Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, I have provided the information required below.

Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

Balance sheet

Year ended	31 Mar 2011 £m	31 Mar 2010 £m
Present Value of Promised Retirement Benefits	2,289	2,571

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £1,046m in respect of employee members, £485m in respect of deferred pensioners and £758m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended:	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Inflation / Pension Increase Rate	2.7%	3.6%
Salary Increase Rate	4.4%	5.1%
Discount Rate	5.5%	5.5%

*Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012, 5.1% p.a. thereafter.

Mortality

I have been instructed by the Employer to use the SAPS all pensioners (excluding dependants) tables with CMI 2009 projected improvement rates varying by year of birth and long-term improvement rates of 1.5% pa for males and 1.25% pa for females. Based on these assumptions, the average future life assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	23.9 years
Future Pensioners	24.5 years	25.9 years

*Future pensioners are assumed to be currently aged 45

Historic mortality

Life expectancies for the year ends below were based on the following tables:

Year Ended	Prospective Pensioners	Pensioners
31 March 2010	S1PMA/S1PFA, year of birth, medium cohort (1% minimum) improvements	S1PMA/S1PFA, year of birth, medium cohort (1% minimum) improvements

Age ratings and loadings are applied to the above tables based on membership profile.

Commutation

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

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