

Essex Pension Fund Board	EPB/01/14
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Funding Strategy Statement and March 2013 Actuarial Valuation Progress

Report by Director of Essex Pension Fund

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1. Purpose of the Report

- 1.1 To update Members of the Essex Pension Fund Board on the progress of the 2013 actuarial valuation.
- 1.2 To report on the recent consultation exercise on the draft Funding Strategy Statement (FSS) and to submit the updated FSS for approval.

2. Recommendations

- 2.1 That the report be noted.
- 2.2 That the updated FSS be approved for final publication.

3. Background

- 3.1 At its last meeting on 9 December the Essex Pension Fund Board (the Board) received a report on the progress of the 2013 actuarial valuation of the Fund.
- 3.2 In accordance with the Local Government Pension Scheme (LGPS) Regulations, the valuation must be completed by 31 March 2014 and a valuation report and rates and adjustment certificate issued by that date. The certificate details the revised employer contribution rates for each employer for the period 1 April 2014 to 31 March 2017.
- 3.3 Essex County Council, as administering authority of the Essex Pension Fund (the Fund), is also required under the LGPS Regulations to prepare and publish a FSS and to keep the statement under review. It is appropriate, to do so alongside the valuation of the Fund.
- 3.4 The draft FSS provides detail with regard to the setting of the employer contribution rates emerging from the results of the valuation.
- 3.5 A revised draft FSS was approved by the Board at their meeting of 18 September for consultation with the participating employers and other interested parties.
- 3.6 The draft FSS has, accordingly, been provided to participating employers, with the exception of academies, alongside their draft valuation results and the consultation has now concluded.
- 3.7 A separate consultation will be held with academies in due course.

4. Progress of the 31 March 2013 Actuarial Valuation

- 4.1 As reported at the last Board meeting, as at that date detailed valuation results and options for the payments of contributions in line with the provisions of the draft FSS had been issued to the major tax raising bodies and to colleges & universities.
- 4.2 Since that date, the process has continued and with the exception of the academies, the remaining employers, comprising in the main Community Admission Bodies, Transferee Admission Bodies and Town & Parish Councils, have been issued with their results.
- 4.3 In keeping with that reported to Board in December 2013, funding positions in respect of these employers have generally improved since the 2010 triennial fund valuation and deficit recovery periods have generally reduced. The distribution of the overall deficit follows a broadly similar pattern to that seen in 2010. Some employers, principally Transferee Admission Bodies (TABs) that have joined the fund in recent years have modest surpluses.
- 4.4 Academies are discussed further in section 5 below.

- 4.5 All other employers have received email communication of the results of the valuation. This has been supplemented with:
- specific forums for major tax raising bodies and further & higher education establishments;
 - meetings with individual employers
 - conference calls
 - email correspondence and telephone calls
- 4.6 Employers have been selecting their preferred option for payment of the employer deficit contributions over the forthcoming three year period. The rates concluded with the tax raising bodies will be presented at the Board meeting.
- 4.7 The Fund Actuary will issue the valuation report and rates and adjustment certificate alongside the final version of the FSS by 31 March 2014. This will conclude the 2013 actuarial valuation process in compliance with statutory requirements.

5. Funding Strategy Statement consultation response and finalisation

- 5.1 Alongside the detailed valuation results, each employer has also received a copy of the draft FSS.
- 5.2 Few responses have been received to the consultation and with the exception of one query from an employer as a result of a typographical error, all have been positive and consultees have not identified the need for further changes.
- 5.3 Based on the results issued, the response to the consultation and dialogue with employers, it can be concluded that the draft FSS worked well in practice, with officers identifying a few minor drafting errors and some revisions to wording to enhance clarity.
- 5.4 One key issue has, however, arisen in respect of the academy employers. It has become apparent that the Department of Communities and Local Government (DCLG) consultation on the potential pooling of academies which was reported to Board in December, would not be concluded in time for the finalisation of the valuation results within statutory timescales. This delay was included within the issues raised by Cllr Bass in his letter to Local Government Minister, Brandon Lewis M.P.
- 5.5 Following discussion with civil servants at DCLG, the Fund Actuary, Jenny Moore the Smaller Employer Pension Fund Board representative, and the Pension Fund Board Chairman, Councillor Bass, it has been agreed that pending further clarity on the outcome of the academy pooling consultation that the academies will continue to pay their 2013/2014 employer contribution rate through 2014/2015. A further consultation will take place with academies in due course and appropriate employer contribution rates for 2015/2016 and 2016/2017 set.

- 5.6 Finally, detailed valuation assumption information for inclusion in the FSS has been received from the Fund Actuary.
- 5.7 An updated version of the draft FSS, incorporating the changes and issues detailed above is attached at Annex A for Members' consideration and approval. Changes made since the previous version submitted to the Board on 18 September 2013 have been highlighted in red.
- 5.8 The FSS should be completed and approved by the Board prior to completion of the actuarial valuation by 31 March 2014.

6. Link to Essex Pension Fund Objectives

- 6.1 Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement
- 6.2 To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible
- 6.3 To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives

7. Risk Implications

- 7.1 The risk implications of setting the funding strategy are set out in the draft FSS.
- 7.2 Revision of the FSS to incorporate management information emerging from the employer analysis and engagement work carried out in preparation for the valuation will reduce the risk of an inappropriate funding strategy being in place, and of the setting of inappropriate employer contribution rates and irrecoverable deficits.
- 7.3 The Pension Fund Score Card also contains measures which relate directly to the funding strategy and are reported to each Board

8. Communication Implications

- 8.1 The final valuation report, rates and adjustment certificate and FSS must be issued to the Secretary of State for Communities and Local Government and to each participating employer by 31 March 2014.
- 8.2 The admission and bulk transfer policies will be revised to reflect the revised funding strategy.
- 8.3 Further dialogue will take place with academies.

9. Finance and Resources Implications

- 9.1 It is a requirement to complete the triennial valuation and to keep the FSS under review. Resources are planned accordingly.
- 9.2 There will be financial implications for the Fund and its participating employers emerging from the 2013 actuarial valuation and from changes made to the FSS, as a result of the new employer contribution rate and payment patterns agreed with individual employers. These are effective from 1 April 2014.
- 9.3 Employer engagement throughout the processes of the valuation and revision of the FSS should assist participating employers to better manage and understand their financial responsibilities to the Fund.

10. Background Papers

- 10.1 18 September 2013 Pension Fund Board Report EPB/28/13 (FSS)
- 10.2 9 December 2013 Pension Fund Board Report EPB/36/13 (Valuation progress)
- 10.3 9 December 2013 Pension Fund Board Report EPB/38/13 (Academy pooling consultation)

Appendix A – Updated Funding Strategy Statement