

# 2016 Formal Valuation Top Issues

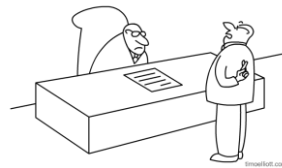
- Barry McKay, Partner
- Hymans Robertson
- 25 January 2017

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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

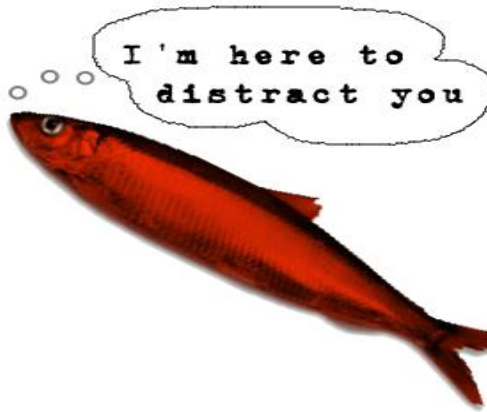


*"Yes sir, you can absolutely trust those numbers"*



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## Approach and assumptions Top issue or old news?



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## Data, and lots of it!

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# Data – the perfect storm

## Issues

Employers are confused by the complexity of the new Scheme

Need to hold additional data for final salary and CARE schemes

Employers don't understand the financial impact

Universal data specification and data capture

Risks of incorrect benefit calculations are real

## Impact

Accuracy of liabilities AND assets allocated to employers

Impacts benefits (esp. CARE)

Impacts contribution plans

Impacts follow on calculations

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



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# The Data Portal

## Data Portal

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# The Data Portal

Each job has it's validations summarised in the table

File details

Name: Triennial valuation

Calculation date: 31 March 2016

File name: H1\Fund\_Cases\_Data.xlsx

Upload date: 11 October 2016 17:17

Status: Accepted for activity: 11 October 2016 17:18

Validation results: [Download Validation Results](#)

Active	Deferred	Pensioner	Dependent	Frozen	Critical errors
<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>
<span style="color: orange;">●</span>	<span style="color: orange;">●</span>	<span style="color: orange;">●</span>	<span style="color: orange;">●</span>	<span style="color: orange;">●</span>	<span style="color: orange;">●</span>
<span style="color: blue;">●</span>	<span style="color: blue;">●</span>	<span style="color: blue;">●</span>	<span style="color: blue;">●</span>	<span style="color: blue;">●</span>	<span style="color: blue;">●</span>

Can then download the colour coded validations spreadsheet, make changes on this and reupload

AT

Job Number	Job Name	Date of Birth	Date of Death	Problem ID	Current val	Revised Date of Val	Est Month	Member	Dependent	Age of Last Member		
1	NIROG00A	x1	M	06/04/1955	01/02/1984	399	200	ACT	NI/01/2013 DRP	N	F	24/11/67
2	NIROG00B	x2	F	06/04/1975	15/02/1984	399	200	ACT	NI/01/2013 DRP	N	F	24/11/67
3	NIROG00C	x3	M	06/04/1985	01/04/2014	399	200	ACT	ACT	N	F	24/11/67
4	NIROG00D	x4	F	06/04/1975	01/04/2014	399	200	ACT	ACT	N	F	24/11/67
5	NIROG00E	x5	M	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
6	NIROG00F	x6	F	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
7	NIROG00G	x7	M	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
8	NIROG00H	x8	F	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
9	NIROG00I	x9	M	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
10	NIROG00J	x10	F	01/04/1987	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
11	NIROG00K	x11	M	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
12	NIROG00L	x12	F	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
13	NIROG00M	x13	M	28/05/1987	28/02/2014	399	200	ACT	ACT	N	F	24/11/67
14	NIROG00N	x14	F	28/05/1987	28/02/2014	399	200	ACT	ACT	N	F	24/11/67
15	NIROG00O	x15	M	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
16	NIROG00P	x16	F	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
17	NIROG00Q	x17	M	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
18	NIROG00R	x18	F	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
19	NIROG00S	x19	M	28/05/1987	28/02/2014	399	200	ACT	ACT	N	F	24/11/67
20	NIROG00T	x20	F	28/05/1987	28/02/2014	399	200	ACT	ACT	N	F	24/11/67
21	NIROG00U	x21	M	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
22	NIROG00V	x22	F	01/01/1981	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
23	NIROG00W	x23	M	01/04/1980	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
24	NIROG00X	x24	F	01/04/1980	01/02/2014	399	200	ACT	ACT	N	F	24/11/67
25	NIROG00Y	x25	M	01/04/1980	01/02/2014	399	200	ACT	ACT	N	F	24/11/67

Jobs

[Add job](#)

Name	Created date	Calculation date	Job type
Triennial valuation	20 September 2016	31 March 2016	Fund valuation (triennial)
Data cleansing	20 September 2016	31 March 2016	Fund valuation (data cleansing)
Base Data	20 September 2016	31 March 2013	Base valuation
Fuhnd val other	20 September 2016	31 March 2016	Fund valuation (other)
New Employer	20 September 2016	31 March 2016	New employer

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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

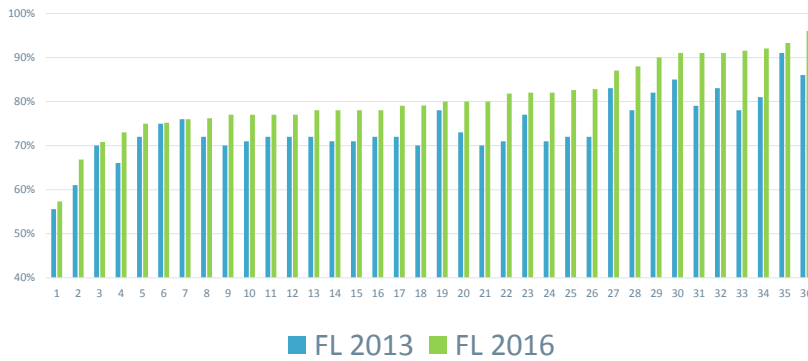


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# Published Funding Levels

## Hymans published FL 2013 vs. 2016



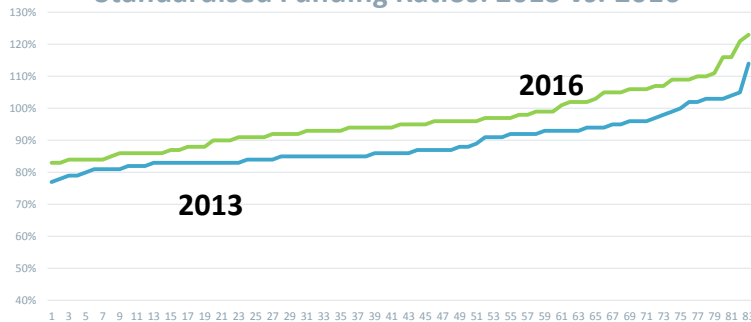
Average funding level up from 74% to 81%

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# What deficit!?

## Standardised Funding Ratios: 2013 vs. 2016

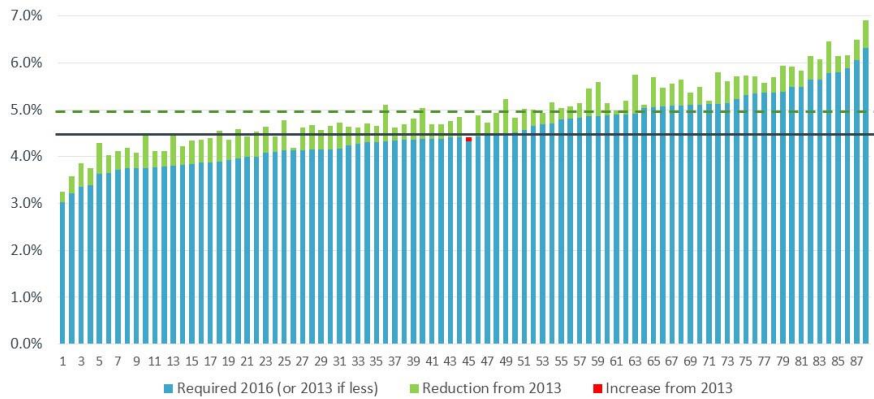


Average funding level up from 88% to 96%

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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

## 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”

Thank you – any  
questions?

