Preparing for the 2022 valuations

Delivering your valuation in a climate of change

The triennial valuation is one of your fund's most important risk management exercises, requiring a lot of your time and resource. Each valuation has its own unique challenges, and 2022 will be no different – managing the impact of COVID-19, incorporating the McCloud remedy and responding to an ever-changing LGPS regulatory environment. To help you manage these challenges, reduce the strain on your resources and deliver the best funding outcomes, some aspects of the valuation can be done ahead of 2022. The route-map below sets out all the major valuation-related tasks you can carry out over the next 12 months to help make 2022 your most successful valuation yet.

Planning

"Failing to plan is planning to fail"

Sitting down now with your Hymans Robertson actuary to plan out the 2022 valuation will ensure the work fits in with your team's other responsibilities and you have a coherent and thorough plan to communicate and liaise with key stakeholders, such as the Pensions Committee and employers.

Data cleansing

The most successful valuations are built on a foundation of complete and accurate data.

Using our Data Portal will help you understand the quality of your 31 March 2021 membership data and identify any problem employers where further investigation or communication is needed. Comparing your membership data against your accounts data will add a further layer of comfort ahead of submitting the 2022 valuation data.

Employer assets

Update employer assets now to reduce the processing time of your 2022 valuation.

Having one side of the funding balance sheet available shortly after 31 March 2022 will result in quicker valuation results and more time to engage with employers about their results. This is possible through our HEAT system, which also increases the accuracy and transparency of employer asset values; something we expect to be of greater employer and auditor focus in 2022.

Setting valuation assumptions

Select assumptions that reflect your fund and your views.

Investigating your assumptions ahead of the valuation will give you enough time to consider all the relative factors and how you will recognise future uncertainties in your valuation. Given the ongoing pandemic, we expect that longevity assumptions will be of more interest than ever; Club VITA's latest research will help you to consider how your Fund's assumptions may have been, and could be, impacted by COVID-19.

Employer covenant review

Understand how the ongoing pandemic will have affected participating employers.

Some employers may be struggling with ongoing affordability, some may be considering the future terms of their participation and some will have seen significant structural changes to their business model. Engaging with employers now to understand their current situation and, where necessary, carrying out detailed covenant reviews, will simplify and streamline the results stage of the valuation year. 2021 is also a good time to review existing pooling and guarantor arrangements and solutions for mitigating sources of employer-related funding risk, such as ill-health retirements and salary strain.

Funding strategy review

Take advantage of the long-term funding horizon of the LGPS.

The long-term horizon of the LGPS allows you to review your funding strategy ahead of the valuation itself, especially any contribution stability mechanisms. Some funds have previously used this opportunity to provide greater certainty for the funds' biggest employers by agreeing contribution rates ahead of the valuation. For employers with a shorter-term funding horizon, discussing and agreeing exit plans now can help save a significant amount of liaison during the valuation itself.

Investment strategy

Integrated funding and investment strategies lead to the best funding outcomes.

Reviewing your investment strategy at the same time as your funding strategy will not only save on costs, but it will also ensure your funding and investment strategies complement each other and deliver the best funding outcomes for employers. The pre-valuation year is also a good time to explore whether your current investment strategy is still appropriate for all employers, or whether they could benefit from a multi-strategy approach instead.

Training

Boost knowledge of key-decision makers.

One of the lowest scoring areas in our recent National Confidence and National Knowledge Assessments was actuarial methods, which covers the triennial valuation. Valuation specific training, ideally delivered via regular just-in-time sessions, is ideal to help key stakeholders feel comfortable with the decisions they will need to make during the valuation exercise.