

Pension Fund Committee

Meeting to be held on 4 February 2011

Electoral Division affected: None

Revised Funding Strategy Statement

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

This report sets out the Fund's revised Funding Strategy Statement following the results of the 2010 formal actuarial valuation of the Fund as noted by the Committee at their meeting of 10 December 2010.

Recommendation

The Committee is asked:

1. to approve the revised Funding Strategy Statement (FSS).
2. to agree that the Treasurer to the Lancashire County Pension Fund be authorised to use her discretion in exceptional circumstances where an individual employer wishes to deviate from the deficit recovery plan as set out within the revised Funding Strategy Statement subject to any deviation not impacting on the overall prudent management of the Fund.

Background and Advice

The triennial Valuation of the assets and liabilities of the Lancashire County Pension Fund as at 31 March 2010 has been carried out by the Fund Actuary, Mercer. The results of the Valuation, including amendments to individual employer contribution rates, will be effective from 1 April 2011.

The results of the 2010 Valuation reveal a funding position of 80% and an average employers contribution rate of 19.4%. The Actuary presented these results at the Committee meeting held on 10 December 2010 and the results were also communicated to individual employers at a Directors Briefing on 14 December 2010. Subsequently the Actuary has held one to one "surgery sessions" with individual employers to assist them in understanding the results of the valuation.

The Fund's revised Funding Strategy Statement (FSS), attached at Appendix 'A', was also communicated to employers at the Directors Briefing and consultation is now underway with individual Fund employers in respect of their individual employer contribution rates and the options available to them via the revised Funding Strategy Statement.

Section 5 of the FSS set out the deficit recovery plan as follows: -.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates:

- *A maximum deficit recovery period of 19 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A different period may be applied in respect of particular employers where the Administering Authority considers this to be warranted*
- *In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:*
 - *the size of the funding shortfall;*
 - *the business plans of the employer;*
 - *the assessment of the financial covenant of the Employer;*
 - *any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.*
- *Where increases in employer contribution rates are required from 1 April 2011, following completion of the 2010 actuarial valuation, the increase from the rates of contribution payable in the year 2010/11 may be implemented in equal steps, over a maximum period of 3 years.*
- *Additional contributions will be expressed as a level percentage of pensionable payroll.*

*In certain instances, and in particular for Fund employers which are considered by the Administering Authority to provide a high level of covenant, an allowance may be made as part of the recovery plan for investment performance at a higher level than that assumed for assessment of the **funding target**.*

The Committee is asked to agree that the Treasurer to the Lancashire County Pension Fund be authorised to use her discretion where an individual employer wishes to deviate from the deficit recovery plan as set out within the revised Funding Strategy Statement, subject to any deviation not impacting on the overall prudent management of the Fund.

The formal Actuarial Valuation Report as at 31 March 2010 is expected to be available no later than 31 March 2011. A copy of the Report will be sent to all members of the Pension Fund Committee.

Consultations

Pension Fund Actuaries- Mercer Limited.

Implications:

This item has the following implications, as indicated:

Risk management

Legal

Non compliance with statutory regulation.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Reason for inclusion in Part II, if appropriate

N/A