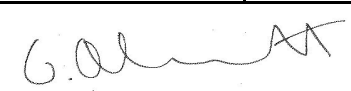




Report to:	Pension Committee	Date:	26 September 2018
Report title:	Pension Fund Interim Valuation		
Report from:	Gerald Almeroth, Strategic Director – Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee:	Councillor Jill Whitehead		
Author(s)/Contact Number(s):	Lyndsey Gamble, Head of Investment, Risk and Commercial Finance, 0208 770 5358		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • Making Informed Choices 		
Open/Exempt:	Open		
Signed:		Date:	17 September 2018

1. Summary

- 1.1. This report outlines the results of the interim valuation of the Council's Pension Fund as at 31 March 2018 carried out by the Fund's Actuary, Barnett Waddingham (Appendix A).

2. Recommendations

The Pension Committee is recommended to:

- 2.1. Note the outcome of the interim valuation.

3. Background

- 3.1. The 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. As part of this assessment key factors such as asset values are updated from the last full valuation. However not all factors are updated at this stage and some calculations are approximate and so the results are only indicative of the underlying position.

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 2018 alongside the results of the last full valuation as at 31 March 2016.

	31 March 2016	31 March 2018
	£m	£m
Market value of assets	503	658
Liabilities	632	716
Deficit	129	58
Funding level	80%	92%

- 4.3. Investment return achieved by the Fund's assets in market value terms for the year is 3.3%. The return achieved since the previous valuation is estimated to be 25.1% which is significantly higher than that assumed within the 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, the higher the real discount rate, the lower the value of liabilities. Since it is lower at 31 March 2018 than it was a year earlier this increases the value of liabilities used for funding purposes. This increase will offset some of the strong asset performance from the Fund but still results in overall improved position for the Fund.
- 4.5. The results of the interim valuation indicate that:
- The current projection of the funding level as at 31 March 2018 is 92% and the average required employer contribution would be 22.5% assuming the deficit is to be paid by 2035;
 - 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 next full triennial valuation will be carried out next year and will be looking at the funding position as at 31 March 2019. This interim valuation is a helpful guide to the current position of the fund leading up to this exercise.

5. Impacts and Implications

Financial

- 5.1. The financial implications are addressed within the report.

Legal

5.2. There are no legal implications arising from this report.

6. Appendices and Background Documents

Appendix Letter	Title
A	Interim Valuation Report

Background Documents
None

Audit Trail		
Version:	Final	Date: 17 September 2018
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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