

WILTSHIRE PENSION FUND COMMITTEE
28 February 2007

THE 2007 ACTUARIAL VALUATION

Purpose of the Report

1. This report is to update Members on the process for the 2007 Actuarial Valuation.

Background

2. Under the Local Government Pension Scheme (LGPS) regulations, each Fund must have a full actuarial valuation of its funding position every 3 years, carried out by a qualified actuary. All local government funds in England and Wales run on the same timescale, with a valuation due as at 31 March 2007.
3. The Valuation identifies the degree to which liabilities are funded and the Actuary advises on the appropriate Employer's Contribution Rate for each employer body within the Fund for the next three years.

The Process

4. The County Council's actuary is Hymans Robertson and I have already commissioned them to carry out the work on behalf of the Fund.
5. The timetable for completion of the Valuation, agreement with the employer bodies and signing off by Hymans Robertson is as follows:

Action	Deadline
Commissioning arrangements in place	31 March 2007
Final date for data back from employer bodies	25 May 2007
All data prepared, checked and passed to Hymans Robertson	29 June 2007
Preliminary results available from Hymans Robertson and under discussion	Mid/Late September 2007
Pension Fund Committee receives & debates results	3 October 2007 (am)
Employer bodies receive & debate results	3 October 2007 (pm)
Discussions with individual employer bodies and Hymans Robertson to finalise employer rates (as necessary)	By 31 December 2007
Final report signed off by Hymans Robertson	By mid-February 2008
Final employer rates notified to Pension Fund Committee	Late February 2008

6. Members have already been notified of a special Wiltshire Pension Fund Committee meeting to receive the results of the Valuation on the morning of 3 October 2007. This will be followed by a meeting of all employer bodies that afternoon to present the Valuation results.

The Outlook

7. Officers currently receive quarterly information from Hymans Robertson which gives an indication of the funding level of the Wiltshire Pension Fund. As at 31 December 2006, this showed a funding level of 86%, compared to 75% at the 2004 valuation. This figure should be viewed with considerable caution, though, because it is based on the member

and mortality data from the 2004 valuation. Notwithstanding, it would seem likely that there will be a reduction in the Past Service element of employers' contributions following the 2007 valuation.

8. However, current expectations are that this good news is likely to be more than cancelled out by an increase in employers' Future Service rates, as the result of a number of factors, including increased longevity and the new 2008 Scheme (which is likely to be marginally more expensive). But the most significant upward pressure on the cost of future service will be the increase in liabilities due to suppressed bond yields, which are used as the basis for estimating future investment returns.
9. To summarise, it looks likely that contribution rates will either stay static or more likely rise slightly as a result of the 2007 valuation. However, there is likely to be significant variations between employer bodies based on individual experience over the period 2004 to 2007.

Funding Strategy Statement

10. There is also a requirement in the LGPS regulations to keep the Funding Strategy Statement (FSS) up-to-date. The purpose of the FSS is:
 - to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
 - to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
 - to take a prudent longer-term view of funding those liabilities.
11. The FSS for the Wiltshire Pension Fund was published in early 2005 and was consistent with the principles used in the 2004 valuation. The updating of this document will tie in closely with the 2007 Valuation work and the revised version will be brought back to the Committee for approval in due course.

What will we need to do as a result of the Valuation?

12. Given that the 2007 Valuation is not expected to change any fundamentals and that the Fund's latest investment strategy was only approved by this Committee in July 2006, it is not envisaged that the Strategy will be revisited following the 2007 Valuation.

Reasons for Proposal / Environmental Impact of the Proposals / Risk Assessment

13. Members are not asked to make a policy decision as a result of the report.

Proposal

14. The Committee is asked to note the process for the 2007 Actuarial Valuation.

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Chief Financial Officer

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

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