Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**14 DECEMBER 2012**
TITLE:	**INTERIM ACTUARIAL VALUATION 2012**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: **Appendix 1 – Interim Valuation Report 2012**	

1. THE ISSUE

1.1. The LGPS regulations require the Fund to carry out an actuarial valuation every three years, the next due as at 31 March 2013. Between these mandatory valuations, the Fund requests interim valuations periodically to assess whether the funding strategy is on track. Given the volatility in the investment markets and the proposed changes to the LGPS, the Fund commissioned an interim valuation as at 30 September 2012 which provides the current context for the 2013 valuation.

1.2. The interim valuation provides an update as to the current funding level of the Fund. It does not re-calculate contribution rates or deficit payments. **It is important to note that the interim valuation is a snapshot of the funding level at a particular point in time.**

1.3. The 2012 interim valuation evaluates the estimated impact of the LGPS 2014 scheme and auto-enrolment on the Fund.

1.4. The Actuary will be at the meeting to present the interim valuation report and answer any questions.

2. RECOMMENDATION

That the Avon Pension Fund Committee:

2.1. Notes the information set out in the report.

3. FINANCIAL IMPLICATIONS

3.1. The actuarial valuation sets the contribution rates and deficits payments required from scheme employers for the three years following the valuation. The Interim valuation provides some insight into how the funding position has progressed against the funding strategy set out at the 2010 valuation.

3.2. It therefore provides an indication of the scale of the potential increases in contributions required at the 2013 valuation which will set the employer contributions from 1 April 2014.

4. THE REPORT

4.1. The Interim Valuation Report from the Actuary is in Appendix 1.

4.2. The interim valuation updates the 2010 valuation using the same membership data and demographic/actuarial assumptions. Actual cashflow data is used. However, the financial assumptions are updated to reflect changes in market values as at 30 September 2012.

4.3. As at 30 September 2012 the funding level is estimated to be 73%. This compares to 82% at 31 March 2010. The deficit has increased from £552m to £1,049m. This deterioration is primarily due to the fall in gilt yields which are the basis for the discount rate. A fall in yields increases the value of the liabilities.

4.4. The report also provides an analysis of the potential impact of the new 2014 LGPS on the future service rate (based on the current information about the scheme structure). However, the new scheme will not directly impact the deficit payments (relating to accrued service prior to 2014). Within the new scheme there are a number of uncertainties including the impact of the 50/50 option and the cost control mechanism. A further complication is the impact of auto-enrolment on membership.

4.5. The actuary will present the report at the meeting to discuss the basis of the current assumptions, the impact of the new scheme and whether stability of contribution rates can be achieved.

4.6. The Interim Valuation was discussed with employers at the Investments Forum held on 9 November 2012 in order to provide finance managers with a context for 3 year budget planning from April 2013. A letter has discussing the Interim Valuation outcome has been sent to all employers.

5. 2013 VALUATION TIMETABLE

5.1. The actuary has set out the indicative timetable for the 2013 valuation on slide 32 of their report (see Appendix 1). The actuary and officers will initially discuss the impact of the market derived financial assumptions in April/May. At this stage the membership data as at 31 March 2013 will not have been processed.

5.2. Following this a Committee workshop will be held in June/July to discuss the Funding Strategy, including the actuary's financial and actuarial assumptions and the deficit recovery policy. This will set the parameters for the valuation process to be included in the *draft* Funding Strategy Statement which will then be circulated to employers for consultation (as required in the regulations).

5.3. The final Funding Strategy Statement will be agreed at the September Committee meeting following which the individual employer results will be calculated by the actuary.

6. RISK MANAGEMENT

6.1. The funding strategy is key to ensuring pension liabilities can be met in the future and therefore the strategy must be regularly monitored so that the Fund and employers are aware as to whether the current funding level deviates from the long term funding plan and the scale of any shortfall / surplus. Such information can assist employers in planning their medium term budgets and assist the Fund officers in managing those employers that pose a greater financial risk to the Fund

7. EQUALITIES

7.1. An Equalities Impact Assessment has not been completed as the report is for information only.

8. CONSULTATION

8.1. N/a

9. ISSUES TO CONSIDER IN REACHING THE DECISION

9.1. N/a

10. ADVICE SOUGHT

10.1. The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	