



<b>Report to:</b>	Pension Committee	<b>Date:</b>	18 December 2017
<b>Report title:</b>	Pension Fund Interim Valuation		
<b>Report from:</b>	Gerald Almeroth, Strategic Director - Resources		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Sunita Gordon		
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<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	06 December 2017

## 1. Summary

- 1.1 This report outlines the results of the interim valuation of the Council's Pension Fund as at 31 March 2017 carried out by the Fund's Actuary, Barnett Waddingham (Appendix A).

## 2. Recommendation

The Pension Committee is recommended to:

- 2.1 Note the outcome of the interim valuation.

## 3. Background

- 3.1 Full actuarial valuations of the Pension Fund are required by statute every three years to set the minimum levels of employer's contribution rates. The last full valuation was as at 31 March 2016.
- 3.2 In the years between full valuations the Actuary is asked to carry out interim valuations which assess the approximate financial position of the Fund by updating key factors from the last full valuation.



**4. Issues**

- 4.1 As with all actuarial valuations the interim valuation compares the estimated assets of the Fund with the estimated liabilities for future payment of pensions that the Fund will need to meet,
- 4.2 The table below shows the results of the interim valuation as at 31 March 2017 alongside the results of the last full valuation as at 31 March 2016.

	<b>31 March 2016</b>	<b>31 March 2017</b>
	<b>£m</b>	<b>£m</b>
<b>Market value of assets</b>	503	618
<b>Liabilities</b>	632	711
<b>Deficit</b>	129	93
<b>Funding level</b>	80%	87%

- 4.3 Investment return achieved by the Fund’s assets in market value terms for the year is 21.1% This return is substantially more than was projected at the 2016 valuation.
- 4.4 Whilst the actual investment returns earned by the Fund directly affect the value of the Fund’s assets the value of the liabilities is dependent on the assumptions used to value the future benefits payable. Each of the assumptions used by the Actuary, projected pension and salary increases and discount rate, has served to increase the value of the liabilities. However, the assumption which has the greatest impact on the valuation of liabilities is the real discount rate which, since it is lower at 31 March 2017 than it was a year earlier increases the value of liabilities used for funding purposes.
- 4.5 The results of the interim valuation indicate that:
  - The current projection of the funding level as at 31 March 2017 is 87% and the average required employer contribution would be 26.3% assuming the deficit is to be paid by 2037;
  - This compares with the reported funding level of 79.5% and average required employer contribution of 26.0% of payroll at the 31 March 2016 funding valuation.

- 4.6 The Actuary has also been asked to estimate the funding position as at 31 October 2017 taking into account asset valuations at 30 June 2017 and has calculated it to be 88%.

## 5. Impacts and Implications

### Financial

- 5.1 The financial implications are addressed within the report.

### Legal

- 5.2 There are no legal issues arising from this report.

## 6. Appendices and Background Documents

Appendix Letter	Title
A	London Borough of Sutton Pension Fund : Funding update report as at 31 March 2017

Background Documents
None

Audit Trail		
Version	Final	Date: 5 December 2017
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	Yes	Lyndsey Gamble
Legal	No	N/A
Equality Impact Assessment required?	No	N/A

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