

## **PENSIONS COMMITTEE - 20 JULY 2006**

### **APPOINTMENT OF ACTUARY**

#### **SUMMARY**

This report considers the appointment of an actuary to the Council's Pension Fund in advance of the next triennial actuarial valuation.

#### **RECOMMENDATIONS That**

1. Competitive quotations be sought for an actuary for the Council's Pension Fund, as outlined in this report.
2. A report on the outcome of the exercise and officers' recommendation for the appointment of an actuary be submitted to the next meeting of this Committee.

#### **1. Introduction**

The Council is required to have a formal actuarial valuation of the Pension Fund every three years to ensure that the contributions to the Fund, together with the investment income, are sufficient to meet an assessment of the Fund's long term liabilities. Actuarial advice is also required for specific aspects whilst operating the Local Government Pension Scheme (LGPS).

The Council's current actuary is Mercer Human Resource Consulting Ltd. The Council has used this firm and its antecedents for many years. The last time formal quotations were sought from other providers was prior to the actuarial valuation in 1995, which resulted in the then William M Mercer Ltd being reappointed. Since then quotes for the triennial valuation have been obtained from Mercer only, but these have been checked against the costs charged by other providers from surveys of other local government pension funds. Officers are very happy with the service provided by Mercer, but feel that it is appropriate to test the market to ensure value for money and to adhere to the spirit of the Myners Principles.

#### **2. Tender Exercise**

The LGPS is subject to detailed legislation requiring specialist advice. There are four firms currently providing most of the actuarial services in this area:-

- Hewitt Associates
- Hymans Robertson
- Mercer Human Resource Consulting, and
- Punter Southall

It is proposed that quotations for actuarial services will be obtained from these four companies. A contract is proposed to cover a period of four years, with an option to extend at the authority's discretion. This will meet the requirements of the Council's contract standing orders (CSO 13).

The amount of actuarial advice needed has increased in recent years in the following areas:-

- Accounting requirements for an annual assessment of pension liabilities (FRS17)
- Staff transfers as a result of PFI and PPP schemes
- Government legislation on Funding Strategy Statements
- Changes to the legislation surrounding the LGPS.

The quotations will cover these areas as well as seeking a quote for the next formal valuation as at 31 March 2007 and seeking further information about general advice, services and resources in order that an overall assessment can be made of the services likely to be needed by the Council. This assessment and a recommendation for appointment will be presented to the next meeting of the Committee.

### **3. Summary of Financial Implications**

The cost of actuarial services is generally met from the Pension Fund. Certain specific services may be charged direct; for example FRS17 assessments for those admitted bodies requesting them, or to departments assessing the impact of courses of action involving pension costs. The gross cost of actuarial services has ranged from £27,000 to £63,000 over the last three years.

### **4. Summary of Other Implications**

This is mainly a financial report and does not give rise to any particular other implications.

**Contact Officers:** Nigel Bate, Head of Technical Finance. Extn 2647

**Reporting to:** David Berry, Director of Finance and Business Services.