

WILTSHIRE PENSION FUND COMMITTEE
21 February 2005

ACTUARIAL VALUATION 2004

Purpose of Report

1. The purpose of this report is to update Members on the final position in relation to the 2004 Actuarial Valuation.

Background & Introduction

2. The Committee will remember that at its meeting on 19 October 2004 the 2004 Actuarial Valuation was considered in detail and the Fund's Actuary (Douglas Anderson of Hymans Robertson) gave a presentation. Following this, the Committee resolved:
 - *To approve the provisional minimum contribution rates summarised in Appendix B of the report for the next three years for presentation to the employer bodies.*
 - *To note that the County Treasurer and the Actuary will hold discussions with employer bodies who request them regarding future contribution rates and that members of the Committee will be kept informed of progress at future meetings.*
3. These discussions have now been largely concluded. I have asked Douglas Anderson to prepare and sign the final Valuation Report which includes the Rates & Adjustments Certificate that gives the minimum contribution rates for all employers within the Fund for the next three years. These contribution rates are shown in the Appendix.

Key Considerations for the Committee / Reasons for Proposals

4. I have briefly summarised below the key issues from my discussions with employers.

Individual Employers

5. One of the principles that the Committee considered and agreed on 19 October 2004 was that contribution increases, on request, could be phased in over three years. I have agreed step-in arrangements with four employers:
 - Kennet District Council (3 years)
 - Salisbury District Council (3 years)
 - West Wiltshire District Council (2 years)
 - North Wiltshire District Council (2 years)
 - Orders of St John Care Trust (3 years)
6. The three District Councils listed above either have already sought, or may seek, permission from the Secretary of State to put capital contributions into the Wiltshire Pension Fund. If they were to be successful and to decide to proceed, the Rates & Adjustments Certificate would need to be amended later in the year to reflect these capital sums and the resulting lower contribution rates.

7. I have agreed to separate out the former Sarsen Housing Association into four employer bodies within the Fund (as shown in the Appendix) following the organisation's restructuring last year. All past service liabilities are expected to remain with Sarsen Housing Association and the three new bodies (Silbury Group, Silbury First Ltd and Ridgeway Community Housing Association) will start from a fully funded position, although this is subject to a final decision by the relevant Boards. However, the overall position in relation to the Wiltshire Pension Fund (ie. assets, liabilities, deficits and contributions) remains the same in aggregate. In due course this will need to be formalised through admission agreements.
8. Following discussions, Westlea Housing Association has moved to the status of a closed employer (ie. does not admit new members), which has increased its contribution rate by 1.5%.
9. Thamesdown Transport have indicated that depending on their final budget position, which is partly dependant on local authority subsidies, they may need to request a change in their employer rate later in the Spring, to reflect a move to a 20 year deficit recovery period. The company's status is unique within the Wiltshire Fund as they are a "deemed" employer and their pension arrangements are essentially underwritten by Swindon Borough Council. Therefore, depending on the advice of the Actuary, I may be willing to consider a 20 year deficit recovery period.

Admitted Bodies Pool

10. The more difficult issue is that of the Admitted Bodies Pool. This is a pool made up of around 16 employers, mainly charitable-type organisations, half of which no longer have active contributing members.
11. The purpose of pools of this nature has historically been to smooth contribution changes for smaller employers. The assets and liabilities of the employers in the Pool do not reflect the shared experience (eg. the financial effects of other employers' retirement decisions), so there are no cross subsidies between employers. However, whilst employers remain within the pool, their contributions reflect the shared experience of the Pool. The application of the standard contribution rate across the Pool means that the employers who are better funded than the Pool average are paying too much contribution and so will continue to see higher than average funding levels. Conversely, the employers with worse than average funding levels will not pay enough to recover the position and so will continue to see a poor funding level.
12. I am in discussions with two of the larger employers within the Admitted Bodies Pool about the nature of their future participation and they have expressed concerns about the pooling concept. I am also in consultation with the Actuary about the future of this Pool and he advises that similar discussions are emerging in other local government pension funds as contribution rates rise and organisations become more aware of pensions issues.
13. One of the options under consideration is that the Pool be dismantled. Initial work suggests that there would be winners and losers in terms of contribution rates, but the contribution changes could be phased in over a period of 3 to 6 years. I have not yet consulted the employers in the Pool, because the necessary analysis has not yet been finalised, but I will do in due course. Any dismantling of the Pool would need to be with their agreement.

Risk Assessment

14. My report and the Actuary's presentation to the 19 October 2004 meeting covered all the appropriate risks and no new ones have emerged since.

Financial Implications

15. The financial implications of the Actuarial Valuation fall on employers. The proposed employer contributions arising from this valuation were reported at the employers' meeting that followed the Committee on 19 October 2004 and subsequently in my letter to employers of 25 October 2004. Therefore employers, including the County Council, have had adequate time to assess the financial implications of the proposed rates and as outlined above, some have sought a stepping-in of their contribution rates.

Environmental Impact of the Proposal

16. There is none known.

Proposal

17. The Committee is asked to:

- note the Employer Contribution Rates on which the Actuary will finalise and sign the 2004 Actuarial Valuation as given in the Appendix; and
- note that the Admitted Bodies Pool may be dismantled, subject to the outcome of further analysis and agreement being reached with the employers in the Pool.

MIKE PRINCE
County Treasurer

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Unpublished documents relied upon in the production of this report: NONE

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