

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 22 March 2016
Report Subject	2016 Actuarial Valuation
Report Author	Chief Executive

EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the actuarial valuation project as at February 2016 and makes recommendations to review the progress to date as detailed below.

The actuarial valuation project is critical to the good governance of the CPF and the Actuary will update Fund officers on indicative outcomes in April.

The main progress on the project since the last report has been made in the following areas:

- A planning discussion between the Actuary and Fund officers has taken place over timings in relation to the required membership and financial data for the Actuary to complete the project.
- As a consequence meetings are being schedule with employing bodies (as required as part of the FSS consultation).
- The Actuary continues to work with Heywoods (the CPF's administration system supplier) on testing the data extract software.

The PFC will be kept updated regularly on the progress.

RECOMMENDATIONS

1	It is recommended that all PFC members note this report, the progress being made with the actuarial valuation project and the planned meetings with employers.
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REPORT DETAILS

1.00	2016 Actuarial Valuation Update
1.01	<p>The purpose of this report is to update PFC Members on the 2016 actuarial valuation project, including key milestones, communications with employers and other events. The LPB was updated on the plan on 1 March 2016.</p> <p>This is the second report of what is anticipated to be a series of regular reports for all PFC meetings throughout 2016/17 until the conclusion of the project. Future reports will be updated as progress is made and developments occur. The first report was provided at the PFC meeting on 26 November 2015.</p> <p>Appendix 1 provides an overview of the project plan in relation to the 2016 actuarial valuation which now includes the scheduled meeting dates for 2016/17 and also highlights the key milestones in the coming months with regard to data provision and the delivery of results.</p>
1.02	<p>In February 2016, a discussion took place between the Actuary and Officers in order to consider the various data elements requested by the Actuary to carry out the actuarial valuation exercise e.g. membership / cashflow / employer data etc.</p> <p>As part of these discussions, an update was provided to Officers with regard to the ongoing exercise, involving various stakeholders i.e. LGPS Funds acting as “test” sites, Software Providers, Actuarial Firms and also Government Actuary’s Department (GAD), to produce an Universal Data Extract for use in the 2016 actuarial valuation calculations.</p> <p>Whilst there have been delays in finalising this extract, it is still hoped that the software providers will be able to sign-this off formally by the end of March 2016.</p>
1.03	<p>The next stage of the actuarial valuation process will see the Actuary prepare an indicative set of figures as at 31 March 2016 (based on an approximate roll-forward of the 2013 actuarial valuation) in order to begin discussions with Officers with regard to both the potential outcomes emerging from the actuarial valuation (at a Whole Fund Level) and also to begin discussions with regard to the funding strategy that will be adopted by the Fund.</p> <p>As part of the consultation on the FSS the Fund will continue dialogue with all employers over the coming months.</p>
1.04	<p>The Actuary will also look to deliver a training session, on the 2016 actuarial valuation exercise, to the LPB and the PFC on 11 May 2016.</p>

1.05	The PFC is asked to note the contents of the 2016 actuarial valuation Project Plan and the outline above of the discussions that have taken place since November 2015.
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2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report. Significant resource requirements will be required from the administration and investment teams to complete the process.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Fund is required to consult with employing bodies over the development of the FSS and overall framework of the actuarial valuation. Data is also required to be supplied to the GAD to complete their Section 13 actuarial valuation requirements for all LGPS valuations.

4.00	RISK MANAGEMENT
4.01	The actuarial valuation is a key Governance tool and is meant to control the risks relating to the CPF's funding position and employer contributions requirements. The funding strategy (along with the investment strategy) which comes from the actuarial valuation is a key determinate of the overall financial risk levels in the CPF.
4.02	The recent market volatility has increased the relative risk levels in relation to CPF solvency position and the required contribution rates from 1 April 2017.

5.00	APPENDICES
5.01	Appendix 1 – Actuarial Valuation Project Plan

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Report to Pension Fund Committee – 2016 Actuarial Valuation – 26 November 2015, current FSS and 2013 Actuarial Valuation report. Contact Officer: Philip Latham, Clwyd Pension Fund Manager Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) FSS – Funding Strategy Statement – the main document that outlines how we will manage employers contributions to the Fund</p> <p>(g) Actuarial Valuation - The formal valuation assessment of the Fund detailing the solvency position and determine the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.</p> <p>(h) Actuary - A professional advisor, specialising in financial risk, who is appointed by pension Funds to provide advice on financial related matters. In the LGPS, one of the Actuary's primary responsibilities is the setting of contribution rates payable by all participating employers as part of the actuarial valuation exercise.</p> <p>(i) GAD – Government Actuary's Department - The Government Actuary's Department is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.</p>