

<b>MEETING</b>	<b>PENSIONS COMMITTEE</b>
<b>DATE</b>	<b>10 NOVEMBER 2016</b>
<b>TITLE</b>	<b>ACTUARIAL VALUATION 2016 – UPDATE ON THE PROCESS</b>
<b>PURPOSE</b>	<b>To inform the committee of the work to date and the draft results</b>
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## 1. INTRODUCTION

The Pension Fund's actuary is currently working on the actuarial valuation as at 31 March 2016. The process has reached the stage where the draft Formal Valuation Initial Results 2016 has been produced at the whole fund level. The overall employer contribution rate for the fund has been calculated and employers will receive their individual rates on 10 November.

## 2. FORMAL FUNDING VALUATION INITIAL RESULTS 2016

The funding level on the agreed funding basis has improved from 85% in 2013 to 91% in 2016, i.e. the funding deficit has decreased. The main reason for the change in the funding level over the period was better than anticipated investment returns. These have offset increases in the value placed on the liabilities due to the changes in the financial assumptions used.

The following table shows the draft initial whole fund results of the 2016 formal valuation based on our agreed funding basis, with the results at the 2013 formal valuation shown for comparison.

<b>Valuation Date</b>	<b>31 March 2013</b>	<b>31 March 2016</b>
<b>Past Service Liabilities</b>	<b>£m</b>	<b>£m</b>
Employees	699	762
Deferred Pensioners	185	251
Pensioners	521	657
<b>Total Liabilities</b>	<b>1,405</b>	<b>1,670</b>
<b>Assets</b>	<b>1,195</b>	<b>1,525</b>
<b>Deficit</b>	<b>(210)</b>	<b>(145)</b>
<b>Funding Level</b>	<b>85%</b>	<b>91%</b>

Hence, the level of employers' pension contributions to finance past service liabilities will reduce. However, the valuation of future service liabilities, and the level of employers' pension contributions required in order to finance those liabilities, will increase.

### **3. CONTRIBUTION RATES**

Within the fund level figures there will be significant differences for individual employers, depending on the profile of their members. Every employer has their own tailored funding plan and valuation results will vary depending on their own membership, funding plan and experience since the last valuation (or since they joined the Fund). Changes in market conditions may put upward pressure on employer rates generally, both in respect of future service and of paying off any deficit.

### **4. SMALLER EMPLOYERS**

Members will recall that during the 2013 valuation process the decision was made to disband the two small employer pools. The Fund arranged ill health retirement insurance as requirement for these employers to protect them from the high costs of any such retirements. The changes in individual employer contributions from the pool rate are being phased in over a longer period and this will be taken into account in setting the contributions for these bodies.

### **5. NEXT STEPS**

The next milestone in the valuation process is preparation of the draft individual employer results which will be available for the employer forum scheduled for the morning of 10 November, before this committee takes place in the afternoon, and members are welcome to attend.

### **6. RECOMMENDATION**

Members are requested to agree the process and the results to date.