

Pension Fund Committee

5 June 2014

Valuation Report



Report of Don McLure, Corporate Director, Resources

Purpose of the Report

- 1 To provide Members with information on the final outcomes from the actuarial valuation of the Pension Fund as at 31 March 2013.

Background

- 2 Every three years the Pension Fund Actuary carries out a valuation of the Pension Fund, comparing the market value of the assets with the assumed value of the liabilities and this is used to set employer contribution rates for the three year period after the results are certified.
- 3 The final valuation report as at 31 March 2013 was produced by the Pension Fund Actuary on 31 March 2014, a copy of the report is included at Appendix A, some of the main outcomes from the report are summarised below.

Valuation Results - Past Service Position

- 4 The table below sets out the past service funding position of the Fund as at 31 March 2013 alongside the results from the previous valuation:

	31 March 2013 Valuation Results (£m)	31 March 2010 Valuation Results (£m)
Value of past service benefits for		
- Actives	1,004.5	1,050.9
- Deferred pensioners	310.9	206.0
- Pensioners	1,122.3	843.2
Value of liabilities	<u>2,437.7</u>	<u>2,100.1</u>
Value of assets	2,058.5	1,682.0
Past service deficiency	379.2	418.1
Funding ratio	84%	80%

Valuation Results – Cost to Employers of Future Benefits

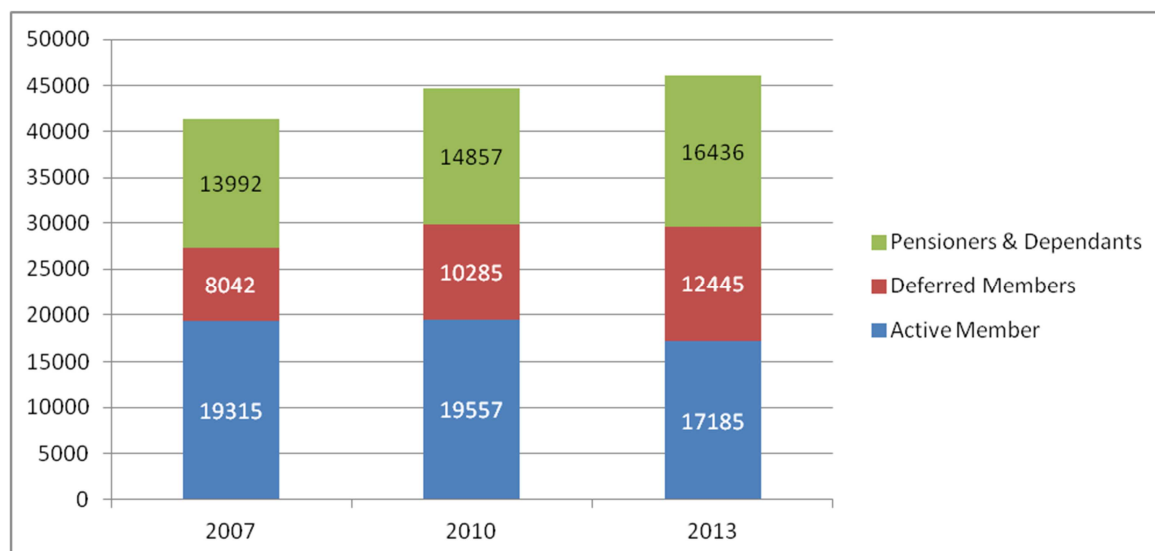
- 5 The table below shows the average employer contribution rate required across the Fund as a whole following the valuation as at 31 March 2013 (to apply for the three year period from 1 April 2014), along with the figures from the previous valuation as a comparison.

	31 March 2013 Valuation (% of Pensionable Pay)	31 March 2010 Valuation (% of Pensionable Pay)
Value of benefits building up	19.4	18.8
Death in service cash sum	0.2	0.4
Administration expenses	0.4	0.3
Less member contributions	(6.3)	(6.4)
Net cost to the Employers	13.7	13.1
Recovery Period	18 years	19 years
Recovery contributions £m	£24.3m (increasing at 3.9% a year)	£29.9m (increasing at 5.3% a year)
Recovery contributions %	7.2	8.7
Total employer contribution rate	20.9	21.8

Individual employers are set their own contribution rate (detailed in Appendix 11 of the Valuation Report), taking into account the membership profile of their Pension Fund members, and in some cases assumptions and recovery periods that are specific to the employer's circumstances.

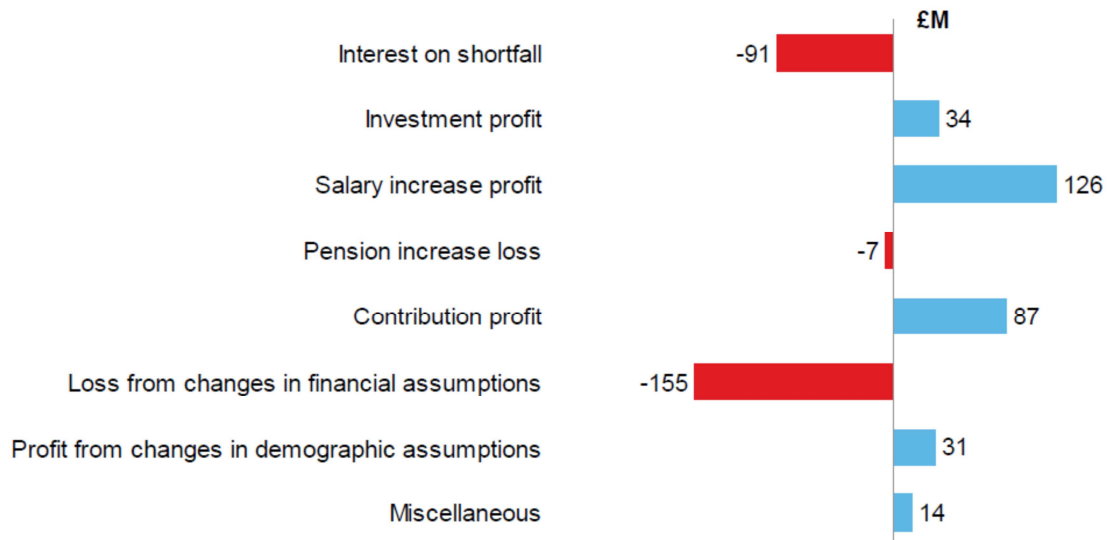
Membership statistics

- 6 The following chart shows the change in membership numbers in the Fund over the last three valuations. The 31 March 2013 valuation shows a 12% reduction in active members from the previous valuation but increasing numbers of pensioners and deferred members, meaning the overall fund membership has increased by 3% to just over 46,000.



Reasons for change in past service position

- 7 The overall funding ratio has improved since the last valuation from 80% to 84% with the deficit decreasing from £418.1m to £379.2m. The main reasons for the change in funding position are shown in the chart below:



- 8 The Pension Fund Actuary's analysis shows that the main factors affecting the funding position since the previous valuation have been:

- Investment returns on the Fund's assets above those previously assumed
- Pay increases below those previously assumed
- Payment of shortfall contributions
- Changes in pay and pension increase assumptions, relative to RPI
- Changes to demographic assumptions other than mortality

which have all **improved** the position; and

- Interest on the shortfall at the previous valuation
- A change in the real discount rate (discount rate relative to RPI)
- A change in the mortality assumption

which have **worsened** the position.

Communication

- 9 All Pension Fund employers with active employees as scheme members have been provided with a copy of the final valuation report and have been separately notified of the contribution rates that apply to them for the period 1 April 2014 to 31 March 2017.

Recommendation

- 10 Members are asked to note this report.

Contact: Nick Orton Tel: 03000 269798
