

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 14 FEBRUARY 2014

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER

SUBJECT: ACTUARIAL VALUATION 2013: OUTCOME



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SUMMARY OF ISSUE:

Report setting out the outcome of the triennial actuarial valuation in respect of the Surrey County Council Pension Fund

RECOMMENDATIONS:

It is recommended that:

- 1 The Pension Fund Board note the report and adopt the 2013 actuarial valuation.

REASON FOR RECOMMENDATIONS:

An actuarial valuation is a statutory requirement for the pension fund.

DETAILS:

Background

- 1 The Surrey County Council Pension Fund has a funding objective:

“To achieve and then maintain a funding target that requires assets equal to 100% of the present value of benefits based on completed service including provision for the effects of future salary growth and inflation up to retirement.”
- 2 In order to achieve this objective, it is necessary to assess the fund’s financial position on a periodic basis and implement future contribution rates with a view to achieving the desired status of 100% funding. LGPS pension funds are actuarially valued on a triennial basis and the fund’s actuary, Hymans, has just completed the fund’s valuation as at 31 March 2013.
- 3 This report sets out the initial summary outcome of the valuation.
- 4 Negotiations with employer bodies are still ongoing and, if required, a final edition of the actuary’s report will be included in the Pension Fund Board meeting agenda for 23 May 2014.

Valuation Results: Deficit and Funding Level

- 5 At 31 March 2013, the fund has a funding level of 72.3%, i.e., the Fund’s assets of the fund are adequate to meet 72.3% of the future liabilities.

Individual Employer Contribution Rates

- 6 While the fund is managed as a whole, it is effectively a number of sub-funds for each individual employer. This means that each employer contributes according to a contribution rate that specifically reflects the individual employer's membership profile. Under guidance from the actuary, we have continued to set deficit recovery as monetary amounts. Employee contributions are payable in addition to the employer contributions.
- 7 Where there are prospects of early retirement, thus giving rise to additional short-term costs in the form of immediate access to pension benefits, this will result in an element of actuarial strain (but specifically not including any redundancy cost). Additional contributions will be paid on top of the rates indicated in respect of early retirements where appropriate.
- 8 The actuary's final report is set out in Annex 1.

Future Funding Plan

- 9 The Pensions Fund's funding plan is set out in the Funding Strategy Statement (FSS) in Annex 2. Individual employer funding plans and each employer's contribution rates have been determined in accordance with the FSS.
- 10 Depending on each employer's individual circumstances, different approaches to the funding of benefits will be adopted, as part of the FSS consultation process. For the vast majority of employers, the two main features of the funding plan are that contribution rates should be assessed on the basis of recovery of the deficit over a period of 20 years. The increase in contributions is being phased where appropriate. In practice, the contribution rates will continue to be reviewed triennially.

CONSULTATION:

- 11 The Chairman elect of the Pension Fund Board has been consulted on the proposed change and has offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

- 12 Risk related issues are contained within the actuary's report in Annex 1.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 13 The costs of the actuarial valuation will be funded from the administrative expenses of the pension fund.

CHIEF FINANCE OFFICER COMMENTARY

- 14 The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed within the report and its appendices, and that the actuarial report will provide the Pension Fund a solid framework in which to achieve a full funding status over the long term.

LEGAL IMPLICATIONS – MONITORING OFFICER

15 The actuarial report is a statutorily required document.

EQUALITIES AND DIVERSITY

16 The report will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

17 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT:

18 The following next steps are planned:

- Commencement of the 2014/15 year's work programme in line with the actuarial assumptions.
- Funding Strategy Statement to be circulated for consultation to all employer organisations.
- Progress monitoring will take place and, if necessary, matters will be discussed at future Board meetings.
- Next actuarial valuation to take place as at 31 March 2016.

Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board Chairman

Annexes:

Actuarial Report
Funding Strategy Statement

Sources/background papers:

None

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