

## **BABERGH DISTRICT COUNCIL**

**FROM:** Corporate Director

**REPORT NUMBER** **E 241**

**TO:** Strategy Committee

**DATE OF MEETING** 12 January 2006

### **PENSION FUND VALUATION**

#### **1. SUMMARY**

- 1.1 The interim valuation of the Pension Fund at 31 March 2005 shows that the estimated deficit has reduced over the last year as a result of investment experience and contributions, but that after allowance is made for increased longevity there is no overall change.

#### **2. RECOMMENDATION**

- 2.1 That in the light of the interim valuation the Council continues with the level of Pension Fund contributions required under Suffolk County Council's Funding Strategy Statement.

The Committee is able to resolve this matter.

#### **3. FINANCIAL IMPLICATIONS**

- 3.1 There are no additional costs on the budget for 2006/07 as a result of the valuation. Contributions will only increase in line with pay in accordance with Suffolk County Council's Funding Strategy Statement.

#### **4. KEY INFORMATION**

- 4.1 Suffolk County Council administers the Pension Fund and there is a statutory requirement for the fund to be valued every three years. In addition, Suffolk County Council carry out annual interim valuations in conjunction with their actuaries, and the interim valuation for 31 March 2005 has just been received. This shows the latest assessment of the extent to which assets cover the Council's long-term liabilities.
- 4.2 A comparison of the assessment for 31 March 2005 with the triennial valuation for 31 March 2004 is set out below. This shows that, when looked at on a similar basis to the assessment for 31 March 2004, the estimated deficit has fallen from £10.5m to £8.9m. But, after the actuary has introduced a provision for increased longevity in the final column, the estimated deficit remains at £10.5m.

	Valuation 31/3/04  £M	Valuations 31/3/05	
		Similar Basis  £M	+ Increased Longevity  £M
Long-term Liabilities:			
Active Members	19.5	20.9	21.8
Deferred pensioners	3.7	4.1	4.3
Pensioners	13.6	13.4	13.9
	36.8	38.4	40.0
Share of Assets	-26.3	-29.5	-29.5
Estimated Deficit	10.5	8.9	10.5
Funding level	71.4%	76.7%	73.6%

4.3 A summary of the main changes in the valuation over that last year is set out below:

	£M
Deficit at 31 March 2004	10.5
Changes:	
• Interest on deficit	+0.7
• Changes in financial conditions	+0.6
• Gains on investments	-1.2
• Contribution to deficit	-1.1
• Other improvements	-0.6
Deficit at 31 March 2005 (on similar basis)	8.9
Increased longevity	+1.6
Deficit at 31 March 2005 (on new basis)	10.5

4.4 On the basis of the valuation at 31 March 2004 and Suffolk County Council's Funding Strategy Statement, the Council is making contributions into the fund which were intended to clear the deficit over a 12-year period.

4.5 The requirement will be re-assessed at the next triennial valuation at 31 March 2007 and will be reflected in the 2008/09 budget. In the meantime, the actuary sees no need to adjust current contribution levels.

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Corporate Director

## **BACKGROUND INFORMATION**

Suffolk County Council : Pension Fund Interim Actuarial Valuation as at 31 March 2005.

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