson
- 25 January 2017

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Top issues to cover

- Approach and assumptions

- Data
  – Why we need accurate data
  – What is the potential impact?
  – What can we do to improve?
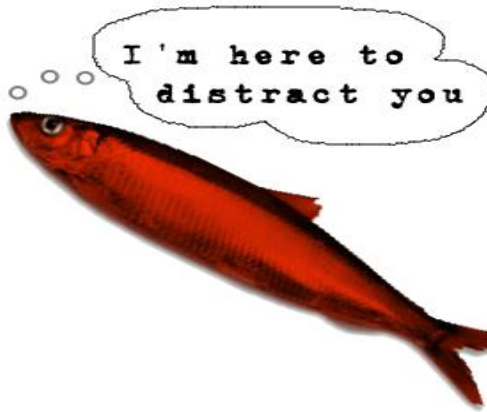
- PR and evidence of LGPS success since 2013

"Yes sir, you can absolutely trust those numbers"

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Approach and assumptions
Top issue or old news?

I'm here to distract you

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Data, and lots of it!

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Data – the perfect storm

Issues	Impact
Employers are confused by the complexity of the new Scheme	Accuracy of liabilities AND assets allocated to employers
Need to hold additional data for final salary and CARE schemes	Impacts benefits (esp. CARE)
Employers don't understand the financial impact	Impacts contribution plans
Universal data specification and data capture	Impacts follow on calculations
Risks of incorrect benefit calculations are real	Increased scrutiny from tPR and SAB

Correcting data - expensive and time consuming!

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How can we improve?

- Communication between parties
  - Engage employers to improve understanding/impact
  - Regular meetings with admin platform provider
- Updates to UDS/UDC
- Technology
  - Allows employers to upload data
  - Data portal - continuous validation
  - Accounting data portal to allow reconciliation
- Unitisation to track assets
  - Removes the reliance on membership data
  - Simple for employers to understand

The science of
asset tracking

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The Data Portal

[Data Portal](#)

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The Data Portal

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PR and evidence of success

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PR and data

"Clueless councils waste £10bn a year"
The Express

"Incompetence costs every householder £452 a year!"
The Daily Mail

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Published Funding Levels

Hymans published FL 2013 vs. 2016
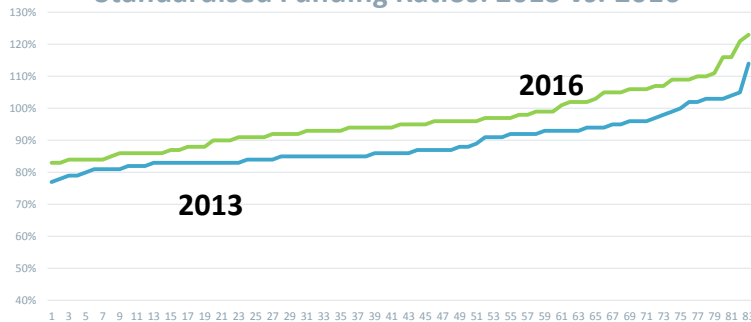

Legend: FL 2013, FL 2016
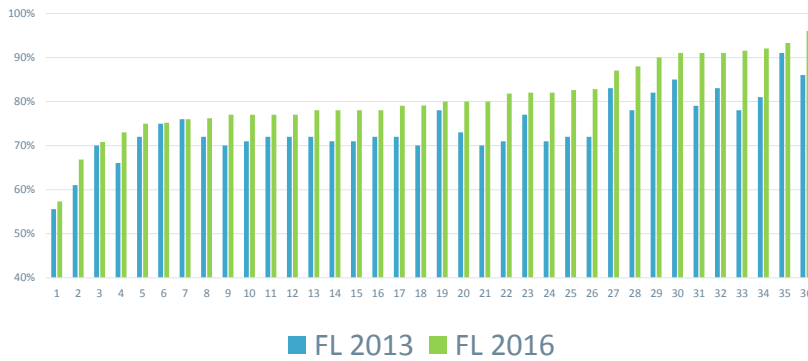
Average funding level up from 74% to 81%

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What deficit!?

Standardised Funding Ratios: 2013 vs. 2016

2016

2013

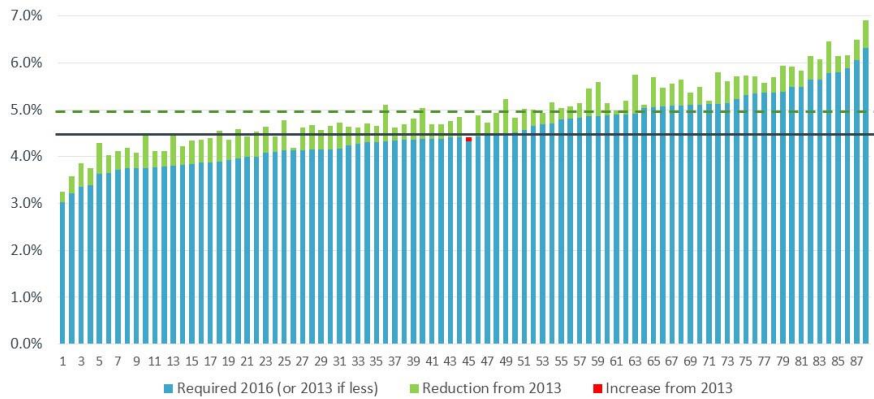**Average funding level up from 88% to 96%**

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Required returns from 2016 (E&W)

Reduced asset dependence from 5.0% to 4.5%
Holding more assets than before to meet future payments

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In summary

- There are still challenges
  - Data
  - Resourcing
  - Uncertainty and volatility
  - Increasing future costs
- But positive messages
  - Funding levels increased on fund and SAB assumptions
  - Funds are holding more assets per £ of pension to be paid
  - Contributions at similar levels (Health warning - depends where you start from!)

Promote the positives, instead of debating the "moving feast"

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Thank you – any questions?