Shropshire Council	Committee and Date Pensions Committee 27 November 2013 10.00	Item **9** Public

ACTUARIAL VALUATION 2013

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1. Summary

1.1 The report introduces the formal presentation of the 2013 Actuarial Valuation Report from the Fund's Actuary, Mercers.

2. Recommendations

2.1 Members are asked to formally approve, with any comments, the Actuarial Valuation Report.

REPORT

3. Risk Assessment and Opportunities Appraisal

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

3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

3.3 The Fund is required to be formally valued by the Actuary every 3 years in order to determine the overall funding level and set employer contribution rates.

4. Financial Implications

4.1 The financial implications to consider are outlined in the Appendix to this report and have been communicated to employers within the Fund at a recent meeting held on 13 November 2013.

5. Background

5.1 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 2010, at which time the funding level was determined to be 81% (i.e. the assets held to meet future liabilities were valued at 81% of those liabilities.)

6. 2013 Valuation

6.1 The current valuation has been taken as at 31 March 2013 and a summary of the valuation results is attached at Appendix A. The 2013 funding level of 76% is in line with expectations. The Fund's Actuary, John Livesey, from Mercers will present his valuation report to Committee. Officers have discussed the valuation outcome in detail with John Livesey and have agreed with the assumptions he has made within the report.

6.2 During the last three years the Fund's value has increased by 29.9% from £951 million to £1.235 billion. Over this period the liabilities of the Fund have increased from £1,177 billion to £1,617 billion mainly as a result of a reduction in gilt yields.

6.3 The Actuary has used mortality experience to assess the most appropriate longevity assumptions in the 2013 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.

6.4 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 1% lower than RPI in the future and this has the impact of reducing the liabilities of the Fund by around 4% than would otherwise have been the case.

7. Scheme Employers

7.1 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 13 November 2013.

7.2 The Actuary is continuing to recommend 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 and is aimed at helping employers to budget for the costs of deficit recovery.

7.3 The attached report highlights the revised employer contribution rates arising from the 2013 actuarial valuation for the largest employers in the Fund. Contribution rates for individual employers reflect their own circumstances.

7.4 Members are requested to approve, with any comments, the Actuary's recommendations. The position of the fund will be monitored during the period up to the next valuation as at 31 March 2016.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Actuarial Valuation 2010, Pension Committee, 24 November 2010

Cabinet Member
N/A

Local Member
N/A

Appendices

A- Summary of Results of Actuarial Valuation as at 31 March 2013