

Report for: Pensions Committee 27th March 2017

Item number: 15

Title: 2016 Triennial Valuation – Final Results, and draft Funding Strategy Statement (FSS)

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. To note the final actuarial valuation report as at 31st March 2016, including the methodology and assumption used by the actuary.
- 1.2. To note and agree the Funding Strategy Statement, which has been updated, in line with the 2016 triennial valuation. The draft FSS has been circulated to employers of the fund for consultation purposes.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the Committee note the final results of the triennial valuation of the Fund.
- 3.2. That the Committee agrees the Funding Strategy Statement.

4. Reason for Decision

- 4.1. The Council is required by law to undertake an actuarial valuation of the Fund's assets and liabilities. The Pensions Committee under delegated authority has agreed the underlying assumptions of the valuation with the actuary at the 22nd November 2016 meeting. The final valuation results are now presented.

4.2. The Fund is required to keep the FSS under review and to update the statement where there has been a material departure from current policy. CIPFA guidance on reviewing and update of the FSS makes clear that Funds should consult with appropriate stakeholders when updating the FSS.

5. Other options considered

5.1. None.

6. Background information

6.1. The Pension Fund Actuary is responsible for determining the funding level of the overall scheme and of each employer. The funding level and therefore the contribution rates payable are highly dependent on the assumptions concerning future economic conditions. Although the actuary is responsible for setting the assumptions, there is a process of consultation that enables the Council and other employers to challenge the draft valuation report.

6.2. The Pension Fund is required to maintain a Funding Strategy Statement (FSS) that sets out the basis on which contributions are set and in particular the plan to achieve and maintain sufficient assets to meet the pension liabilities. The FSS is normally updated prior to agreeing the triennial valuation report to ensure that the two documents are consistent. There is a requirement that changes to the FSS are consulted upon with scheme employers prior to implementation. Consultation has been carried out by officers.

7. Contribution to Strategic Outcomes

7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. The result of the actuarial valuation is a snapshot of the funding position of the Pension Fund. The funding level has increased from 70% to 79% with favourable investment returns and a positive Fund experience against expectation contributing to a reduction in overall deficit by £89m.

8.2. The recommended assumptions are prudent, but do reflect the fact that the Committee is expected to agree an investment strategy targeting a return above that achievable from bonds.

Legal

- 8.3. The Council as administering authority is required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 to obtain:
(a) an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards; (b) a report by an actuary in respect of the valuation; and (c) a rates and adjustments certificate prepared by an actuary.
- 8.4. The valuation report mentioned in (b) must contain a statement of the demographic assumptions used in making that valuation and these assumptions must relate to actual events that have occurred in relation to members of the LGPS since the last valuation.
- 8.5. The rates and adjustment certificate must specify a common employer contribution rate and any individual adjustments for each year of the 3 years period beginning on 1 April.
- 8.6. The Fund must keep the funding strategy statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made. In reviewing the funding strategy statement the Fund must have regards to the guidance set out in the document published by the Chartered Institute of Public Finance and Accountancy on “Preparing and Maintaining a Funding Strategy Statement in the LGPS (2016 Edition)” and the investment strategy formulated under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

Equalities

- 8.7. There are no equalities issues arising from this report.

9. Use of Appendices

- Appendix 1 – Triennial Valuation Results (March 2016)
- Appendix 2 – Funding Strategy Statement

10. Local Government (Access to Information) Act 1985

- 10.1 Not applicable.