Shropshire Council

Committee and Date	Item
Pensions Committee	**10**
25 November 2016	
10.00	Public

ACTUARIAL VALUATION 2016

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1. Summary

1.1 The report introduces the formal presentation of the 2016 Actuarial Valuation Report from the Fund's Actuary, Mercer.

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 10 November 2016.

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 2013, at which time the funding level was determined to be 76% (i.e. the assets held to meet future liabilities were valued at 76% of those liabilities.)

6. 2016 Valuation

6.1 The current valuation has been taken as at 31 March 2016 and a summary of the valuation results is attached at Appendix A. The 2016 funding level of 84% is in line with expectations. The Fund's Actuary, John Livesey, from Mercer 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 21% from £1.235 billion to £1.494 billion. Over this period the liabilities of the Fund have increased from £1.618 billion to £1.772 billion.

6.3 As previously discussed, the results incorporate a change in the way the discount rate has been determined, by basing it on the long-term expected real returns on the Fund's assets, with an appropriate margin for prudence. Short-term pay growth has been adjusted to reflect continuing pay restraint in the public sector. The Actuary has used recent mortality experience to assess the most appropriate longevity assumptions in the 2016 valuation. In view of the low take-up of the 50/50 option which is now available under the LGPS, the Actuary has assumed no members joining the Fund will take up this option in future (at the 2013 actuarial valuation a 10% take-up assumption was made).

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 10 November 2016.

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 2016 actuarial valuation at overall Fund level. 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 2019.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Actuarial Valuation 2013, Pension Committee, 27 November 2013

Cabinet Member
N/A

Local Member
N/A

Appendices

A- Summary of Results of Actuarial Valuation as at 31 March 2016