Item 4

CT/13/15
Investment and Pension Fund Committee
1 March 2013

ACTUARIAL VALUATION 2013

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: That the Committee notes the planned approach to the 2013 triennial valuation of the Pension Fund.

1. Introduction

1.1 The LGPS Regulations require administering authorities to complete an actuarial valuation of their Pension Fund on a three yearly cycle. The next valuation date is at 31 March 2013, and the results must be published by 31 March 2014. The 2013 valuation will set employer contribution levels for the financial years 2014/15, 2015/16 and 2016/17 (the contribution levels for 2013/14 were set at the previous valuation in 2010).

1.2 This report summarises the plan for the valuation which has been discussed with the scheme actuary, Barnett Waddingham. Further background to the valuation process was provided in the presentation by Barnett Waddingham at the Committee training day in October 2012.

2. 2013 triennial valuation

2.1 An actuarial valuation aims to set a suitable level of employer contributions to ensure that the Fund achieves its long-term solvency objective. As part of the valuation the actuary estimates the scheme's long-term liabilities, and any surplus or deficit. However the estimated value of the liabilities and deficit are not informative by themselves, as the actuary must make long-term assumptions based on current conditions.

2.2 A timetable has been agreed with Barnett Waddingham for the provision of membership and financial data, with most information being provided by June 2013. There will be additional work pressures on both the administering authority and employers this year, such as auto-enrolment, outsourcing and new systems which could potentially lead to a small amount of slippage in the timetable. Once the data has been checked, the actuary will use an initial set of assumptions to produce the preliminary results. These will need to be reviewed later in the valuation process to ensure any increase in employer contributions can be smoothed. A revised Funding Strategy Statement will be produced in early 2014 to reflect any significant changes to funding assumptions.

2.3 The key output of the valuation is the schedule of employer contributions for the next 3 financial years. Each employer's individual contribution rate is composed of an element for past service, which will recover any existing deficit, and an amount to cover the future accrual of pension rights in each year.

2.4 Given the current economic conditions it is expected that funding pressures will have increased to some degree since the previous valuation in 2010. In addition, the reduction in active members and increase in deferred and pensioner members will need to be considered by the actuary. These changes may increase the past service contributions for some employers. While the actuary aims to produce a stable profile for employer contributions, with gradual changes over time, this may not always be possible for all employers. The valuation process will therefore aim to produce employer specific results as early as possible, and the communication of these results will be managed carefully.

2.5 The outline benefit structure of the new 2014 LGPS scheme is now known and these should lead to some reductions in the future service contributions over time. The necessary legislation for the new scheme now needs to be passed. The actuary has noted that CLG expect regulations to be in place by June 2013, in which case the actuary will be able to take account of the new 2014 scheme in the valuation. Future service rates will therefore be based on the new scheme.

2.6 The timetable for the valuation assumes that preliminary results will be available for a proposed employer meeting in November 2013. The plan is for the actuary to be available to meet individual employers at that meeting, although queries can also be addressed separately.

3. Conclusion

3.1 While the new 2014 scheme may slightly reduce future service contributions, total employer contributions may increase as a result of rising past service contributions. Any increases will be smoothed where possible. A further update will be brought to the Committee later in the valuation process.

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Electoral Divisions: All
<u>Local Government Act 1972</u>
<u>List of Background Papers – Nil</u>
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