



## PENSIONS COMMITTEE

16 December 2014

<b>Subject Heading:</b>	<b>ESTIMATED DEVELOPMENT OF THE FUNDING POSITION FROM 31 MARCH 2013 TO 30 SEPTEMBER 2014</b>
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<b>Policy context:</b>	Pension Fund Interim Valuation in line with funding Strategy Statement
<b>Financial summary:</b>	None directly as the report comments on the Pension Fund interim valuations since the last formal valuation in 31 March 2013.

### The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

### SUMMARY

This report provides Members with a report from the Fund's Actuary Hymans Robertson to illustrate the estimated development of the Pension Fund's funding position from 31 March 2013 to 30 September 2014.

**RECOMMENDATIONS**

That the Committee note the following:

1. The Havering Pension Fund interim funding position update to 30 September 2014.
2. No action is required to change the funding plan.

**REPORT DETAIL**

**1. Background**

- 1.1 In line with Local Government Pension Scheme 2013, the Fund's actuary carried out a triennial valuation as at 31 March 2013. The main purpose of the valuation is to estimate on-going employer liabilities, evaluate this against the funds' assets and calculate the funding position within the fund. This is then used to set future employer contribution rates. The next valuation will be undertaken as at March 2016.
- 1.2 In line with the Funding Strategy Statement (FSS) the Administering Authority states that it will monitor the relative funding position, i.e. changes in the relationship between asset values and the liabilities value annually and to report this to the regular Pensions Committee meetings. Hymans was asked to provide Members with a report to illustrate the estimated development of the Pension Fund's funding position from 31 March 2013 to 30 September 2014, which is the mid waypoint between the valuations.
- 1.3 Hymans report looks at the whole fund position and does not allow for the circumstances of individual employers. Differences in the relationship between the ratio of accrued liabilities and the payroll can have a large influence on changes in contributions.
- 1.4 Employer contributions will not be reviewed until the next valuation as at 31 March 2016. The purpose of the funding update was to assess whether the funding plan is on track and take actions where necessary.

**2.Key items form the report**

2.1 The funding level at the last formal valuation was 61.2%. As at 30 September 2014 the funding level has increased to 66.8%. This is largely as a result of higher than expected investment returns and an additional cash contribution paid into the fund by the Council in March 2014 principally in relation to the creation of a Local Infrastructure fund). See following table:

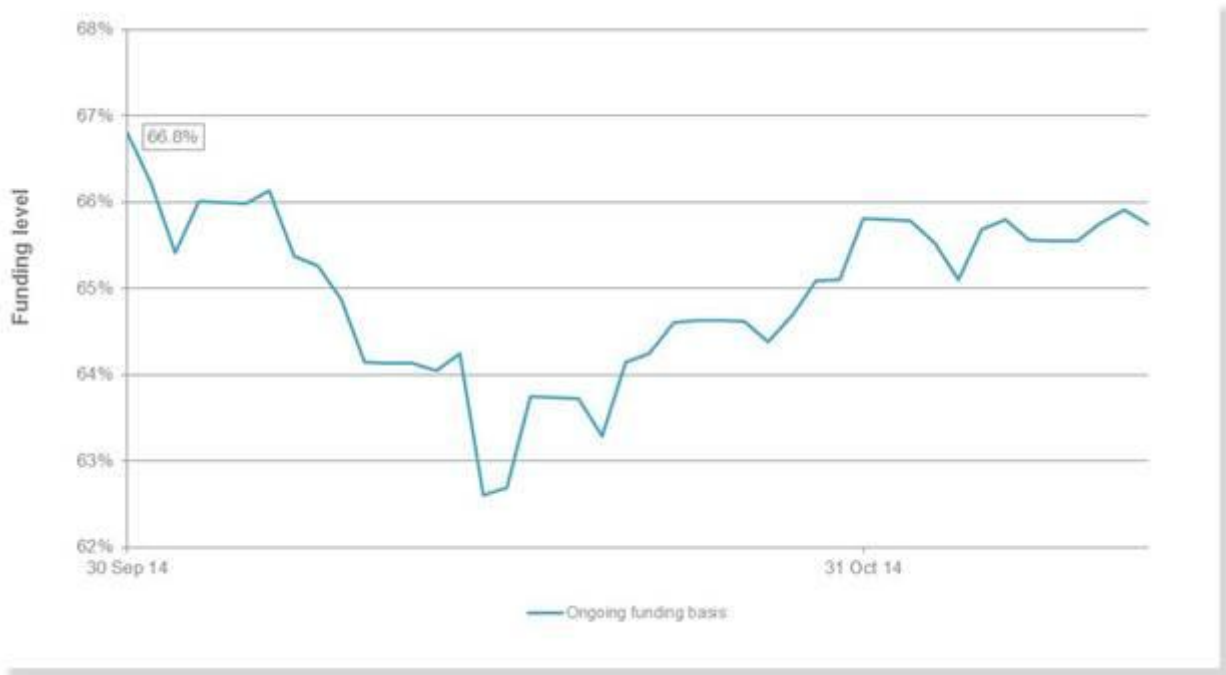
<b>Ongoing funding basis</b>	<b>31 Mar 2013</b>	<b>30 Sep 14</b>
	<b>£m</b>	<b>£m</b>
Assets	461	529
Liabilities	752	792
<b>Surplus/(deficit)</b>	<b>(292)</b>	<b>(263)</b>
Funding level	61.2%	66.8%

**IMPLICATIONS AND RISKS**

**Financial Implications and risks:**

The assumptions used to estimate the financial position as at 30 September 2014 are the same used for the Valuation as at 31 march 2013 but have been updated to market conditions. The funding update does not allow for changes in individual members' data since the last valuation.

However volatility in the in investment performance can have an immediate effect on the funding level and is a key risk of ensuring solvency of the fund going forward. As shown in the Hymans chart below the funding level fell by 5% in the couple of weeks following the end of September although it has since recovered much of that loss. The Pension Fund is seeking to achieve an improvement in the funding ratio over the longer term, typically twenty years as reflected in the actuarial valuation report. Short term volatility in investment performance may shift the Committees attention from time to time but it will be important to remain focussed on the longer term objectives and strategy.



**Legal Implications and risks:**

None arising directly

**Human Resources Implications and risks:**

None arising directly

**Equalities and Social Inclusion Implications and risks:**

None arising directly

**BACKGROUND PAPERS**

Hymans navigator report as at 30 September 2014