CT/14/36
Investment & Pension Fund Committee
16 May 2014

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.

Recommendations:

(1) That the Committee note the content of this report on the Actuarial Valuation.

(2) That the draft Funding Strategy Statement, once completed in conjunction with the Actuary, is issued to all Fund employers for consultation, and a report brought to the September committee.

1. Introduction

1.1. Every three years Devon County Council (as the administering authority) is required to have an actuarial valuation of the Devon Pension Fund conducted by a qualified independent actuary. The purpose of the valuation is to establish the Fund's liabilities in relation to its assets and determine the current funding level, and to set contribution rates for the Fund's employers for the next three years.

1.2. The Committee received a report at its November 2013 meeting outlining the factors taken into account in the valuation and the draft results. The Actuary has now signed off the final report.

1.3. The Actuary will now prepare a revised Funding Strategy Statement for consideration by the Committee.

2. Actuarial Valuation Outcome

2.1. The results of the 2010 actuarial valuation have been prepared in accordance with the current legislative arrangements for the Fund. This includes taking into account the new scheme arrangements to be implemented from 1 April 2014.

2.2. The Actuary has determined that the Devon Fund has a funding level of 83%. The Fund's assets were valued at £2,985m against future pension liabilities assessed at £3,589m, giving a deficit for this valuation of £603m. This, along with the comparative figures for the previous valuation in 2010, is shown in the table below:

	2010 Results	***2013 Results***
Assets	£2,327m	£2,985m
Liabilities	£2,857m	£3,588m
Deficit	(£530m)	(£603m)
Funding Level (whole Fund)	81%	83%

2.3. The Actuary has determined that an overall employer rate of 18.8% (of pensionable payroll) is required to meet future service accruals and to clear the current deficit:

	2010 Results	***2013 Results***
Future Service Rate	14.3%	13.6%
Deficit Contribution	4.0%	5.2%
Total Employer Contribution Rate	18.3%	18.8%

2.4. The deficit recovery period for the Fund as a whole has been set at 25 years, which is a reduction from the 30 year deficit recovery period set at the last Valuation.

2.5. The 18.8% contribution figure and the 25 year recovery period are the average required across the Fund, but individual employers within the Fund will have their own individual rates reflecting their own unique circumstances, and a deficit recovery period between 20 and 27 years. All employers have now had their contribution rates confirmed to them. For most employers the deficit contribution has been certified as a cash figure.

3. Funding Strategy Statement

3.1. Following completion of the triennial valuation, the Fund's Funding Strategy Statement (FSS) will need to be revised to reflect the outcome of the valuation and the assumptions that have been made around the future performance of the Fund. A revised FSS will now be drafted in conjunction with the Fund Actuary (Barnett Waddingham).

3.2. All Fund employers will have to be consulted on the new FSS. A draft FSS will be available in early summer, and it is recommended that the report should be immediately issued for consultation. The Committee can then consider the FSS, along with comments in response to the consultation, at the meeting on 12 September. Such an approach will avoid delays and ensure that a revised FSS is in place as soon as practicable.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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