2010 VALUATION OF THE FUND

The LGPS regulations require all funds covered by the regulations to undergo an actuarial valuation every three years. The next valuation is based upon data on fund membership held as at 31 March 2010 and any changes in employer contribution rates will be implemented from 1 April 2011.

The valuation process uses an actuary to evaluate, over the very long term, the Fund's liabilities, contributions and assets in order to determine an employing body contribution rate that provides sufficient reserves to meet pension liabilities when they fall due to be paid.

The West Midlands Pension Fund is well placed to meet its cashflow requirements over the next 20 years and longer if the liabilities are reduced under the Government's current consultation plans, eg, raising retirement age.

It is very important to recognise that the position of individual employing bodies can be very different to the Fund overall. Their funding position could be much worse if they have had significant unfunded redundancies, regradings, or other changes to their employment terms since the last valuation that added disproportionately to their pension liabilities. This will emerge as part of the valuation process as each employing body's liabilities are evaluated separately.

The valuation timetable is running to schedule as follows:

1) Position as at 30 June 2010: the vast majority of employing bodies have submitted their payroll data and it has been processed. Queries are being resolved and the detail will be sufficiently robust to submit to the actuary by 31 July 2010. Data requirements for CLG have all been met.

2) There are two timetables for the valuation process that are connected. The Fund's and the Fund's actuary's is one, and the other is the CLG timetable which enables them to address the 'cap and share' arrangements. The CLG timetable published on 18 June 2010 is attached for information.

It can be seen that while LGPS funds may have some initial results in September/October 2010, these cannot be finalised until the first quarter of 2011, because of the need to respond to any CLG directions.

This will present problems for employing bodies who will need to have an indication of the position in September/October in time for budget forecasting purposes.

In order to assist employing bodies, the Fund intends to hold a meeting in the autumn to give as clear an indication as possible of the direction in which the valuation is progressing.

CLG VALUATION TIMETABLE (JUNE 2010)

2010	Cap and Share Timetable	CLG/GAD/PRG Actions	Admin Authority Actions
April	Preparation for cap and share model fund.	> GAD to collect LGPS experience valuation and cashflow for 2007/08 and 2008/09 from all administering authorities.	
May		> GAD analysing the above data.	
June	PRG meeting on 2 June to further discuss assumptions for the model fund and initiate discussions on “employers’ cap”.	> PRG to agree on set of assumptions to be used for the 2010 national fund valuation exercise.	> Finalise 2009/10 accounts
July	1 July PRG meeting - to allow further discussion.	> GAD to provide fine-tuning assumptions for the national fund for PRG to consider.	> Start sending valuation data to individual fund actuaries.
	22 July PRG meeting - to finalised arrangements.	> PRG views to ministers on an agreed set of assumptions for the national fund.	
	Ministers to be advised on assumptions for the model fund. Ministers decide on assumptions and announce.	> GAD starts valuation process.	
	GAD to receive 2009-10 experience valuation data from all administering authorities.		
August	All triennial valuation data supplied to GAD by end of August **at the latest**.	> GAD assessments and modelling underway.	
September	Early indications to CLG from GAD and fund actuaries of potential 2010 valuation results.	> GAD to prepare 2010 national valuation report.	> Initial discussion with fund actuaries.
	PRG meet in mid-September.	> PRG to discuss use of cap 'trigger factors'.	
October	GAD to submit final 2010 valuation report to CLG by 31 October.	> GAD's report and PRG views. considered and reported to ministers.	> Discuss with other fund employers impact of valuation exercise.
	PRG meeting to consider finding.		

2010	Cap and Share Timetable	CLG/GAD/PRG Actions	Admin Authority Actions
November	**Ministerial decision on cap and share 'next steps' in light of GAD report on approach or start immediate statutory consultation to amend the LGPS to implement cap and share.**	> CLG to consult on ministers' decision.	
	PRG meeting to discuss outcome.	> PRG meets to discuss next steps.	
December	GAD to submit supplementary report (if required) to SofS (if analysis of 2009-10 experience data alters materially assumptions adopted for the model fund).		> Final outcomes taken into account by December 2010 to align with budget cycles.
	Fund actuaries report valuation results, including employers' contribution rates for the three-year period of 2011/12 to 2013/14.		
January	Possible consultation exercise on cap and share finishes.	> Responses considered and report to ministers.	
	PRG meets to consider report assessed on findings.		
	Ministers to decide on the outcome and proceed to amend the regulations, if cap and share necessary and appropriate.		
February	LGPS advised of proposed changes. Actuaries reconsider final valuation reports and employers' contributions.	> Local authorities to finalise budgets.	
March	Fund actuaries revisit valuation reports in the light of any amendments, statutory guidance and, possibly, impact of the 2011 LG settlement finalising next triennial contribution rates effective from 2011 or 2012.	> Action as appropriate by local government in discussion with CLG.	

Definitions

GAD	-	Government Actuary's Department
CLG	-	Communities and Local Government
PRG	-	Policy Review Group (key shareholder group)
Cap and Share	-	Mechanism controlled by Government that facilitates restricting employer contribution rates and recovering certain cost increases through increased employer costs or reduced pension benefits.