

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Pension Fund Investment Board

**Date of Committee** 19 May 2008

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

**Background papers** Actuary's Report – 2007 Valuation

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- Other Committees  .....
- Local Member(s)  .....
- Other Elected Members  Cllr Davis - Chair of Pension Board
- Cabinet Member  .....
- Chief Executive  .....
- Legal  Tony Maione
- Finance  David Clarke, Strategic Director, Resources – reporting officer
- Other Chief Officers  .....
- District Councils  .....

Health Authority  .....

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 - 19 May 2008

### Triennial Actuarial Valuation

#### Report of the Strategic Director, Resources

#### 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 2007.
- 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 £166.5m as at 31 March 2007 against the objective shown in paragraph 1.1. This represents a funding level of 86%, i.e., the assets of the fund are adequate to meet 86% of the future liabilities.

### **Common Contribution Rate**

- 2.2 The common contribution rate (rate in respect of future service only) is 12.6% of pensionable pay.

### **Average Employer Contributions Rate**

- 2.3 If the funding deficit is recovered over a 22-year period then the average employer contribution rate is calculated at 16.1% 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 2008 to 31 March 2011 are set out in the actuary's report enclosed. Employee contributions 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) set out for approval at the 19 May 2008 Board meeting. 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 22 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 83% in comparison with Warwickshire's 86%.

- 4.2 Somerset's s fund is best funded at 95% whilst North Yorkshire is lowest funded at 67.8%.
- 4.3 A comparison of the English county council funds is set out in **Appendix A**.

DAVID CLARKE  
Strategic Director, Resources

Shire Hall  
Warwick  
May 2008

## Appendix A

		TOTAL FUND						ADMINISTERING AUTHORITY							
32		Actuaries Value		Actuary		Suplus/Deficit		Funding Level		Funding Level		Rate paid	2007 Contribution Rate		
Authority	2004	2007	2004	2007	2004	2007	2004	2007	2004	2007	2007/08	On-Going	Past Serv.	Total	
	£'000	£'000			£'000	£'000	%	%	%	%	%	%	%	%	
<b>Average</b>	<b>1,088,328</b>	<b>1,705,096</b>			<b>-404,174</b>	<b>-365,799</b>	<b>73.3%</b>	<b>82.8%</b>	<b>72.3%</b>	<b>81.9%</b>	<b>17.9%</b>	<b>14.0%</b>	<b>5.5%</b>	<b>19.5%</b>	
<b>Min</b>							<b>59.4%</b>	<b>67.8%</b>	<b>55.8%</b>	<b>63.7%</b>	<b>10.0%</b>	<b>5.3%</b>	<b>1.2%</b>	<b>15.1%</b>	
<b>Max</b>							<b>87.0%</b>	<b>95.0%</b>	<b>86.0%</b>	<b>95.0%</b>	<b>23.1%</b>	<b>18.1%</b>	<b>14.2%</b>	<b>23.1%</b>	
<b>Total</b>	<b>34,826,499</b>	<b>54,563,070</b>			<b>-12,933,581</b>	<b>-11,705,580</b>									
Bedfordshire County Council	706,985	1,079,600	HR	HR	-255,000	-274,300	73.0%	80.0%	70.0%	79.0%	21.9%	12.5%	9.4%	21.9%	
Buckinghamshire County Council	735,155	1,223,295	BW	BW	-375,924	-278,000	66.0%	81.0%	59.0%	74.0%	21.9%	14.4%	7.7%	22.1%	
Cambridgeshire County Council	878,000	1,385,000	HR	HR	-228,400	-218,900	79.0%	86.4%	79.0%	86.4%					
Cheshire County Council	1,479,000	2,377,000	HR	HR	-483,000	-426,000	75.0%	85.0%	74.0%	81.0%	19.5%	5.3%	14.2%	19.5%	
Cornwall County Council	617,000	1,012,000	HR	HR	-178,900	-132,000	78.0%	88.0%	79.0%	90.0%	19.0%	16.0%	2.5%	18.5%	
Cumbria County Council	788,000	1,178,000	WM	WM	-250,000	-268,000	76.0%	81.0%	73.0%	78.0%	16.4%	12.4%	6.2%	18.6%	
Derbyshire County Council	1,308,900	2,087,900	WM	WM	-548,300	-514,500	70.5%	80.2%	70.0%	81.0%	17.2%	13.4%	4.8%	18.2%	
Devon County Council	1,363,200	2,190,000	HB	HB	-864,100	-553,500	61.0%	80.0%	61.0%	79.0%	18.7%	15.5%	4.1%	19.6%	
Dorset County Council	869,500	1,425,547	BW	BW	-300,600	-115,041	74.0%	93.0%	75.0%	91.0%	16.9%	14.5%	2.4%	16.9%	
Durham County Council	931,700	1,459,200	HB	HB	-589,100	-382,100	61.0%	79.0%	60.0%	80.0%	18.5%	14.0%	5.7%	19.7%	
East Sussex County Council	1,131,461	1,708,070	HR	HR	-223,273	-212,280	84.0%	89.0%	83.0%	88.0%	17.1%	15.1%	4.0%	19.1%	
Essex County Council	1,916,000	3,043,000	WM	WM	-767,000	-782,000	71.4%	79.6%	70.7%	78.9%	18.6%	12.9%	6.7%	19.6%	
Gloucestershire County Council	640,000	950,463	HR	HR	-272,000	-332,634	70.0%	74.0%	69.7%	73.0%	18.9%	14.7%	7.7%	22.5%	
Hampshire County Council	1,990,000	2,917,000	HB	HB	-911,000	-891,000	69.0%	77.0%							
Hertfordshire County Council	1,360,000	2,152,200	HR	HR	-435,000	-388,000	76.0%	84.7%	75.0%	85.0%	18.7%	16.2%	4.4%	20.6%	
Isle of Wight															
Kent County Council	1,589,000	2,580,300	HR	HR	-940,600	-977,800	63.0%	73.0%	61.0%	70.0%	23.1%	15.0%	8.1%	23.1%	
Lancashire County Council	2,449,200	3,688,800	WM	WM	-628,300	-709,800	79.6%	83.9%	80.9%	84.6%	15.4%	13.8%	4.4%	18.2%	
Leicestershire County Council	1,391,000	2,182,000	HR	HR	-209,000	-161,000	87.0%	93.0%	86.0%	91.0%	15.0%	14.2%	3.0%	17.2%	
Lincolnshire County Council	746,700	1,145,500	HR	HR	-196,500	-182,200	79.2%	86.3%	78.4%	85.6%	18.3%	14.9%	3.9%	18.8%	
Norfolk County Council	1,164,000	1,891,000	HR	HR	-255,000	-150,000	82.0%	93.0%	82.0%	92.0%	15.8%	15.5%	2.5%	18.0%	
North Yorkshire County Council	765,800	1,265,700	WM	WM	-524,500	-601,900	59.4%	67.8%	55.8%	63.7%	18.8%	12.5%	7.3%	19.8%	
Northamptonshire County Council	715,800	1,107,900	WM	WM	-295,200	-341,100	71.0%	76.0%	71.0%	76.0%	10.0%	12.7%	7.5%	20.2%	
Northumberland County Council	440,600	669,000	HB	HB	-259,900	-269,700	62.9%	71.3%			20.0%	18.1%	3.5%	21.6%	
Nottinghamshire County Council	1,502,800	2,417,700	WM	WM	-553,200	-483,400	73.1%	83.3%		84.2%		12.7%	4.5%	17.2%	
Shropshire															
Somerset County Council	713,400	1,126,142	HB	HR	-246,900	-65,540	74.0%	95.0%		95.0%	14.0%	13.9%	1.2%	15.1%	
Staffordshire County Council	1,512,900	2,312,800	HR	HR	-269,000	-299,100	85.0%	89.0%	83.8%	87.0%	15.5%	14.4%	3.6%	18.0%	
Suffolk County Council	775,800	1,301,200	HR	HR	-260,100	-159,600	75.0%	89.0%	72.4%	87.0%		14.9%	7.6%	22.5%	
Surrey County Council	1,107,000	1,759,000	HR	HR	-516,000	-460,000	68.2%	79.3%	63.0%	74.0%	21.4%	14.8%	7.4%	22.2%	
Warwickshire County Council	670,000	1,001,000	WM	WM	-152,000	-163,000	82.0%	86.0%	81.0%	84.0%	12.7%	12.5%	3.5%	16.0%	
West Sussex County Council	968,000	1,549,300	HR	HR	-305,000	-214,200	76.0%	88.0%	74.0%	83.0%	19.0%	15.1%	4.8%	19.9%	
Wiltshire County Council	711,198	1,131,253	HR	HR	-240,684	-203,785	75.0%	85.0%	68.9%	83.1%	19.7%	15.2%	4.6%	19.8%	
Worcestershire County Council	888,400	1,246,200	WM	WM	-400,100	-495,200	68.9%	71.6%	66.7%	72.0%		12.9%	7.9%	20.8%	

The mean averages are based on the number of authorities who answered each individual question. At this stage, not all authorities have answered all questions. Therefore the average may not equal the total whole questionnaire.

The Fund Market Value is based on the Actuaries' Valuation where available. If the Actuaries' Value is not available, the Market Value has been used.

The 'Actual' Funding Level is based on the mean average of the responses. The Value Weighted funding level is based on the mean average market value and mean average deficit.