

2013 ACTUARIAL VALUATION RESULTS

Contact Officers

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Papers with this report

None.

INFORMATION

The triennial revaluation of the Pension Fund has now been completed and Catherine McFadyen, the Fund Actuary, will attend Committee to present the results of the 2013 valuation, incorporating a discussion on the results.

Summary of the Valuation Results

- The results of the 2013 valuation indicate the funding level is now 72%, a decrease from 77.6% at the 2010 valuation. This has resulted in the deficit increasing from £163m as at 31 March 2010 to £266m as at 31 March 2013. The deterioration of the funding position is largely due to the fall in gilt yields. Investment returns have been slightly higher than assumed.
- The common employer contribution rate is made up of two components, the future service cost and an adjustment for the past service position. The results indicate a future service rate of 18.9% and a past service cost of 8.7% giving a common contribution rate at the whole fund level of 27.6%. However, this rate is theoretical, and in practice each participating employer has its own underlying funding position and circumstance.
- As an employer, London Borough of Hillingdon agreed a long term approach to Employer contribution rates at the 2010 valuation to try to stabilise contribution rates. At the last valuation an annual increase to the London Borough of Hillingdon Employer's contribution of 1% was agreed and this will continue over the next three year period. However, Hillingdon has also paid an additional 1% contribution to fund the cost of early retirements, particularly on the grounds of redundancy, over the last 3 valuation periods. It is recommended that this now ceases as the expectation of further redundancy retirements is now significantly lower. As a result, there will be no increase in Hillingdon's Employer rate for 2014/15, and this has been built into the draft general Fund budget for 2014/15.

Note: It should be noted that the valuation is just a picture at a single date in time. Had the valuation been undertaken six months later when the gilt yields had risen by around 0.4%, then the funding level would have been around 77%. Initial indications of results of other London Boroughs are showing a wide range of funding levels, however, the levels are comparable with funds using the same actuary. For example, Hillingdon's results are similar to other London Boroughs who have Hymans Robertson as an actuary. Other actuarial firms use very much less prudent assumptions, taking funding levels to around 95%. It is hoped that once the new 2014 scheme comes in to effect and contribution

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stabilisation methods are enforced that standardised assumptions will be used across the whole Scheme.