

MEETING	PENSION BOARD
DATE	5 DECEMBER 2016
TITLE	ACTUARIAL VALUATION 2016 – UPDATE ON THE PROCESS
PURPOSE	To inform the board of the work to date and the draft results
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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 have been produced. The overall employer contribution rate for the fund has been calculated and employers received their individual rates at the employer meeting on 10th 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. In addition, 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 more than 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.

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

3. CONTRIBUTION RATES

Within the fund level figures there will be 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 (of since they joined the Fund). However, changes in market conditions may put upward, but manageable pressure on employer rates, both in respect of future service and of paying off any deficit.

The primary rate (for future service) for each employer varies between 16.3% and 33.2% and the secondary rate (for deficit payments) varies between £3.1million a £1,000. The employers which are in surplus can subtract between 12.4% and 0.08% from their primary rate.

Some employers are still discussing their new rate and there may be some changes before the final rates are agreed. A schedule of the final rates will be published with the Funding Strategy Statement in March 2017.

4. SMALLER EMPLOYERS

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 steps include

- Confirmation of individual employer rates for the next three years.
- Producing the fund's Funding Strategy Statement(FSS) which sets out the strategy and policy for the funding of the fund over the three years from 1 April 2017. The draft FSS will be taken to the Pensions Committee on 19 January 2017 for discussion and approval. Following the approval there will be a consultation with employers and other interested parties before the final FSS is adopted by the Pensions Committee in March 2017. Members of the Pension Board will receive a copy of the draft FSS for consultation and can discuss the contents in the February board meeting before the consultation closes.
- The Full Report on the Actuarial Statement will be produced in March and a copy will published on the Pension Fund website.
- Following previous actuarial valuations there was a requirement a Statement of Investment Principles which defined the limits on the

different types of investment agreed. This has now been replaced by the Investment Statement which will contain the investment strategy that the fund will develop to achieve its funding aims. The Investment Strategy will be prepared in conjunction with the fund's advisor to be adopted by 1st April 2017.

6. RECOMMENDATION

Members are requested to consider the process and draft results. The Board will have an opportunity to scrutinise the Funding Strategy Statement and the Investment Statement before adoption by 31 March 2017.