

Pension Fund Committee

Meeting to be held on 30 September 2015

Electoral Division affected: None

Initial Approach to the 2016 Actuarial Valuation

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

The Pension Fund is required to undertake a full actuarial valuation of its liabilities every three years for the purpose of setting employer contribution rates and deficit recovery periods and payments. The next valuation is due to be undertaken based on data at 31 March 2016, with any new contribution rates taking effect from 1 April 2017.

In preparation for the valuation process it is important that the Fund engages with employers in order to:

- Inform them of the risks and issues that exist in the valuation process and their possible financial impact.
- Gain an understanding of the objectives which employers might have for the valuation process.

This report provides background to the valuation process and recommends an approach to engagement with employers for adoption by the Fund over the course of the process.

Recommendation

The Committee is asked to approve the Fund's initial position in relation to the 2016 valuation set out at Appendix 'A' as the basis for consultation and engagement with fund employers.

Background and Advice

The triennial valuation of the Pension Fund, which determines future levels of employer contribution is due to take place based on the position at 31 March 2016. The report at Appendix 'A' sets out how the assumptions made in setting contributions at the last valuation in 2013 have fared in reality and sets out a proposed initial position for the Fund in terms of the forthcoming valuation.

The broad objective proposed is to maintain the level of contributions being received by the Fund in cash terms, i.e. to maintain the 2013 plan. Logically this should allow the deficit recovery period to be reduced to 16 years. An approach of this sort while recognising the pressure on employers' budgets by not increasing the burden of contributions beyond the current plan also maintains the Fund's prudent approach to setting contributions which has been recognised in various analyses of previous valuations.

The proposal is to use the initial position set out in the report at Appendix 'A' as the basis for consultation and ongoing discussion with employers.

Consultations

Initial consultation has been undertaken with the Fund's actuary. Approval of this report will begin a process of consultation and engagement with Fund employers.

Implications:

This item has the following implications, as indicated:

Risk management

The valuation process is essentially a risk management process in which the Fund is required to strike a balance between various competing interests in order to set contributions rates such that it continues to be able to meet its pension promises when they fall due. The proposals set out at Appendix 'A' focus on the delivery of an achievable strategy for bridging the deficit, while recognising the pressures on employers and also the different risks which different employers pose to the Fund.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A