By:	Chairman Superannuation Fund Committee Corporate Director of Finance and Procurement
To:	Superannuation Fund Committee – 15 November 2013
Subject:	**ACTUARIAL VALUATION**
Classification:	Unrestricted

Summary: To report the initial results of the 31 March 2013 actuarial valuation for the major employers.

FOR INFORMATION

INTRODUCTION

1. The Fund has been subject to an actuarial valuation at 31 March 2013. Results for the major employers were received on 31 October and the actuary is presenting to meetings of Kent Finance Officers and the Superannuation Fund Committee and representatives from major employers at 2 meetings on 8 November.

2. Given the timescale for producing these committee papers they have to be published before the 8 November meetings.

VALUATION RESULTS

3. A summary of the results is attached in the Appendix . This valuation was always going to be challenging given a mix of some positive and negative background issues:

    - The Fund investment return at 8.5% per annum was ahead of the actuary's assumption of 6.5% and in the top third of Local Authority returns – so POSITIVE.

    - The new LGPS introduced from 1 April 2014 has some limited cost savings – SO SLIGHTLY POSITIVE.

    - Gilt yields are used to value the liabilities and these remain very low putting up the value particularly of the past service deficit – SO NEGATIVE.

    - To achieve budget savings local authority payrolls have been contracting – this is shown in the the Barnett Waddingham report. Where Councils have had large scale outsourcing or external shared service arrangements these have also impacted adversely – SO NEGATIVE.

4. Overall as shown at Fund level the funding level has increased from 77% to 83% and under the 3 options Revised Assumptions, LGPS 2014 and 10% 50:50 the employer contribution rate is lower.

5. As we have identified in recent valuations the headline Fund level position is pretty meaningless as the main determinant is what has happened at local employer level. The trend since 1998 when differential rates were introduced for the local authority employers has been for the KCC and Medway rates to reduce slightly and district councils rates to increase. Effectively pre-1998 the pool meant that KCC was keeping rates for the district councils artificially low.

6. As page 19 shows KCC, Medway, Police, Fire and Sevenoaks all see reductions in their rates. Whether those organisations reduce their rates is a matter for them to establish with the actuary. Unfortunately for 11 District Councils at a late stage in their 2014/15 budget process there is a new and unwanted budget issue. The discussion of options for managing the position will start at the meetings on 8 November.

7. The increased rates for the 11 district councils seem to come from:

   - Reduction in the size of the payroll.

   - Councils which moved to paying the past service deficit as a cash amount rather than a percentage of payroll eg. Sevenoaks, are in a stronger position.

   - The East Kent Shared Services and the Housing ALMO have impacted on the East Kent Councils and Shepway.

   - Outsourcings have had an adverse effect.

   We will work in detail to understand the local positions. The actuary will then discuss options with the KFO's.

8. Probation will move out of the Fund on 1 April 2014 to a national scheme taking an actuarially calculated pool of assets with them.

9. Barnett Waddingham are working on the other employers and will present the results at the Pensions Forum on 5 December.

RECOMMENDATION

8. Members are asked to note this report.

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