

ABERDEEN CITY COUNCIL

COMMITTEE:	PENSIONS COMMITTEE
DATE:	2 ND DECEMBER 2016
REPORT BY:	HEAD OF FINANCE
TITLE OF REPORT:	INTERIM VALUATION RESULTS FOR THE ABERDEEN CITY COUNCIL TRANSPORT FUND
REPORT NUMBER:	PC/DEC16/IAV(2)

1. PURPOSE OF REPORT

This report provides elected members with details of the outcome of the Interim Actuarial Valuation for the transport fund that was commissioned by the Fund as at 31 March 2016.

2. RECOMMENDATION(S)

- i. To note the report

3. FINANCIAL IMPLICATIONS

As this is an interim valuation the funding level provided by the scheme actuary is not published by the Fund and has no impact on the employer contribution rate for First Bus - Aberdeen.

4. OTHER IMPLICATIONS

None

5. REPORT

5.1 Background

5.1.1 As a result of the deteriorating funding position since the triennial valuation in 2014 and the continued monitoring of the Transport Fund investment flight path, the NESPF commissioned the scheme actuary, Mercer, to carry out an interim valuation based on the assets and liabilities held within the Fund as at 31 March 2016.

5.1.2 The scheme actuary, Paul Middleman, visited Aberdeen to discuss the initial results with the NESPF in early October.

5.2 Data Quality

- 5.2.1 As the Transport Fund is small, the quality of data retained by the NESPF continues to be high. The accuracy of data held is particularly important to ensure that the correct information is provided to both Mercer and the Investment Manager for the development and continued monitoring of the investment strategy for this maturing Fund.
- 5.2.2 Any individual discrepancies with the data identified by Mercer in their full data report will be investigated prior to the 2017 valuation.

5.3 Discount Rate

- 5.3.1 Due to the mature nature of the Aberdeen City Council Transport Fund the scheme actuary remains confident that the discount rate applied to both past service liabilities and the future service rate should continue to be linked to gilt yields, as per previous valuations.
- 5.3.2 The discount rate assumption applied will continue to be gilts + 0.25% for the purpose of the interim valuation results as at 31 March 2016.

5.4 Transport Fund Results

- 5.4.1 Based on the discount rate above the funding level as at 31 March 2016 has been calculated as 93% for the Aberdeen City Council Transport Fund. The resulting deficit remains the same as the figure published in 2014 of £6.4 million.
- 5.4.2 Although the investment performance for the fund has been strong, and pension increases were lower than expected the fall in the value of gilt yields has negated any positive impact that this has had.
- 5.4.3 The results indicate that due to the fall in the value of gilts yields the future service rate has been increased. If the value of gilts remains low, this will result in the employer contribution rate requirement for First Bus possibly increasing after the 2017 valuation.
- 5.4.4 The pensions manager and Employer Relationship Team will meet with First Bus to discuss these results and specifically the potential increase in employer contribution requirements.

5.5 Considerations

- 5.5.1 The new investment strategy for the Aberdeen City Council Transport Fund is now in place. The signing of the advice letter and investment management agreement between Aberdeen City Council and Schroders means that the strategy is implemented from 1 December 2016.

- 5.5.2 Due to the maturity of the Fund, regular monitoring of the liabilities will continue to be a requirement to ensure that the 'flight plan' remains fit for purpose.
- 5.5.4 The results of the interim valuation as at 31 March 2016 are not part of the required triennial valuation and will not be published in the annual reports for the Aberdeen City Council Transport Fund. The employer contribution rate for First Aberdeen will not be established as part of these results.

6. REPORT AUTHOR DETAILS

Claire Mullen
Employer Relationship Manager
cmullen@nespf.org.uk
01224 264166