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| MEETING | PENSIONS COMMITTEE                                 |
| DATE    | 5 JULY 2010                                        |
| TITLE   | COMPASS                                            |
| AUTHOR  | DILWYN WILLIAMS<br>STRATEGIC DIRECTOR OF RESOURCES |

## 1. Background

- 1.1 I reported to the Committee at its meeting on 15 December that Hymans Robertson had developed a new product called Compass which would allow us to take a longer term view of the prospects for the Fund when deciding upon the employers rate to be adopted after the valuation which is now under way.
- 1.2 I reminded the Committee in that report that as a result of current market conditions, the current valuation was likely to result in a significant fall in solvency from the last valuation which would result in a significant consequent increase in employers' contributions.
- 1.3 We have recently received the Navigator report for the Fund as at 1 April 2010 which shows this position quite clearly and the relevant graphs from that report are shown in the appendices.
- 1.4 The Committee agreed that we should commission a Compass report for the Fund to see whether there was a way to stabilise employer contributions whilst continuing to comply with the need to ensure the long term solvency of the fund and take account at the same time of the relevant risks involved with the options available.
- 1.5 The Compass report has now been received and a copy has already been sent to the members.
- 1.6 The next stage in the process is to consult with the relevant employers on the relevant employers' contributions policy they would like us to adopt and in order that we may do so, the Committee needs to formulate its opinion on which options would be acceptable to it and whether there are options which would not.
- 1.7 The Committee will also need to take a view in relation to which employers the longer term scenario will be applicable.

## **2. Compass results**

- 2.1 A presentation will be given at the meeting to explain the conclusions of the Compass report in detail. This will allow the Committee to consider the relative risks involved and to determine which options (if any) they are minded to exclude from consideration.
- 2.2. Members will have noted from the report that the Actuary notes that the stabilisation mechanism is only appropriate for secure long term employers who have certainty of covenant such as councils.
- 2.3 The Committee will also have to consider whether any other employers should be extended this facility, and what we intend to do regarding those other employers for whom this process is not appropriate.
- 2.4 The Fund's officers will advise the Committee on this issue at the meeting.