

2016 ACTUARIAL VALUATION RESULTS

Contact Officers

Nancy le Roux, 01895 250353

Papers with this report

2016 Draft Actuarial Valuation Report

INFORMATION

The triennial revaluation of the Pension Fund has now been completed and the results documented in the attached report are consistent with the presentation to Committee in December by Catherine McFadyen, the Fund Actuary. The results are still draft at this stage as there remain some final discussions with a couple of scheme employers to agree their contribution rates. The report will be finalised by 31 March 2017.

RECOMMENDATION

It is recommended that Pensions Committee:

1. Approve the Funding Strategy Statement for the London Borough of Hillingdon Pension Fund.
2. Agree the draft Triennial Valuation Report and note the future employer contribution rates.

SUMMARY OF THE VALUATION RESULTS

Funding position

The table below summarises the funding position of the Fund as at 31 March 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2013).

Past Service Position	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Liabilities	949	1,079
Market Value of Assets	683	810
Surplus / (Deficit)	(266)	(269)
Funding Level	72%	75%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth (both over the inter-valuation period and continuing in the long term).

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 01.04.17 - 31.03.20	Secondary rate (£)		
	2017/18	2018/19	2019/20
19.5%	£5,369,000	£5,612,000	£7,015,000

The Primary rate above includes an allowance for administration expenses of 0.7% of pay. The employee average contribution rate is 6.4% of pay.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have increased as future expected investment returns have fallen. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 are shown in the Rates and Adjustment Certificate in **Appendix H** of the attached Draft Actuarial Valuation Report.

FUNDING STRATEGY STATEMENT

- Following agreement of the results the valuation the Funding Strategy Statement (FSS) of the fund has been revised and is included with this report for Committee approval prior to publication.
- The FSS sets out how the Council, in its role as Administering Authority, has balanced the conflicting aims of affordability, stability and prudence in the approach to funding the scheme's liabilities.
- Committee approved the draft FSS in December for consultation with scheme employers. No comments were received back from employers and so the FSS is now brought to Committee for final approval.