

WIRRAL COUNCIL

PENSIONS BOARD

27 JUNE 2017

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| SUBJECT: | REVIEW OF ACTUARIAL VALUATION PROCESS |
| WARD/S AFFECTED: | NONE |
| REPORT OF: | DIRECTOR OF PENSIONS |
| KEY DECISION? | NO |

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with a summary of the Actuarial Valuation process which culminated in the Funding Strategy Statement approved at Pensions Committee on 21 March 2017.

2.0 BACKGROUND AND KEY ISSUES

2.1 The purpose of the actuarial valuation is for the Administering Authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date ('the liabilities') and compare this against the funds held by the Fund ('the assets').
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the 'Primary Contribution Rate').
- An appropriate plan for making up the shortfall if the Fund has less assets than liabilities. This plan will cover the amounts which will need to be paid (the Secondary Contribution Rate') and the timeframe over which they will be paid ('the Recovery Period').

2.2 Fundamental to the valuation results is the funding strategy adopted by the fund. This is set out in the Funding Strategy Statement (FSS). The FSS provides an overview of the approach to be used for the actuarial valuation including economic and demographic assumptions and how any shortfall is expected to be financed. There is an important inter-relationship between the FSS and the Investment Strategy Statement. The ISS is a separate report on this agenda.

2.3 The Fund's investment strategy is kept under regular review by officers and elected members. The strategic investment consultant attends the Fund's Investment Monitoring Working Party meetings along with the independent advisors where investment strategy is considered. However, a fundamental

review is undertaken at the time of the triennial valuation to ensure that the strategy remains appropriate for the Fund.

2.4 The most significant consideration at this valuation was the move to a CPI linked valuation basis. The persistence of low interest rates, buoyancy of asset markets and increasing maturity of the Fund were also important.

2.5 Based on the actuary's assumptions, the investment consultant undertook a review of the investment strategy, modelling cash flows, investment returns/correlations and asset allocation to provide a stochastic projection of the Funded Status on the 'Ongoing Basis'. Following detailed discussions with officers on these and other investment matters, which explored various permutations, a revised asset allocation was formulated with officers and approved by elected members.

2.6 The revised asset allocation became effective from April 2017.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

ISS

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

| Briefing Note | Date |
|----------------------|-------------|
| | |

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
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