



Haringey Council

Agenda item:

Pensions Committee

On 22 February 2011

Report Title. 2010 Actuarial Valuation & Funding Strategy Statement	
Report of Director of Corporate Resources	
Signed : <i>J. Parker 17/2/11</i>	
Contact Officer : Nicola Webb – Corporate Finance Telephone 020 8489 3726	
Wards(s) affected: All	Report for: Non Key Decision
1. Purpose of the report 1.1. To present the actuary's formal report on the actuarial valuation undertaken as at 31 st March 2010. 1.2. To present the draft Funding Strategy Statement for the Committee's approval.	
2. Introduction by Cabinet Member 2.1 Not applicable.	
3. State link(s) with Council Plan Priorities and actions and /or other Strategies: 3.1. Not applicable.	
4. Recommendations 4.1 That the valuation report from the Fund Actuary on the 2010 valuation be agreed, with the exception of the employer contribution rate for Age Concern.	

4.2 That the Committee delegate responsibility for agreeing the employer contribution rate for Age Concern to the Chair of Pensions Committee in consultation with the Fund Actuary and officers by the statutory deadline of 31st March 2011.

4.3 That the updated Funding Strategy Statement is approved.

5. Reason for recommendations

5.1 It is a statutory requirement that the 2010 valuation report is agreed by 31st March 2011.

5.2 Discussions are on-going with Age Concern meaning it is not possible to include their final rate in this report, however this will need to be agreed by 31st March 2011 to meet the statutory deadline and the Committee does not meet again before this.

5.3 The Pension Fund is required to review the Funding Strategy Statement in the light of the 2010 valuation.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1 The 2010 valuation has been completed and the Fund Actuary has issued a draft of the valuation report as required by the Local Government Pension Scheme regulations. This incorporates the Rates and Adjustments Certificate which sets out the employer contribution rates for the coming three financial years. This report is subject to finalising the employer contribution rate for Age Concern with whom discussions are on-going.

7.2 The Funding Strategy Statement has been updated to reflect the 2010 valuation and sets out the policies applied by the Fund Actuary in calculating the employer contribution rates.

8. Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted on the content of this report. The recommendations are in compliance with the duties on the administering authority arising from Regulations 35 and 36 of the LGPS (Administration) Regulations 2008 (as amended).

9. Equalities & Community Cohesion Comments

9.1. There are no equalities issues arising from this report.

10. Consultation

10.1. Not applicable.

11. Service Financial Comments

11.1 The Fund Actuary has calculated the employer contribution rates to be paid in accordance with his professional standards and the principles set out in the draft Funding Strategy Statement to ensure that the Fund meets the objective of achieving full funding.

12. Use of appendices

12.1 Appendix 1: Hymans Robertson – Draft 2010 Actuarial Valuation report

12.2 Appendix 2: Draft Funding Strategy Statement

13. Local Government (Access to Information) Act 1985

Actuarial Valuation as at 31st March 2007
2010 Valuation report to Pensions Committee on 20th December 2010

14. Background

- 14.1 The Local Government Pension Scheme regulations require the Pension Fund to undertake a valuation of the Fund every three years. This has to be carried out by a qualified actuary. The valuation shows the funding level, which is the proportion of the liabilities for which the Fund has assets and sets employer contribution rates.
- 14.2 The whole fund level results were reported to Pensions Committee by the Fund Actuary on 20th December 2010. This showed the funding level had reduced from 77.7% at the valuation in 2007 to 69.2% at 31st March 2010.

15. Valuation report

- 15.1 The draft valuation report issued by the Fund Actuary, Bryan Chalmers of Hymans Robertson, is attached at Appendix 1 and is in a form to meet the statutory requirement to have a formal valuation report issued by 31st March 2011.
- 15.2 The report includes the information reported to the Committee in December 2010 in terms of the calculation process, data and the assumptions used. The whole fund results presented in the report to Committee in December are included.
- 15.3 In addition the report includes information about the calculation of the employer contribution rates for each of the employers in the Pension Fund. Appendix H of the report is the Rates and Adjustments Certificate which sets out the minimum employer contributions the Fund Actuary certifies are required to be paid into the Pension Fund over the next three financial years. The Local Government Pension Scheme (Administration) Regulations 2008 require employers to comply with this certificate. The rate for Age Concern is subject to change as discussions with this employer are continuing.

16. Funding Strategy Statement

- 16.1 The Local Government Pension Scheme (Administration) Regulations 2008 require all Pension Funds to publish a Funding Strategy Statement and keep it under review. The existing strategy has been reviewed in the light of the 2010 valuation and a consultation has taken place with employers as required by the regulations on the draft.
- 16.2 The aim of the Funding Strategy Statement is to set out how the Pension Fund will seek to achieve full funding of the liabilities. The policies set out in the document determine the basis on which the employer contribution rates are calculated for the Rates and Adjustments Certificate. The document is made up as follows:

Section 1 & 2 Introduction & purpose

Section 3 This section sets out the how employer contribution rates are calculated. It also sets out the policies on stabilisation, deficit recovery periods and phasing of increases which are the tools that enable the Pension Fund to balance affordability with ensuring that the required contributions are received.

Section 4 This section describes how the funding strategy links to the investment strategy.

Section 5 The risks to the funding strategy are set out in this section alongside the controls the Fund has in place to mitigate them.

Appendices These show the Rates & Adjustments Certificate from the valuation report and describe the roles of the various parties involved.

16.3 The key change from the existing strategy is to set out the stabilisation process which the Fund Actuary has recommended to enable the Council to maintain the same employer contribution rate.

17. Liaison with employers

17.1 The results of the valuation and the proposed employer contribution rates have been shared with the employers. On 24th January 2011 an employer forum was held at which the Fund Actuary explained the valuation results to the employers present and the principles which have been used to calculate the employer contribution rates. This forum also gave employers the opportunity to have individual discussions with the Fund Actuary about their own position.

17.2 The Fund Actuary has agreed that the Council can keep their rate at the 2010/11 rate of 22.9% for the next three financial years following the modelling work they have done as this shows that a short term freezing of the contribution rate will not impact on the likelihood of achieving a 100% funded position in the long term. This "stabilisation" is applied on the basis that in later years the contribution rate can only reduce by a maximum of 1%. The Fund Actuary has only recommended this approach for the Council as he can be confident it will exist, in some form, in the long term. It is not possible to provide this assurance for other employers in the Fund.

17.3 For the employers in surplus, an employer contribution rate has been set which ensures that they meet the on-going costs of their membership in the scheme and does not return any of the surplus to them. The surplus amounts are all relatively small and build a cushion against a possible deficit arising in future.

17.4 The majority of employers who have a deficit will pay a rate which is a percentage of payroll for the on-going costs of their membership plus a monetary amount towards the deficit. These employers agreed to this approach with two exceptions.

17.5 CHENEL met with the Fund Actuary and officers to discuss their situation and the Fund Actuary recommended they phase in the increase they need to pay over a three year period, due to the size of the increase and funding issues arising from their merger with Enfield College. CHENEL have agreed to this and so the phasing is shown in the Rates & Adjustments Certificate.

17.6 Discussions are on-going with Age Concern with regard to their contribution rate, due to the level of increase required. Therefore the rate in the report is subject to change.