

Haringey Council

Report for:	Corporate Committee 26 th November 2013	Item number	
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Title:	Pension Fund: Actuarial Valuation 31 st March 2013
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Report authorised by :	<i>J. Paver</i> 15/11/13 Director of Corporate Resources
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Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726
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Ward(s) affected: N/A	Report for Non Key Decision
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1. Describe the issue under consideration

- 1.1 To consider the draft actuarial valuation report as at 31st March 2013, including the methodology and assumption used by the actuary.

2. Cabinet Member Introduction

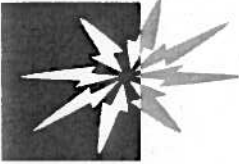
- 2.1 Not applicable.

3. Recommendations

- 3.1 To agree the assumptions and methodology used by the Actuary to determine the actuarial funding level and standardised employer contribution rate.

4. Other options considered

- 4.1 None.



5. Background information

- 5.1 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. Comments of the Chief Financial Officer and financial implications

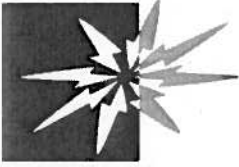
- 6.1 The result of the actuarial valuation is a snapshot of the funding position of the Pension Fund. The funding level has remained at 70% with favourable investment returns offset by a reduction of the discount rate linked to UK Government Gilt yields.
- 6.2 The recommended assumptions are prudent, but do reflect the fact that the Committee is expected to agree an investment strategy targeting a return above that achievable from bonds.

7. Head of Legal Services and Legal Implications

- 7.1 The Council as administering authority is required under Regulation 36 of the Administration Regulations 2008 to obtain (a) an actuarial valuation of the assets and liabilities of the pension fund, (b) a report by the actuary in respect of the valuation and (c) a rates and adjustment certificate prepared by an actuary. This must be done every 3 years from the 31 March 2010.
- 7.2 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.
- 7.3 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.
- 7.4 Members should note that only the valuation report is contained within this report.

8. Equalities and Community Cohesion Comments

- 8.1 Not applicable.



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9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 Appendix 1: Hyman's Robertson's 2013 Actuarial Valuation Initial Results

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Actuarial Valuation

Introduction

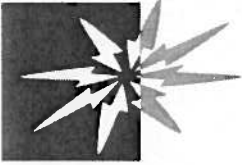
13.1 The Council has appointed Douglas Green of Hymans Robertson as Scheme Actuary. Hymans are required to carry out an actuarial valuation of the fund every three years to determine the funding level (comparison of assets with the value of promised future benefits) and the future contribution levels payable by the Council and other employers. The ongoing valuation is calculated as at 31st March 2013. Scheme benefits and the contributions payable by employees are determined by the Government.

13.2 The Actuary will be attending the meeting to present the initial valuation results. Prior to the meeting, training will be provided on the basis and assumptions used in the valuation. The report is for the fund as a whole and does not discuss individual employer rates. The actuarial assumptions, which the Committee is invited to approve, are explained in appendix D to the Actuary's report.

Whole Fund Initial Results

13.3 A summary of the results are shown on page 1. The highlights are:

- The funding level has improved marginally from 69.2% to 70.0%.
- In monetary terms the deficit is £73 million greater at £369 million.
- The standard contribution rate has increased by 7% to 35.5%.



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- 13.4 Pages 11 and 13 explain the change in the deficit and also the future service rate. The main reason for the increased deficit is the lower discount rate applied to pension liabilities, reflecting the current yield on government bonds. Investment returns have exceeded the rate assumed by the Actuary.
- 13.5 The cost of future pension provision (page 13) has risen by 3.1% to 20.4% of salaries. Although the planned changes to the benefit structure in 2014 will reduce the cost by 2.1%, changes in the assumed investment rate (discount rate) add 4.7% to costs.
- 13.6 It is noticeable from page 4, that the outcomes for the valuation assumptions that are controllable by the Council (investment returns, retirements & salary increases) have positively impacted the results, where as the assumptions that are outside the Council's control (gilt yields, longevity and inflation during the valuation period) have had a negative impact on the results.

Future Contribution Rates

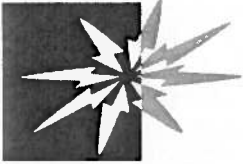
- 13.7 The Actuary determines contribution rates separately and specifically for each employer, including the Council. Currently the Council pays 22.9% and other employers, of which there are 41, pay rates of between 17% and 34% and in some cases also pay annual lump sums to cover past service deficits.
- 13.8 The Actuary has already consulted on the contribution rates payable by the Council from April 2014 to March 2017 and the framework thereafter. Estimated contribution rates for other employers have been circulated and a meeting will be set up enabling these employers to discuss the valuation with the Actuary.
- 13.9 Following consultation with other employers, the Actuary may be asked to undertake additional modelling to test the impact of changing the contribution rates that they pay during the next valuation cycle.

Next Steps

- 13.10 The subsequent steps in the valuation process are summarised below.

December

Receive feedback from individual employers on their estimated funding level and contribution rates.



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Carry out any additional contribution rate modelling.

Prepare draft Funding Strategy Statement ("FSS").

January 2014

Present draft FSS to Corporate Committee

Consult on draft FSS with other employers.

March 2014

Present final Actuarial report including schedule of contributions from April 2014 to March 2017 together with the FSS to the Corporate Committee.

