

Report to: **Pension Board**

Date of meeting: **3 November 2016**

By: **Interim Chief Finance Officer**

Title: **Funds Actuarial Valuation Report – Draft results**

Purpose: **This report sets out the draft results of the 2016 Actuarial Valuation of the East Sussex Pension Fund.**

RECOMMENDATIONS

The Board is recommended to note the Fund draft results of the 2016 Actuarial Valuation.

1. Background

1.1 The triennial valuation of the assets and liabilities of the East Sussex Pension Fund as at 31 March 2016 has been carried out by the Fund Actuary, Hymans Robertson. The results of the valuation, including amendments to individual employer contribution rates, will be effective from 1 April 2017. A detailed report of the draft results is attached at Appendix 1.

1.2 The funding level has improved from 81% in 2013 to 92% in 2016. Additionally, the funding deficit has decreased. The main reasons for the change in the funding level over the period were - better than anticipated investment returns and the effect of member experience (e.g. actual salary and pension increases being lower than expected). The financial effect of these factors have more than offset increases in the value placed on the liabilities due to the change in market conditions since the 2013 valuation, in particular the reduction in long term interest rates.

1.3 Individual employer contribution rates and the options available to mitigate the impact of increased contributions will be presented to Fund employers at the Employers Forum to be held at County Hall on 18 November 2016. The formal Actuarial Valuation Report as at 31 March 2016 is expected to be available by 31 March 2017.

2. Contribution rates

2.1 The East Sussex Pension Fund actuary has finalised the data validation stage of the 2016 valuation and has signed off the Fund data as being fit for this purpose.

2.2 Every employer has their own tailored funding plan, and valuation results will vary depending on their own membership, funding plan and experience since the last valuation (or since they joined the Fund). However, the change in the financial assumptions will likely put upward, but manageable, pressure on employer contribution rates, both in respect of future service and in paying off any deficit.

3 Next steps

3.1 The purpose of this report is to present the initial whole fund solvency results and summarise the experience over the intervaluation period. This report is useful to identify any areas of potential risk that the Fund may want to consider and explore possible avenues of risk mitigation during the valuation process. The next milestone in the valuation process is preparation of the draft individual employer results.

4. Conclusion and reasons for recommendations

4.1 For the purpose of the 2016 valuation, the actual experience of the East Sussex Pension Fund since the last valuation at 31 March 2013 has an impact on the valuation. Overall the experience of the Fund compared to the assumptions adopted at the previous valuation has been positive; however it has been mixed with greater than expected investment returns which had a positive impact as did lower than expected pay increases.

4.2 The Board is recommended to note this report.

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Background Documents

None