



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	15 November 2016
Classification:	Public
Title:	Pension Fund Actuarial Valuation and Funding Strategy Statement
Wards Affected:	None
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although the outcome of the valuation has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1 Executive Summary

- 1.1 The Fund Actuary, Graeme Muir of Barnett Waddingham, will be attending the meeting to update the Committee on progress with the 2016 actuarial valuation. A draft funding strategy statement reflecting the changes to the CIPFA guidance is presented for consideration.

2 Recommendation

- 2.1 That the Committee approve the draft Funding Strategy Statement attached at Appendix 2 pending consultation with the employers.

3 Reasons for Decision

- 3.1 The Fund is required to regularly review the Funding Strategy Statement and to have regard to CIPFA guidance. As the guidance has been recently updated, a revised statement is required to incorporate it.

4 Proposals and Issues

ACTUARIAL VALUATION

- 4.1. As members will be aware from previous actuarial valuation reports presented to the Committee, the LGPS regulations require all LGPS funds to undertake an actuarial valuation every three years for the purpose of setting employer contribution rates and monitoring the solvency of the funds. All funds in England and Wales are required to carry out a valuation as at 31st March 2016.
- 4.2. The Fund Actuary, Graeme Muir of Barnett Waddingham, attended the last meeting and set out the background to the valuation, the basis of the assumptions and some indicative results – his presentation handed out at the meeting is attached at Appendix 1 as a reminder.
- 4.3. The next stage is for the Fund Actuary to discuss with the Committee the assumptions to be applied and to present initial results showing for the whole Fund the assets, liabilities, deficit, future service rate and proposed annual deficit recovery lump sum contribution based on a proposed deficit year recovery period. This will be followed in due course by detail at an employer level.
- 4.4. The Fund Actuary will be attending the Committee meeting to update on progress and present where possible initial results. Data issues have led to the calculations of the results being delayed.

FUNDING STRATEGY STATEMENT

- 4.5 Regulation 58 of the LGPS Regulations 2013 sets out the requirement for every LGPS fund to maintain a Funding Strategy Statement. The regulation requires the Fund to have regard to the guidance published by CIPFA and to consult with parties it considers appropriate when updating it.
- 4.6 The current version of the statement was approved by the Pension Fund Committee (which at that time was known as the Superannuation Committee) in March 2014. It is timely to review the statement when undertaking an actuarial valuation. In addition, a few months ago CIPFA

issued revised guidance which needs to be incorporated into an updated statement.

- 4.7 Attached at Appendix 2 is a draft Funding Strategy Statement which reflects the revised CIPFA guidance. The main changes are:
- There is much greater emphasis on achieving and maintaining solvency than before;
 - There is more on achieving returns within reasonable risk parameters;
 - Maintaining the stability of contribution rates becomes an aspiration which is subordinate to meeting the solvency issues and achieving long term cost efficiency.
- 4.8 The statement will require further modification once the results of the 2016 valuation are known. In particular how the funding of the admitted and scheduled bodies is approached will need to be incorporated.

NEXT STEPS

- 4.9 The next stage of the process of the actuarial valuation is consultation with the employers in the Fund on the results, proposed employer contribution rates and the draft funding strategy statement. A final draft of the actuarial valuation report and the funding strategy statement will be presented to the Committee for approval at the next meeting on 21st March 2017.

5 Consultation

- 5.1 Consultation with the employers in the Fund will take place in the coming months on the results, proposed employer contribution rates and the draft funding strategy statement.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 Barnett Waddingham – 2016 Valuation; September 2016

Appendix 2 Draft Funding Strategy Statement