

Somerset County Council Pension Fund

TDBC Corporate Governance Committee
December 2014

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The Local Gov't Pension Scheme

- Statutory scheme run by Communities & Local Government department (Central Government)
 - Set scheme benefits
 - Set members contributions
 - Investments and administration regulations
 - Guidance on governance etc.
- Funded Scheme
- One Administration Authority for each geographic area
 - 99 funds
 - 4.9 million members
 - Assets of £178bn (31st March 14)

Somerset fund

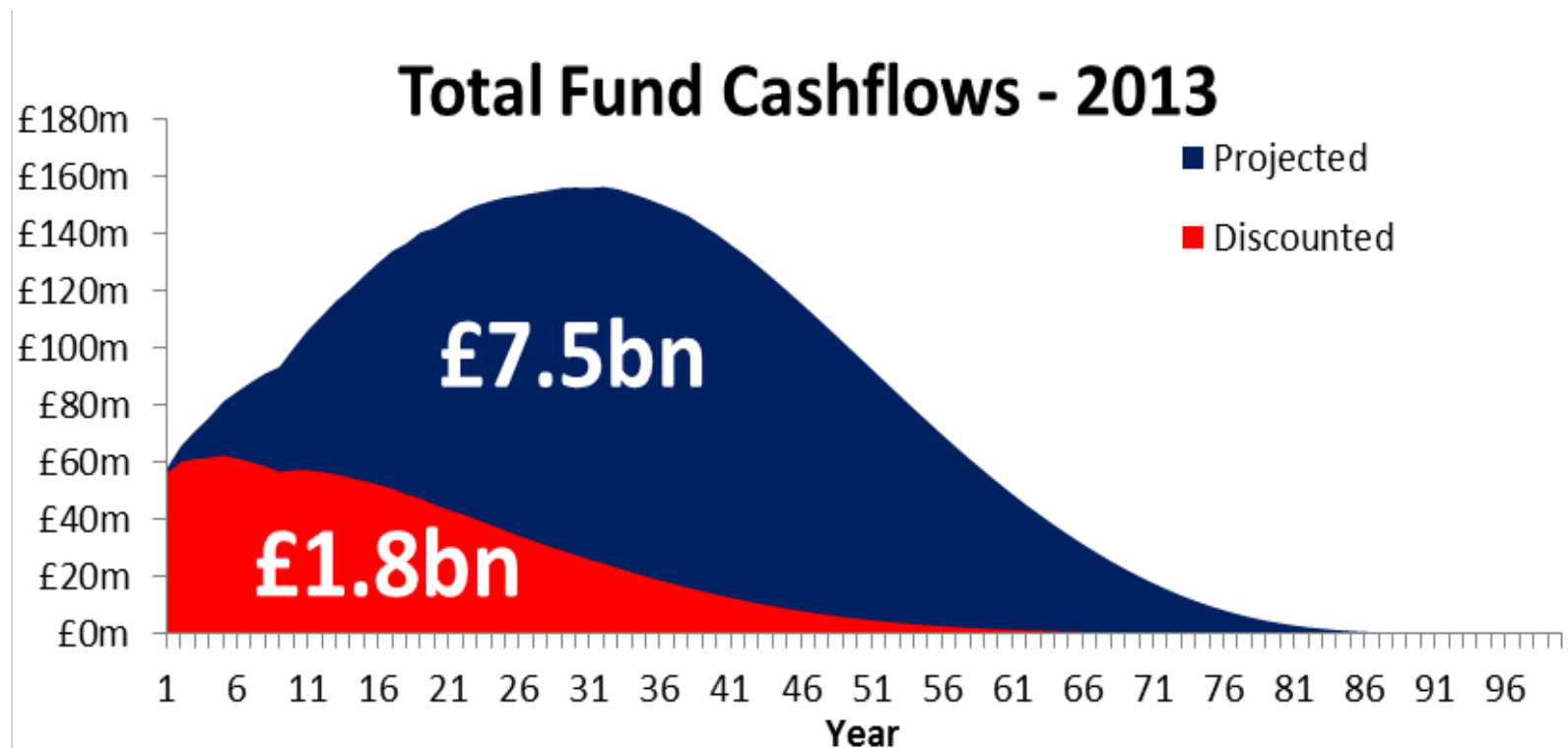
- Somerset scheme covers multiple employers
- 149 Separate employers are members (31 March 2014)
 - 74 Scheduled bodies
 - Employer must offer the scheme by law
 - County Council, non-uniformed police, districts, colleges, academies
 - 23 Resolution bodies
 - Employer can chose to offer the fund by passing a resolution
 - Town and parish councils, burial and drainage boards
 - 27 Admitted bodies
 - Commercial organisations that have applied to be admitted, typically join as part of TUPE of outsourced staff
 - 25 Pensioner only bodies

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What is a pension scheme deficit?

- The difference between the value of the fund's assets and the net present value of the liabilities



Why does TDBC have a deficit?

- Possible Causes
 - Whole Fund
 - Incorrect Assumptions
 - Improving mortality
 - Lower investment returns
 - Higher inflation
 - Higher wage increases
 - Not targeting 100% funding in 1990s
 - TDBC
 - Historically not funding early retirements

How & when is the deficit calculated?

- How
 - By the Somerset fund's appointed actuary (currently Barnett Waddingham)
 - Membership, cash flow and asset data provided by fund
 - Assumption derived by actuary
- When
 - Regulations require every 3 years
 - Last valuation as at 31 March 2013
 - Next valuation as at 31 March 2016

How much is the current deficit?

- Whole Somerset Fund at 2013 Valuation
 - Assets = £1.355bn
 - NPV of Liabilities = £1.800bn
 - Deficit = £455m
- TDBC at 2013 Valuation
 - Assets = £101m
 - NPV of Liabilities = £70m
 - Deficit = £31m
- Different figure for accounting deficit shown in the accounts!

How does TDBC pay for the deficit?

- Actuary certifies employer contributions that are legally binding
- TDBC contributions
 - 13.5% of pay to cover new service
 - Annual lump sum to pay deficit back over 25 years
 - £760,000 for 2014-15
 - £990,000 for 2015-16
 - £1,220,000 for 2016-17
 - **Next Valuation**
 - £1,450,000 for 2017-18
 - £1,680,000 for 2018-19
 - £1,930,000 for 2019-20

Can TDBC do anything to reduce this deficit?

- Pay in more money

Does TDBC pay for decisions on pensions as they materialise?

- Fund now requires all early retirements/retirement caused by redundancy to be paid for upfront
- Changes in assumptions rolled in at each new valuation

Questions

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