

Pension Fund Investment Sub-Committee

12 June 2017

The 2016 Actuarial Valuation

Recommendation

(1) That the Sub-Committee note the results

1 Introduction

- 1.1 At the meeting of 13 March 2017 the draft results of the 2016 actuarial valuation were presented by the fund actuary.
- 1.2 Following this meeting the results were finalised and the report issued by the 31 March 2017 statutory deadline.
- 1.3 This report sets out the outcome of the valuation. The final valuation report in **Appendix A** shows the full results and includes all rates, assumptions and a detailed explanation behind the methodology adopted.

2 Valuation Results

Funding Level

- 2.1 At 31 March 2016, the fund has a funding level of 82%. The table below gives an analysis of how this was derived alongside a comparison of the 2013 valuation results.

Past Service Position	31/03/2013 (£m)	31/03/2016 (£m)
Past Service Liabilities	1,798	2,023
Market Value of Assets	1,379	1,665
Surplus / (Deficit)	(419)	(385)
Funding Level	77%	82%

Contribution Rates

- 2.2 The table below summarises the whole fund contribution rates required for the next three financial years.

Financial Year	Primary Rate (%)	Secondary Rate (£m)
2017/18	20.0%	£3.919m
2018/19	20.0%	£6.125m
2019/20	20.0%	£8.440m

- 2.3 The primary rate is the estimated cost of future benefits that build up every year, this was previously referred to as future service rate. The Primary rate also includes an allowance of 0.6% of pensionable pay for the Fund's expenses.
- 2.4 The secondary rate represents the contributions required to repair an employer's deficit. This was previously referred to as Deficit Recovery Contributions.
- 2.5 The average employee contribution rate is 6.0% of pensionable pay.
- 2.6 The table below shows the Fund 'Common Contribution rate' as at 31 March 2013 for information purposes. Although note that the change in regulatory regime and guidance on contribution rates means that a direct comparison to the whole fund rate at 2016 is not appropriate.

Contribution Rates	31/03/2013 (% of pay)
Employer future service rate (incl. expenses)	19.5
Past Service Adjustment (19 year spread)	9.6
Total employer contribution rate (incl. expenses)	29.2
Employee contribution rate	6.1
Expenses	0.6

- 2.3 The employer contribution rate is a theoretical figure – an average across the whole Fund. In practice, each employer that participates in the Fund has its own circumstances and underlying funding position, giving rise to its own contribution rate requirement. **Appendix A** pages 39-41 detail individual employer contribution rates due.

3 Future Funding Plan

- 3.1 The Pensions Fund's funding plan is set out in the Funding Strategy Statement (FSS). The FSS was approved by the Sub-Committee on 13 March 2017.

Background Papers

None

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