Haringey Council

Agenda item:

Pensions Committee	On 20 December 2010

Report Title. **Actuarial Valuation 2010**	
Report of **Director of Corporate Resources** Signed : J Parker 9/12/10	
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 recommended assumptions and whole fund level results of the actuarial valuation undertaken as at 31st March 2010.

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 To agree the assumptions set out by the Fund's actuary in his report for the 2010 valuation.

5. Reason for recommendations

5.1. The actuary has recommended appropriate assumptions to ensure the valuation presents a fair view of the Fund's position in accordance with professional actuarial standards.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1 The actuarial valuation at 31st March 2010 has shown a reduction in the funding level from 77.7% to 69.2%. The main reason for this has been investment returns being lower than anticipated in the last three years due to the impact of the credit crunch.

8. Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted on the content of this report. Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 requires an administering authority to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2010 and in every 3 years afterwards. The valuation, the report of the actuary and the rates and adjustments certificate provided by the actuary must be provided before the first anniversary of the date that the valuation is made. This report refers to the presentation of a finalised valuation report and a rates and adjustments certificate to the meeting of the Pensions Committee on 22 February 2011. Such a time period will be within the applicable statutory framework under the 2008 Regulations.

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 result of the actuarial valuation is a snapshot of the funding position of the Pension Fund and given the financial climate of the last three years, it is not surprising the Fund's investment return has had a major impact.

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

12. Use of appendices

12.1 Appendix 1: Hymans Robertson – 2010 Actuarial Valuation results summary

12.2 Appendix 2: Hymans Robertson – Presentation document

13. Local Government (Access to Information) Act 1985

Actuarial Valuation as at 31st March 2007

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 last valuation was carried out as at 31st March 2007 and reported to Pensions Committee on 29th January 2008. At that time the funding level was 77.7%.

15. 2010 Valuation

15.1 The Fund's actuary, Bryan Chalmers of Hymans Robertson, is attending the meeting to present the valuation results to the Committee. His report and the presentation document he will use at the meeting are attached as Appendices 1 and 2 to this report.

15.2 The table overleaf shows a summary of the valuation results with the 2007 figures for comparison purposes.

	31 March 2007 £m	31 March 2010 £m
Liabilities	*798*	960
Market value of assets	*620*	664
Surplus / (Deficit)	*(178)*	(296)
Funding Level	*77.7%*	69.2%

15.3 The main reason for the reduction in the funding level is investment returns. At the valuation in 2007 the actuary assumed the Fund would achieve an investment return of 6.1% per annum. However the actual return achieved was minus 0.2% per annum.

15.4 The key assumptions proposed for the 2010 valuation are summarised in the table overleaf:

Investment return	6.1% per annum
Price Inflation (pension increases)	3.3% per annum
Salary increases	1% per annum in 2010/11 and 2011/12 5.3% per annum thereafter
Life expectancy improvements	Approx 3 years employee and deferred members Approx 2 years pensioners

16. Next Steps

16.1 Once the assumptions are agreed the actuary can finalise the results of the valuation. The next stage is to consider the impact of the valuation results on the employer contribution rates payable by the employers in the Fund. Given the reduction in the funding level and the current financial climate, the proposed rate increases are likely to be challenging for some employers.

16.2 In the light of this, officers will consult with the employers and have further discussions with the actuary over the next two months. These discussions will seek to balance affordability with ensuring the Fund receives the contributions required. The results of these discussions will form the basis of the recommendation for the principles to be included in the Fund's Funding Strategy Statement, which will be presented to the Pensions Committee in draft form on 22nd February 2011 for approval.