

Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	05 January 2017
Subject:	2016 Valuation Update Report

Summary:

This report updates the Committee on the March 2016 Valuation process and results.

Recommendation(s):

That the Committee note the report.

Background

1. As part of the Local Government Pension Scheme (LGPS), the Lincolnshire Pension Fund is required to undertake a valuation of the Fund's assets and liabilities every three years – this is called the Triennial Valuation. The purpose of the valuation is to understand the overall funding level of the Pension Fund (i.e. does it have enough assets to meet its liabilities), to understand the individual funding levels of each employer and to set the contribution rates for all the employers for the next three year period.
2. The Fund's appointed Actuary, Hymans Robertson, received the membership and cashflow data from the Fund as at 31st March 2016, and presented the draft Fund results to the Pensions Committee and Pension Board on 6th October. The initial Funding level for the Fund had improved from 71.5% funded to 76.9% funded.
3. At the October meeting, much debate was had on the basis used for calculating the liabilities, known as the "Gilts+" basis. Following additional information from the Actuary detailing the reasoning behind that approach, there were still concerns amongst both the Committee and the Board that this was the most appropriate approach in the current economic environment. However, after consideration it was agreed that Hymans would continue with their "Gilts+" approach for this valuation, but that further discussion on the most relevant approach should be had before the 2019 valuation.

4. The financial assumptions used to calculate the liabilities are shown below, and compared to the assumptions used at the 2013 valuation.

	31 Mar 2013 % p.a.	31 March 2016 % p.a.
Pre-retirement Discount Rate	4.6	4.0
Post-retirement Discount Rate	4.6	4.0
Salary Increases	3.8	2.6
Pension Increases/CARE Revaluation	2.5	2.1

5. 152 individual employer results were received in November, covering all employers/pools within the Fund at March 2016. An example employer draft results report is attached at appendix A. The tables on page 4 show the surplus/deficit at the 2013 and 2016 valuations, and the experience over the three year period to get from one to the other. The tables on page 5 show the current and required primary and secondary contribution rates. The generic employer results report, which accompanied the individual results, is attached at appendix B. These reports were sent to the strategic contacts for each employer in mid-November.
6. To assist employers understanding of their valuation results, two days of employer surgeries were held at County Offices. These days consisted of a presentation from the Actuary each day and bookable 15 minute appointments with the Fund Actuary and the Pension Fund Manager. Around 50 employers attended these events and feedback was very positive.
7. Overall, the results of the Valuation have been well received. Excluding the stabilised employers (the Councils and Police), the breakdown of rising or falling rates (compared to current rates) amongst the other groups of employers is shown below.

Establishment Type	No. Rising Rate	No. Falling Rate
Pre 2013 Academies/MAT's	31	52
Post 2013 Academies/MAT's	19	14
Colleges	4	2
Small Scheduled Bodies (pool)		1
Internal Drainage Boards	3	6
Admission Bodies	11	3

8. Employers have been asked to complete a declaration form confirming their payment of the agreed rates by 16th December. A handful of employers are considering alternative proposals, and these will be agreed by the end of January. Once all contributions have been agreed and declarations received, the Funding Strategy Statement will be finalised and sent for consultation to all employers. This will then be taken to the March Pensions Committees for approval, ahead of the 31st March 2017 deadline.

Conclusion

9. The Lincolnshire Pension Fund's triennial valuation has now been undertaken by Hymans Robertson. The overall funding position has improved by 6%, from 71% in March 2013 to 77% at March 2016, when assessed under the prudent "Gilts+" approach. Individual employers rates have been mixed, however a large number of employers have seen an improvement in their funding position, and lower contribution rates.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register that can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Employer Draft Results Report Redacted
Appendix B	LPF Employer Valuation Results Report 2016

Background Papers

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