

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	18 March 2011	AGENDA ITEM NUMBER
TITLE:	ACTUARIAL VALUATION 2010	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: Appendix 1 – Presentation by Mercers Appendix 2 – Demographic Assumptions Summary Report by Mercers		

### 1 THE ISSUE

- 1.1 The Actuary has been invited to present the 2010 actuarial valuation outcome to the Committee.
- 1.2 The aim of the 2010 valuation was to strike a balance between maintaining the Fund's solvency and the affordability of the employers. Thus the objective was to maintain stable employer contribution rates where possible, and the Funding Strategy Statement (FSS), which was approved by the Committee in September 2010, set out the parameters as to how this objective would be met.
- 1.3 The valuation process has been set out for completeness.

### 2 RECOMMENDATION

- 2.1 **That the Committee notes the presentation by the Actuary.**

### **3 FINANCIAL IMPLICATIONS**

3.1 The budget provides for the actuarial costs of the triennial valuation.

### **4 BACKGROUND**

4.1 The Local Government Pension Scheme (LGPS) Regulations require LGPS funds to have an actuarial valuation every three years. The 2010 valuation has a base date of 31 March 2010 with new employer rates effective from 1 April 2011.

4.2 This valuation is taking place amid significant cost pressures within the public sector. In addition The Hutton Commission is reviewing the provision of public service pensions which could result in significant changes to the scheme structure in the future; however, the timing of any implementation is as yet uncertain.

4.3 Therefore the actuary has structured the valuation having regard to the FSS, the budgetary pressures facing all scheme employers and the potential for future changes in the scheme to generate savings in the medium term.

### **5 VALUATION PROCESS**

5.1 The following describes the valuation process:

- (1) Membership data is submitted to the Actuary by the Fund in July following a comprehensive data cleansing exercise.
- (2) FSS Workshop held in July where Actuary and Committee discuss the potential valuation outcome and actuarial assumptions. The draft FSS is then agreed which sets out the actuarial assumptions (which are mainly market derived or evidence based) together with the Fund's policy on deficit recovery.
- (3) The draft Funding Strategy Statement (FSS) is then circulated for consultation with scheme employers as required under the regulations. At September meeting, following the consultation, any comments from employers are discussed by the Committee prior to the final approval of the FSS.
- (4) Once the FSS is approved, the Actuary will use the framework to complete the valuation as under the regulations "the actuary must have regard to the FSS...". Procedurally, the Actuary can not complete the valuation until the FSS has been approved by the Committee.
- (5) The Actuarial Report which contains the Rates Certificate is not published until the full valuation is completed (usually not until March of the year following the valuation date). This is circulated to Committee members and scheme employers once published. The Rates Certificate states the minimum contribution rate and deficit payment to be made by each individual employer. In the meantime employers have been informed of their rates for the period 1 April 2011 to 31 March 2014.

### **6 ACTUARIAL VALUATION OUTCOME**

6.1 The aim of the 2010 valuation is to achieve a balance between the solvency of the Fund and the affordability of employers against the backdrop of the public sector funding situation. To achieve this balance, the Funding Strategy Statement objective was to maintain stable contribution rates where possible. The FSS

provided flexibility to achieve this by extending the deficit recovery period for up to 30 years for scheduled bodies and Community Admission Bodies (CAB) guaranteed by another Scheme employer. The deficit recovery period for CAB without a guarantee were to be determined on a case by case basis and the period for Transferee Admission Bodies (guaranteed by letting Scheme employer) will be agreed with the letting Scheme employer.

6.2 Appendix 1 is the presentation the actuary will use at the meeting to discuss the outcome. Appendix 2 is a summary of the demographic assumptions.

## **7 RISK MANAGEMENT**

7.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

## **8 EQUALITIES**

8.1 An equalities impact assessment is not necessary as report for information only.

## **9 CONSULTATION**

9.1 N/a

## **10 ISSUES TO CONSIDER IN REACHING THE DECISION**

10.1 Report is for information only.

## **11 ADVICE SOUGHT**

11.1 The Council's Monitoring Officer 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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<b>Background papers</b>	Mercers 2010 valuation papers