WEST MIDLANDS PENSION FUND

Valuation Update

A number of employing bodies are requesting information and meetings to discuss their position.

The timetable is as follows:

29 September	Superannuation Committee agree assumptions and broad details of the Valuation based upon the Actuary's evaluation of the whole fund position.
15 October	Employers Consultation Meeting on outcome of whole fund evaluation based upon 29 September Superannuation Committee meeting agreeing the proposed actuarial assumptions.
30 October	Sub-Committee to consider initial feedback from the consultation meeting.
Last week of November	All employers notified of individual contribution rates. Note - these results may be affected by Government instruction following review of their work in February/March 2011.

It will not be possible to meet with all 180 employing bodies on an individual basis before the new year.

Meetings will be prioritised with employers who suffer a significant adverse effect on their financial position as a result of the valuation outcome.

Group meetings will be arranged where there appear to be common issues.

The Fund's website will be used to keep all employers informed of the issues being raised throughout the months of November to March 2011.

Response to Questions being raised:

1. What steps are being taken to reduce the risks facing employers?

   In addition to the arrangements set out in the Fund's FSS:

   (i) The Fund is exploring the possibility of taking insurance cover for the lump sum costs that fall upon employers from ill-health retirements and death in service.

   (ii) The Government's Hutton Commission into public sector pension schemes is expected to introduce measures that will reduce the financial pressure on employers.

   (iii) Setting actuarial assumptions that attempt to produce stable returns over the expected life of the employer.

   (iv) Reflecting the change to CPI from RPI in calculating future increases.

2. Are individual employers contribution rates calculated independently of other employers?

   The employer's contribution rate is calculated on an individual basis reflecting the specific characteristics of the workforce and HR policies of that employer.

3. Does the Fund have an immediate funding problem?

   The Fund overall has a positive cash flow for at least 20 to 25 years. The impact of the inflation factor changes and the outcome and the Government Hutton review are likely to push the period past 40 years, without increasing the whole fund contribution rate.

   However this is the overall position for the Fund and, whilst it reflects the position of the large employers who make up the majority of the Fund, the position of the small bodies may be very different.

4. Will the Fund's investment strategy assist the employing bodies?

   The Fund has only one common investment strategy that attempts to take a long term view on potential investment returns and therefore emphasises investments that reflect the long term historical return of equities. Details are in the Fund's SIP. The Fund could set up a lower risk sub-fund, but with lower risk comes lower returns and this is reflected in higher contribution rates. If a sufficient number of employers want a lower risk sub-fund, this will be considered.

   A lower investment risk approach is adopted for employers with a limited time horizon on their possible membership of the Fund, or a desire to end their admission arrangements. See FSS for further details.

5. Can employers control their pension costs?

   The LGPS is a national defined benefit scheme so the control is limited. However, there are employer discretions that impact on costs, particularly the use of awarding added years. The rate at which pay increases is also a big factor and recruitment of new staff with substantial earlier service.