COMMITTEE	PENSIONS COMMITTEE
DATE	29 JUNE 2009
TITLE OF REPORT	FUND POSITION
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1. Background

1.1 Every three years the Pension Fund is formally valued and arising from that valuation, the employer's contribution is established.

1.2 The Fund was last valued on 31 March 2007 and the next valuation will be held in March 2010 with the new employers' contributions becoming operational in April 2011.

1.3 In the meantime, in order to ensure that we are aware of the Fund's general position and that which is likely to happen to the employer's contribution, we commission a report in each year to assess the general position of the Fund. A full copy of the report was sent to every member with the Committee agenda.

2. Estimate of the Fund position as at 31 March 2009

2.1. At the last valuation it was noted that there were assets in the Fund equivalent to 84% of the liabilities. Overall for the fund this meant that the necessary employer contribution was 20.1% (15.8% to pay for future service and 4.3% to rectify the past service deficit).

2.2 Of course by now we have experienced a substantial reduction in equity market values from the end of 2007 to March 2009 and this means that the Fund's comparable position has deteriorated substantially. Of course we are not unique in that every fund which invests in equities will a=have suffered a similar fate.

2.3 The report shows that due to the reduction in returns from "gilts"(which are used to value liabilities), the contribution that would be required for paying for future service has risen from 15.8% to 16.8%.

2.4 In the same way this factor, together with the fact that the value of assets has fallen since 2007 means that the fund has assets to the value of 56% of its liabilities and the employer contribution rate would need to increase from 4.3% to 13.4% to make up this deficit.

2.5 This would mean that if the valuation happened on 31 March 2009 there would be a danger that the employer contribution would have to be increased from 20.1% to 30.2%.

2.6 Obviously this would not be acceptable and in the meantime the Actuary will be considering how to ameliorate this effect in the actual valuation in March 2010 unless the position has improved by then.

2.7 In that respect it should be noted that the report was written when the FTSE 100 index stood at 3926 (on the 31 March 2009) whilst it has currently been at around the 4400 level.

3. Recommendation

3.1 In the meantime, in view of this poor prognosis it is recommended that we contact all the employers in the Fund now to inform and warn them of the situation.