

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	24 May 2016
<b>Report Subject</b>	2016 Actuarial Valuation
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

The purpose of the report is to provide an update on the actuarial valuation project as at May 2016 and make recommendations to review the progress to date as detailed below. The actuarial valuation project is critical to the good governance of the CPF.

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

- A meeting has taken place to discuss the high level valuation indications with the Unitary Authorities.
- A meeting was scheduled with the Education bodies for 17 May 2016 to update them on the progress of the valuation (as required as part of the FSS consultation).
- The Actuary is continuing to work with Heywoods (the CPF's administration system supplier) on testing the data extract software. The Fund is expected to receive the latest data extract software on 31 May 2016.
- The Actuary will perform demographic analysis for the Fund in the coming weeks to determine the appropriate assumptions to use for the valuation. This will improve valuation outcomes. The investment and cashflow information have been provided by the investment team.
- In light of the recent backlog work, the intention is for the Actuary to receive an early cut of the data extract in order to analyse the data quality in advance of the valuation to help improve outcomes. The investment and cashflow information have been provided by the investment team.
- A Special Pensions Committee will be held on 5 July 2016 to discuss the draft Funding Strategy Statement and the initial assumptions to adopt for the 2016 valuation.

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 third 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.</p> <p>Appendix 1 provides an overview of the project plan in relation to the 2016 actuarial valuation which 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>On 14<sup>th</sup> April 2016, the Actuary prepared an indicative set of figures as at 31 March 2016 (based on an approximate roll-forward of the 2013 actuarial valuation) and these were discussed with Officers and the Unitary Authorities with regard to both the potential outcomes emerging from the actuarial valuation (at a Whole Fund Level).</p> <p>Discussions also commenced in relation to the funding strategy that will be adopted by the Fund.</p> <p>Also during April 2016, feedback was provided to the software providers of the Universal Data Extract that will be used for the 2016 actuarial valuation calculations. The extract is currently being finalised and is expected to be rolled out to Funds during May 2016. The CPF will receive the extract on 23 May for initial testing and the final extract is expected to be available from 31 May 2016.</p>
1.03	<p>The next stage of the actuarial valuation process will see the Actuary perform demographic analysis for the Fund which will drive the assumptions that will be adopted for the 2016 actuarial valuation calculations. In addition, indicative results will also be calculated for the Unitary Authorities in advance of the formal results.</p> <p>We expect that the membership data required for the actuarial valuation</p>

	<p>calculations will be provided to the Actuary during early July. The initial financial data has already been received. The Actuary is intending to receive an early cut of the membership data so that data quality testing can be performed during early June in advance of the final extract being provided. This will improve valuation outcomes. The investment and cashflow information have been provided by the investment team.</p> <p>A Special Pensions Committee will be held on 5 July 2016 to discuss the draft Funding Strategy Statement and the initial assumptions to adopt for the 2016 valuation.</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 provided a training session on the 2016 actuarial valuation exercise which was delivered to the LPB and the PFC on 11 May 2016.</p> <p>The Actuary is also arranged a meeting with the Education bodies for 17 May 2016 to update them on the progress of the valuation.</p>
1.05	<p>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 March 2016.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>None directly as a result of this report. Significant resource requirements will be required from the administration and investment teams to complete the process and provide the data which has already commenced.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>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.</p>

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>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.</p>
4.02	<p>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.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Actuarial Valuation Project Plan

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Report to Pension Fund Committee – 2016 Actuarial Valuation – 22 March 2016, Report to Pension Fund Committee – 2016 Actuarial Valuation – 26 November 2015, current FSS and 2013 Actuarial Valuation report.</p> <p><b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager  <b>Telephone:</b> 01352 702264  <b>E-mail:</b> philip.latham@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – 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) <b>Administering authority or scheme manager</b> – 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) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – 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) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of</p> <p>(f) <b>FSS – Funding Strategy Statement</b> – the main document that outlines how we will manage employers contributions to the Fund</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.
- (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.
- (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.
- (j) **Section 13 Actuarial Valuation** - Section 13 of the Public Service Pensions Act 2013 provides for a review of the LGPS valuations and employer contribution rates to check that they are appropriate and requires remedial steps to be taken where it is considered appropriate. The GAD will undertake this review based on the results of the 2016 actuarial valuations.