Committee and Date	Item
Pensions Committee 24 November 2010 10am	**9** Public

ACTUARIAL VALUATION 2010

Responsible Officer Graham Chidlow
e-mail: graham.chidlow@shropshire.gov.uk Tel: (01743) 252072

Summary

The report introduces the formal presentation of the 2010 Actuarial Valuation Report from the Fund's Actuary, Mercers.

Decisions Required

Members are asked to formally approve the Actuarial Valuation Report.

REPORT

Background

1. Members will be aware that Funds within the Local Government Pension Scheme are required to be actuarially valued every three years. The last valuation was undertaken as at 31 March 2007, at which time the funding level was determined to be 85% (i.e. the assets held to meet future liabilities were valued at 85% of those liabilities.)

2010 Valuation

2. The current valuation has been taken as at 31 March 2010 and a summary of the valuation results is attached. The 2010 funding level of 81% is in line with expectations. The Fund's Actuary, John Livesey, from Mercers will present his valuation report to Committee. Your officers have discussed the valuation outcome in detail with John and have agreed with the assumptions he has made within the report.

3. During the last three years the Fund's value has increased by 5% from £906 million to £951 million. Over this period the liabilities of the Fund have also increased from £1,062 million to £1,177 million mainly as a result of a reduction in gilt yields.

4. The Actuary has used the Shropshire mortality experience to assess the most appropriate longevity assumptions in the 2010 valuation. The expectation for future real salary growth has been reduced in light of likely lower pay inflation in the public sector in the future and account has been taken of the short term pay freeze in the public sector.

5. The Actuary has also factored into the actuarial valuation the impact of the government announcement to inflate public sector pensions by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The Actuary believes that CPI will be 0.5% lower than RPI in the future and this has the impact of reducing the liabilities of the Fund by around 7% than would otherwise have been the case.

Scheme Employers

6. The provisional results of the valuation exercise and the recommendations for contribution rates have been discussed with finance officers from scheme employers at a meeting on 1 November 2010.

7. The Actuary is recommending that the results of the actuarial valuation are expressed as a percentage of salary for future service together with an amount for any deficit recovery. This is a change on the approach taken at the 2007 actuarial valuation and is aimed at helping employers to budget for the costs of deficit recovery.

8. The attached report highlights the revised employer contribution rates arising from the 2010 actuarial for the largest employers in the Fund valuation. Contribution rates for individual employers reflect their own circumstances.

9. Members are requested to approve the Actuary's recommendations. The position of the fund will be monitored during the period up to the next valuation as at 31 March 2013.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Actuarial Valuation 2007, 20 November 2007, Item 21, Paper L.

Human Rights Act Appraisal
The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

Environmental Appraisal
Impossible to quantify.

Community / Consultations Appraisal
N/A

Cabinet Member
N/A

Local Member
N/A

Appendices

A- Summary of Results of Actuarial Valuation as at 31 March 2010