

Pension Fund Investment Sub-Committee

10 February 2014

The 2013 Actuarial Valuation

Recommendation

(1) That the Sub-Committee note the results

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, Hymans Robertson, has just completed the fund's valuation as at 31 March 2013.

1.3 This report sets out the initial summary outcome of the valuation.

1.4 The final edition of the actuary's report will be included in the May 2014 Sub Committee meeting.

2 Valuation Results

Deficit and Funding Level

2.1 At 31 March 2013, the fund has a funding level of 77%, i.e., the Fund's assets of the fund are adequate to meet 77% of the future liabilities.

Common Contribution Rate

2.2 The common contribution rate (rate in respect of future service only) is 19.5% of pensionable pay. This compares to 12.8% at 2010. There are various factors that have led to this increase, the largest factor

(4.2%) due to the fund's previous actuary, Mercer, using a different service rate when calculating the 2010 future service rate.

Past Service Contributions Rate

- 2.3 The past service rate based on a 20 year spread has been calculated at 9.6% (4.8% at 2010). Historically the fund has wrapped this up with the future service rate and asked the employer to pay one rate to cover both past and future service. However, it is proposed that past service is, from April 2014 recovered as a cash sum to protect the fund from falling payroll figures across its employer base.

Individual Employer Contribution Rates

- 2.5 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.
- 2.6 At the sub-committee meeting of 29 July 2013 the committee decided to adopt a stabilisation mechanism for tax raising employers. This has been taken into account when setting contribution rates payable from April 2014.
- 2.7 The recommended employer contribution rates for the period 1 April 2014 to 31 March 2017 are still being finalised and will be set out in the actuary's final report due to the May 2014 Sub-Committee meeting.

3 Future Funding Plan

- 3.1 The Pensions Fund's funding plan is set out in the Funding Strategy Statement (FSS). The FSS will be presented at the May 2014 Sub-Committee meeting.

4 Recommendation

- 4.1 That the Sub-Committee note the report.

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