

Agenda No 4

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 23 May 2005

Report Title Outcome of the Triennial Actuarial Valuation

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

For further information please contact: Phil Triggs
Group Accountant
Tel: 01926 412227
philtriggs@warwickshire.gov.uk

Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Actuary's Report – 2004 Valuation

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input type="checkbox"/>
Local Member(s)	<input type="checkbox"/>
Other Elected Members	<input type="checkbox"/>
Cabinet Member	<input type="checkbox"/>
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	Liam Nevin, Solicitor
Finance	<input checked="" type="checkbox"/>	David Clarke, County Treasurer – reporting officer
Other Chief Officers	<input type="checkbox"/>
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>

- Police ☐
- Other Bodies/Individuals ☐

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by
this Committee ☐
- To Council ☐
- To Cabinet ☐
- To an O & S Committee ☐
- To an Area Committee ☐
- Further Consultation ☐

Pension Fund Investment Board - 23 May 2005

Triennial Actuarial Valuation

Report of the County Treasurer

Recommendation

That the Board note the report.

1 Introduction

- 1.1 The Warwickshire 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.”

- 1.2 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, Mercer Human Resource Consulting, has just completed the fund's valuation as at 31 March 2004.
- 1.3 This report sets out the outcome of the valuation.
- 1.4 A copy of the actuary's report is included in the package sent to members.

2 Valuation Results

Deficit and Funding Level

- 2.1 The fund shows a deficit of £152m as at 31 March 2004 against the objective shown in paragraph 1.1. This represents a funding level of 82%, i.e., the assets of the fund are adequate to meet 82% of the future liabilities.

Common Contribution Rate

- 2.2 The common contribution rate (rate in respect of future service only) is 10.4% of pensionable pay.

Average Employer Contributions Rate

- 2.3 If the funding deficit is recovered over a 25-year period then the average employer contribution rate is calculated at 14.4% of pensionable pay per annum.

Individual Employer Contribution Rates

- 2.4 While the fund is managed as a whole, it is effectively a number of sub-funds for each employer. This means that each employer contributes according to a contribution rate that specifically reflects the individual employer's membership profile.
- 2.5 The recommended employer contribution rates for the period 1 April 2005 to 31 March 2008 are set out in the actuary's report enclosed. Employee contributions (mostly at 6%) are payable in addition to the employer contributions. Additional capital contributions will be paid on top of the rates indicated in respect of early retirements.

3 Future Funding Plan

- 3.1 The Pensions Fund's funding plan is set out the Funding Strategy Statement (FSS), which was approved by the Board on 22 November 2004. Individual employer funding plans and each employer's contribution rates have been determined in accordance with the FSS.
- 3.2 Depending on each employer's individual circumstances, different approaches to the funding of benefits have been 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 25 years.
- 3.3 The increase in contributions is being phased in over a period of six years. In practice, the contribution rates will continue to be reviewed triennially and a gradual revision of the average employer's contribution rate towards the Common Contribution Rate is expected.

4 Other LGPS Funds

- 4.1 Warwickshire County Council's Pension Fund stands well in comparison with other LGPS Funds. The average funding level stands at 73% in comparison with Warwickshire's 82%.

- 4.2 Leicestershire's fund is best funded at 87% whilst North Yorkshire is lowest funded at 59%.
- 4.3 A schedule of LGPS members (county councils) and their respective funding levels is shown in **Appendix A**.

DAVID CLARKE
County Treasurer

Shire Hall
Warwick
May 2005

Survey of the 2004 Actuarial Valuation

Alphabetical Order

Administering Authority	Total Fund Funding Level %	
	2001	2004
Bedfordshire	87%	74%
Buckinghamshire	81%	66%
Cambridgeshire	107%	79%
Cheshire	91%	76%
Cornwall	95%	78%
Cumbria	94%	76%
Derbyshire	88%	70%
Devon	81%	61%
Dorset	87%	74%
Durham	83%	61%
East Sussex	102%	82%
Essex	89%	71%
Gloucestershire	90%	70%
Hampshire	88%	69%
Hertfordshire	90%	74%
Isle of Wight	97%	71%
Kent	76%	63%
Lancashire	99%	80%
Leicestershire	100%	87%
Lincolnshire	97%	79%
Norfolk	103%	82%
Northamptonshire	90%	71%
Northumberland	90%	63%
North Yorkshire	80%	59%
Nottinghamshire	91%	73%
Oxfordshire	91%	65%
Shropshire	108%	83%
Somerset	97%	74%
Staffordshire	103%	83%
Suffolk	84%	75%
Surrey	75%	68%
Warwickshire	102%	82%
West Sussex	88%	76%
Wiltshire	80%	75%
Worcestershire	90%	67%
Average/Total	91%	73%

Funding Level Order (Descending)

Administering Authority	Total Fund Funding Level %	
	2001	2004
Leicestershire	100%	87%
Shropshire	108%	83%
Staffordshire	103%	83%
East Sussex	102%	82%
Norfolk	103%	82%
Warwickshire	102%	82%
Lancashire	99%	80%
Cambridgeshire	107%	79%
Lincolnshire	97%	79%
Cornwall	95%	78%
Cheshire	91%	76%
Cumbria	94%	76%
West Sussex	88%	76%
Suffolk	84%	75%
Wiltshire	80%	75%
Somerset	97%	74%
Dorset	87%	74%
Hertfordshire	90%	74%
Bedfordshire	87%	74%
Nottinghamshire	91%	73%
Essex	89%	71%
Isle of Wight	97%	71%
Northamptonshire	90%	71%
Derbyshire	88%	70%
Gloucestershire	90%	70%
Hampshire	88%	69%
Surrey	75%	68%
Worcestershire	90%	67%
Buckinghamshire	81%	66%
Oxfordshire	91%	65%
Kent	76%	63%
Northumberland	90%	63%
Durham	83%	61%
Devon	81%	61%
North Yorkshire	80%	59%
Average/Total	91%	73%