

Report of the Director, West Yorkshire Pension Fund, to the meeting of Pension Board to be held on 9 November 2016.

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Subject: 2016 Actuarial Valuation

Summary statement:

The triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) is being prepared based on the situation at 31 March 2016, and will determine the level of employers' contributions from April 2017 onwards.

Recommendations

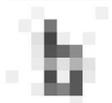
That this report is noted.

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Overview & Scrutiny Area:



1. Summary

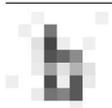
This report provides the Pension Board with a summary of the proposed approach to the actuarial valuation at 31 March 2016 by the Fund's actuary.

2. Background

- 2.1 In accordance with the Regulations the Fund is subject to an actuarial valuation by its appointed consulting actuary at 31 March 2016.
- 2.2 The main aims of carrying out an actuarial valuation of the Fund are to:
- Review the financial position of the fund,
 - Determine the employers contribution rates; and
 - Ensure that the legal requirements in relation to the actuarial valuation are met.
- 2.3 The last actuarial valuation at 31 March 2013 resulted in a funding level of 96%, with employers paying the aggregate employer future service contribution rate of 14.3% of pensionable pay. In addition the majority of employers were also required to pay additional monetary contributions to cover any deficits to restore the funding ratio to 100 % using a recovery period of up to 22 years.

3. Approach to the Valuation at 31 March 2016

- 3.1 The aim is for a valuation result with a minimal contribution change while keeping the funding risk at an acceptable level. The preferred primary tool for adjustment to achieve the acceptable level of contributions is the assumed rate of investment return.
- 3.2 Under the Aon Hewitt's risk based approach there are three key decisions to be made in relation to each employer in the Fund (in practice many employers can be grouped together for these decisions). These re:
- The solvency target for each employer.
 - The trajectory period for each employer (i.e. when you want to reach the solvency target).
 - The required probability of funding success i.e. how likely do you wish it to be that you achieve the solvency target by the end of the trajectory period.
- 3.3 Data was submitted to the Funds Actuary in mid-July.
- 3.4 A meeting between the Funds Actuary and the Joint Advisory sub group made up of Chair, Deputy Chair and union representative met in October to agree the assumptions to be used in valuing the Fund.



- 3.5 The objective of agreeing the assumptions to be used is to produce a result which will enable the fund to maintain as steady a contribution rate for the main employers as is possible, as stated in 3.1. For the other employers there will be slightly differing approaches.
- 3.6 The funds relative position has fallen between 2013 and 2016 due to a combination of a relatively high discount rate used in 2013, lower investment returns and relatively low employers contributions.
- 3.7 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).
- 3.8 The purpose of the FSS is to set out the processes by which the Administering Authority :
- Establish a clear and transparent fund specific strategy which will identify how employers pensions liabilities are best met going forward;
 - Supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;
 - Ensures that the regulatory requirements to set contributions so as to ensure the solvency and long term cost efficiency of the Fund are met;
 - Takes a prudent longer term view of funding these liabilities.

Interested parties, including officers, elected members and employer representatives will be consulted on the FSS. Following the consultation the Funding Strategy Statement will be presented to the next Joint Advisory Group meeting in January for approval.

4 Section 13 Review

- 4.1 The Government Actuary's department has been appointed by the Department for Communities and Local Government to provide a report under Section 13 of the Public Service Pensions Act 2013. The report will provide an overview of the 91 separate valuations by the four actuarial firm and will review the appropriateness of employer's contributions. As a result of this review the assumptions used in the valuation will loom large in each Actuary's mind. Aon will be concerned about negative publicity that might ensue if the assumptions WYPF use are deemed too weak.

5. Recommendation

- 5.1 That this report is noted.

