By:	Corporate Director of Finance & Procurement
To:	Pension Board – 14 October 2016
Subject:	**ACTUARIAL VALUATION UPDATE**
Classification:	Unrestricted

Summary: To update on the Government Actuary Department (GAD) review of the 2013 actuarial valuations and look forward to the 31 March 2016 valuation.

FOR INFORMATION

INTRODUCTION

1. This report is to update the Board on key actuarial valuation issues.

SECTION 13 VALUATIONS

2. As part of the increased intervention in the LGPS there is a requirement for the Department for Communities and Local Government (DCLG) to commission a Section 13 valuation of each LGPS fund for 2016. GAD will review the valuation to ensure it is:

   - Compliant with the LGPS Regulations.
   - It is not inconsistent with other funds.
   - Will ensure long term solvency.
   - Will ensure long term cost efficiency.

   So effectively they will re-do all the valuations using their own actuarial assumptions.

3. It is very hard to see what benefits this will have – there are only four firms of actuaries in the market (Barnett Waddingham, Hymans Robertson, Mercer and AON) and they are all bound by the same regulations and professional standards. A briefing note from Barnett Waddingham is attached in Appendix 1.

4. GAD have undertaken a dry run using the 2013 valuations. They found that on their valuation basis the Kent Fund was 83% funded – the same as the Barnett Waddingham result. The whole exercise found only two funds, Berkshire and Somerset, where further engagement has been necessary.

5. The Barnett Waddingham briefing note identifies that all four firms of actuaries to vary their assumptions to reflect particular issues relevant to each Fund – for example mortality does vary a lot across the country and in Kent even between district council areas. So what this really tells us is highly dubious.

2016 VALUATION

6. The valuation process is now well under way, despite some very poor responses from employers, with one major local authority employer finally submitting data in an acceptable form two months late. In terms of outcomes the key dates are:

   - 3 November pm – presentation to Kent Finance Officers.
   - 4 November am – presentation to Superannuation Fund Committee.

   Other employer results will follow in December.

7. In terms of the likely outcome the positives are that the Fund exceeded the investment return assumption, pay awards have been lower than assumed and mortality may be slightly positive. Against that the discount rate used will lead to a higher value on liabilities. A further positive is that the larger local authority employers now predominantly pay the deficit contribution as a cash amount. Barnett Waddingham's briefing note is attached in Appendix 2.

8. The other key variable is the impact of local factors, large scale outsourcing and moves to shared services can have a very large impact on contribution rates as the East Kent District Councils experienced in the 2013 valuation.

9. The best outcome for the large local authority employers will be rates standing still, some may see small increases due to local factors.

RECOMMENDATIONS

10. Members are asked to note the report.

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