

PENSIONS COMMITTEE
26 SEPTEMBER 2016**ACTUARIAL VALUATION – GOVERNMENT ACTUARY'S
DEPARTMENT SECTION 13 DRY RUN REPORT**

Recommendation

- 1. The Chief Financial Officer recommends that the Government Actuary's Department (GAD) Section 13 Report be noted.**

Background

2. Section 13 of the Public Service Pensions Act 2013 requires the Government Actuary to report on whether four main aims are achieved with regards to local fund valuations of the Local Government Pension Scheme (LGPS) from 2016:
 - a) compliance: whether the fund's valuation is in accordance with the scheme regulations
 - b) consistency: whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS
 - c) solvency: whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund
 - d) long term cost efficiency: whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost-efficiency of the scheme, so far as relating to the pension fund
3. GAD have carried out a "dry run" section 13 analysis based on the 2013 local valuations in order to prepare for a full report to be carried out on the 2016 local valuations once finalised.

Standardised basis

4. GAD identified that there are significant areas of inconsistency in local valuation reports' assumptions and methodology, which make meaningful comparison of valuation results unnecessarily difficult. To address this, GAD restated the results on two bases:
 - i) The standard basis established by the Scheme Advisory Board (SAB); and
 - ii) A market consistent basis derived by GAD.

Results

5. Based on the SAB standard basis the Fund moves from 69% funded to 83% funded indicating that the Fund's actuary has correctly built prudence into the Fund's 2013 valuation assumptions.

6. The Fund scored 'green' indicating that there are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency with regards to existing or emerging risks, which include funding level, liability shocks and asset shocks.

7. The final assessment concerned long term cost efficiency measures: deficit repaid, deficit period, required return, repayment shortfall, repayment pace, return scope and interest cover. These metrics were assessed on a standardised market-consistent basis. The Fund achieved a 'green' score on all measures except for deficit extension which scored amber. The Shadow Pension Committee in 2014 approved a recommendation to extend the Fund's deficit recovery period from 19 years to 21 years to ensure affordability of employer deficit contributions and to bring the recovery period in line with the actuarial valuation triennial cycle.

Contact Points

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Supporting Information

- GAD Section 13 Dry Run Report (Appendix)

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

Worcestershire County Council Pension Fund 2013 Valuation Report.