

# Actuarial valuation as at 31 March 2013

The London Borough of Southwark Pension Fund



**Prepared for** The London Borough of Southwark  
Administering Authority of The London Borough of Southwark Pension  
Fund

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**Date** 31 March 2014

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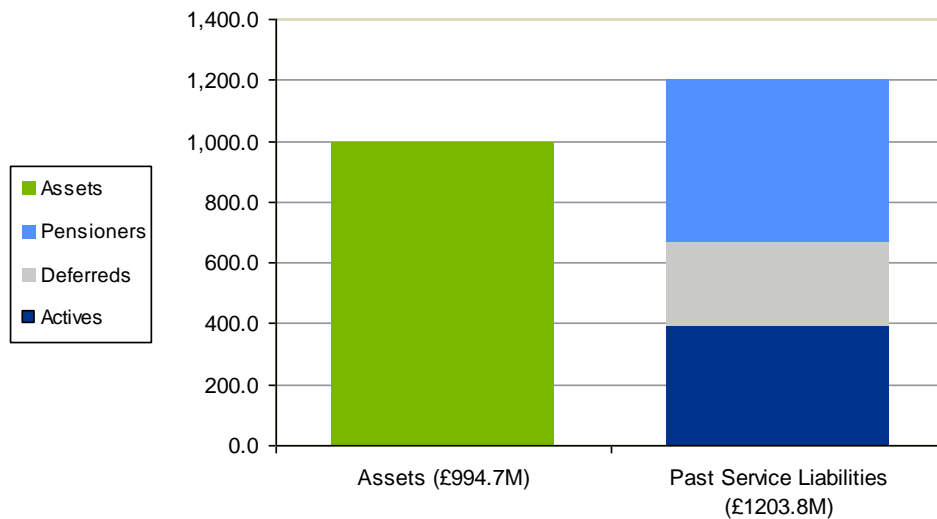
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# Executive Summary

*The key results of the valuation as at 31 March 2013 are set out below.*

**There was a shortfall of £209.1M relative to the past service liabilities**



The aggregate Employer future service contribution rate in respect of the benefits provided by the 2014 Scheme is 13.3% of Pensionable Pay.

The aggregate Employer contribution rate required to restore the funding ratio to 100% using a recovery period of 20 years from 1 April 2014, is 20.7% of Pensionable Pay (if the membership remains broadly stable and pay increases are in line with our assumptions). The comparable figure at the previous valuation was 20.5% of Pensionable Pay (based on a 23 year recovery period).

The contributions payable by each Employer may differ because they allow for each Employer's particular membership profile and funding ratio, and assumptions and recovery periods appropriate to their circumstances.

# Actuarial valuation as at 31 March 2013

## The London Borough of Southwark Pension Fund

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# Introduction

*This report has been prepared for the Administering Authority. It sets out the results and conclusions of the valuation as at 31 March 2013.*

This is our actuarial valuation report. It draws together other pieces of work and advice from throughout the valuation process. Appendix 1 sets out the legal framework within which the valuation has been completed.

Throughout this report, assets and liabilities in respect of defined contribution additional voluntary contributions (or AVCs) have been excluded.

Some shorthand used in this report is explained opposite. Some technical pensions terms are explained in the Glossary in Appendix 12.

## Shorthand

### Fund

The London Borough of Southwark Pension Fund

### Administering Authority

The London Borough of Southwark, the Administering Authority of The London Borough of Southwark Pension Fund

### Employers

The London Borough of Southwark, and other Employers with employees participating in the Fund

### Regulations

The Local Government Pension Scheme Regulations (see Appendix 12)

### Pensionable Pay

As defined in the Regulations

### Pensionable Service

Periods of membership, as defined in the Regulations

## Snapshot view

The report concentrates on the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate. If you are reading this report some time after the valuation date, the Fund's financial position could have changed significantly.

# Update since the previous valuation

## The key results from the previous valuation as at 31 March 2010 were:

The Fund's assets were £789.3M and the past service liabilities were £1,011.3M, which corresponded to a shortfall of £222M and a **funding ratio** of 78.0%.

The future service contribution rate was 13.6% of Pensionable Pay.

The Administering Authority agreed Employer contributions from 1 April 2011 designed to restore the funding ratio to 100% over a period not exceeding 23 years.

The resulting aggregate Employer contributions were:

- An Employer contribution rate of 13.3% of Pensionable Pay and
- Additional monetary amounts as follows:

Year	Aggregate shortfall contribution (£M)
2011/12	8.5
2012/13	10.6
2013/14	12.8

The amount payable over 2013/14 was scheduled to increase on 1 April 2014 and each 1 April thereafter by 5.3% a year.

In addition the Employers paid any additional strains arising on ill-health and early retirement or due to increases in benefits.

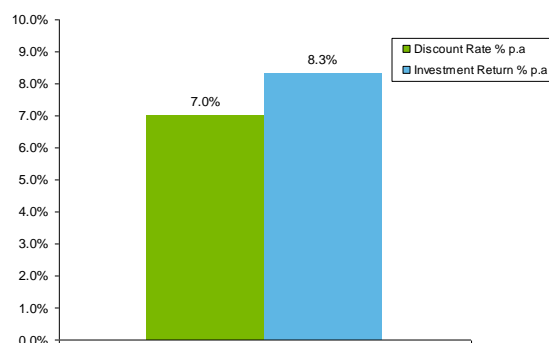
In addition, members paid contributions required under the Regulations.

## Financial development

To illustrate the Fund's financial development since the previous valuation, we compare below key financial assumptions made at the previous valuation with what actually happened.

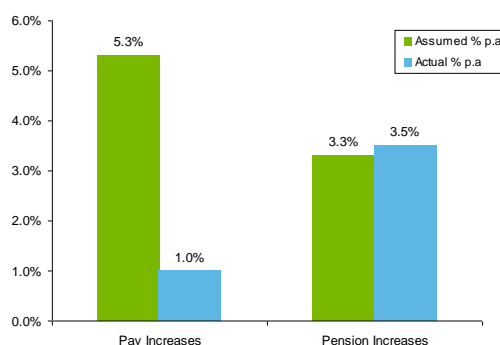
### Investment return (or discount rate)

The investment return has been higher than the discount rate assumed.



### Inflationary pay and pension increases

Increases to pay were significantly lower than assumed. Increases to pensions in payment were slightly higher than assumed.



Where material we show the financial impact of the above developments later in this report.

## Other key developments since the previous valuation

As well as the contributions paid to the Fund since the previous valuation and the returns achieved on the Fund's assets, there have been the following material developments since the previous valuation:

- **Change to pension increases**

The Government announced in 2010 that pension increases in deferment and payment (in excess of GMP) for public sector pension schemes should be determined by reference to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for all benefits in excess of GMPs.

This change was reflected in our previous valuation.

- **Changes to State Pension Age**

State Pension Age is currently transitioning from age 65 (60 for women) to age 68. The Chancellor recently announced proposals for how further changes in State Pension Age will be linked to future changes in longevity. This will affect the age at which pensions will normally commence under the 2014 Scheme. This valuation does not allow for these latest proposals. We comment later in this report on the potential effect.

- **2014 Scheme**

A new scheme applies for Pensionable Service from 1 April 2014. The key features are:

- Career average structure
- Accrual rate of 49ths
- Pensions revalued by CPI before retirement
- Normal Retirement Age linked to State Pension Age
- Changes to member contribution rates, and in particular member contribution rates increased for those earning above £43,000 pa
- Member contribution rates will be based on actual (previously full time equivalent) pay
- Introduction of a 50/50 option, with member contribution rate and pension accrual rate both half rate
- An underpin to pensions for members within 10 years of age 65 in April 2012.

Benefits for Pensionable Service before 1 April 2014 are protected, and calculated by reference to current retirement ages. The link to final pay remains for active members.

This valuation reflects our current understanding of the benefits to be provided by the new 2014 Scheme.

# Membership data

*This valuation is based on membership data as at 31 March 2013 supplied to us by the Administering Authority.*

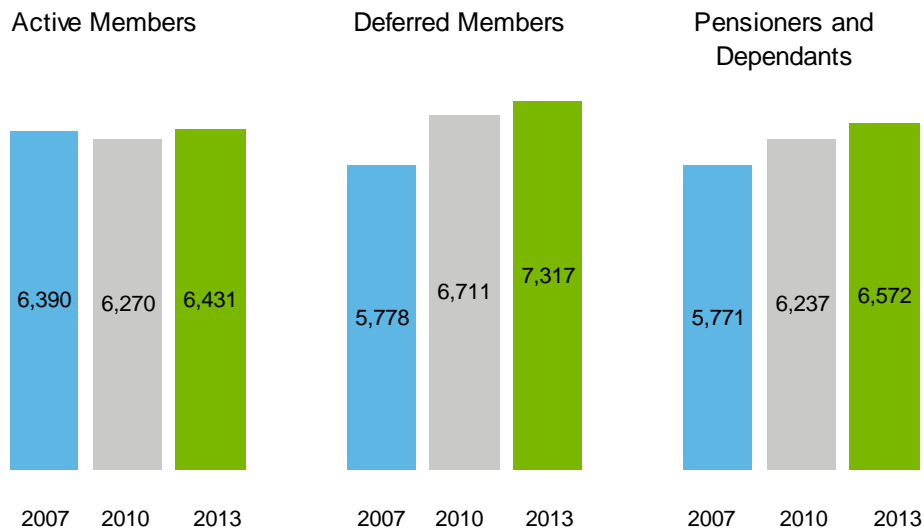
Summaries of the membership data are included in Appendices 2 and 3.

The chart below shows how the membership profile of the Fund has changed over the last three valuations. During this period the Fund's total membership has increased, and the proportion of active members has reduced from 36% of the Fund's membership at 31 March 2007 to 32% at 31 March 2013.

These member figures represent the membership records received in the data and may be more than the actual number of members, primarily as a result of some members having multiple pension records due to multiple employments.

The 2013 figures for pensioners and dependants exclude the 108 children (91 in 2010) in receipt of a pension.

The 2013 figures for deferred members exclude the 1,501 members who had yet to decide whether to take a transfer payment.



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## Membership data

We have carried out some general checks to satisfy ourselves that:

- The information used for this valuation is reasonable compared with the information used for the previous valuation and also with that shown in the Fund's Annual Report and Accounts.
- The results of this valuation are consistent with the results of the previous valuation.

However, the results in this report rely entirely on the accuracy of the information supplied. If you believe the data we have used may be incomplete or inaccurate, please let us know.

### **Pensionable Pay in the 2014 Scheme**

We have been provided with Pensionable Pay for the year ended 31 March 2013, as defined under the Benefit Regulation which is applicable up to 31 March 2014. A different definition applies for benefits building up after 1 April 2014. In particular certain elements of pay which were previously not pensionable, will be included.

In this valuation, we have assumed that members have not received significant non pensionable pay, and hence that Pensionable Pay for membership before and after 1 April 2014 will be broadly similar.

If this is not the case, total Pensionable Pay after 1 April 2014 will be higher than allowed for. The impact on the results of our valuation would be:

- We do not expect this to affect the cost of benefit build up as a percentage of Pensionable Pay, although the payroll to which this is applied will be higher, increasing the cost in monetary terms.
- We do not expect it to affect past service liabilities prior to 31 March 2014 which will continue to be based on the current definition.
- Any shortfall contributions expressed as a percentage of pay will be applied to a higher payroll than anticipated. The shortfall might then be expected to reduce faster than assumed (if experience is otherwise as expected).

# Benefits valued

*Members are entitled to benefits defined in the Regulations. Different benefits apply to Pensionable Service before 1 April 2008, between 1 April 2008 and 31 March 2014, and after 1 April 2014. A summary of the benefits allowed for in our valuation is given in Appendix 4.*

## Discretionary benefits

Employers have discretion over payment of certain benefits and it is not practical to allow for the policies of each Employer. Most discretionary benefits are financed as they occur, so the financial impact on this valuation is minimal. No specific allowance has therefore been made for discretionary benefits which are granted at the discretion of the Employer.

## GMP equalisation

The Government issued a consultation in 2012 on equalising Guaranteed Minimum Pensions (GMPs) between men and women. However, there remains considerable uncertainty about exactly how this will be carried out in practice. Therefore, at this stage, we have made no allowance for the equalisation of GMPs in the valuation.

## State Pension Age changes

Normal Pension Age for Pensionable Service on or after 1 April 2014 will be State Pension Age. This is currently transitioning from age 65 (60 for women) to age 68 by 2046. Legislation to bring forward the increase to age 67 to 2028 is expected to be enacted in Spring 2014.

We have reflected these known increases in State Pension Age in this valuation. No allowance has been made for the Chancellor's recent announcement that State Pension Age might be linked to future increases in longevity. We comment further on this later in this report.

## 2013 LGPS Regulations

The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 come into force on 1 April 2014.

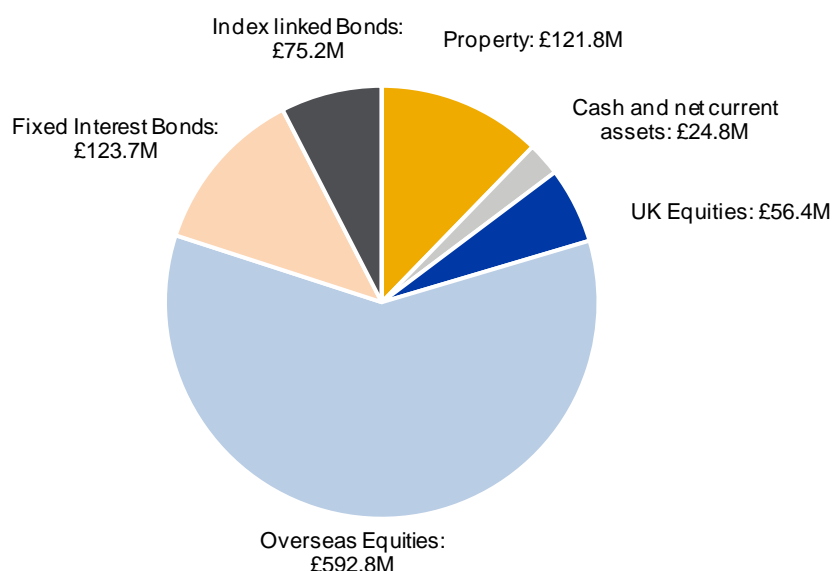
Our valuation reflects our understanding of the Regulations currently available. Any future changes may affect the conclusions in this report. However we do not anticipate any significant changes at this time.

We have made no allowance in this valuation for any future potential changes to member contributions or benefits resulting from the cost management mechanism under the Regulations.

# Asset data

The audited accounts for the Fund for the year ended 31 March 2013 show the value of the assets was £994.7M at the valuation date.

The assets of £994.7M were invested as follows:



This summary excludes assets for defined contribution AVC accounts.

The Statement of Investment Principles describes the Fund's investment strategy as follows:

*"The current asset allocation strategy was set on 6 January 2010 and is set out in the table below:*

Asset Class	Weighting
Global Equities (a mixture of active and passive)	60%
Passive Fixed Interest Gilts	2.5%
Passive Index-Linked Gilts	7.5%
Passive Corporate Bonds	10%
Active Property	20%

*The strategy was set following an asset-liability study and advice from the Authority's actuary and investment advisors."*

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# Funding objective

## Terminology

### Past service liabilities

The funding target for a Fund agreed as part of the actuarial valuation.

### Funding objective

To hold sufficient and appropriate assets to meet the past service liabilities.

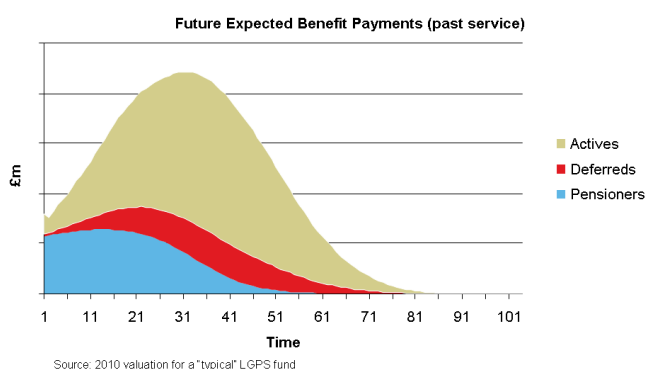
### Funding strategy statement

Sets out the Administering Authority's strategy for meeting the funding objective.

The Administering Authority's funding objective is to hold assets which are at least equal to the past service liabilities.

In order to calculate the past service liabilities and the cost to the Employers of future benefit accrual, the benefits paid out by the Fund are estimated for each year into the future. The estimated benefit payments are then 'discounted back' to the valuation date using an agreed rate of interest known as the discount rate.

The benefit payments from the Fund are expected to be made for a very long period – the chart below shows the cashflow pattern for the current membership of a typical Fund. Some cashflows will be fixed but the majority will be linked to future levels of salary growth and inflation.



## The discount rate

The funding strategy statement describes the risk based approach used to set the funding strategy and hence the discount rate. Under this risk based approach:

- The discount rate for long term scheduled bodies assumes indefinite future investment in assets similar to the Fund's holdings at the valuation date (allowing for any known planned changes to the long term investment strategy).

The Fund assets are considered to have a better than evens chance of delivering investment returns in excess of the scheduled body discount rate.

- For subsumption bodies, where a long term scheduled body has agreed to subsume or underwrite the liabilities of an admission body or other employer at cessation, we have agreed with the Administering Authority to use the scheduled body's discount rate for that employer. Details of employers to which this applies and the underwriting terms are given in Appendix 6.

An explanation of scheduled bodies and subsumption bodies is given in the Glossary in Appendix 12.

# Summary of method and assumptions

The Administering Authority agreed the assumptions used to calculate the past service liabilities and the cost of future benefit accrual. The table below summarises the key assumptions, together with those used for the previous valuation, and the reasons for any change. Further details of all of the assumptions are set out in Appendix 7.

Assumption	This valuation	Previous valuation	Rationale for change
Average in service discount rate	5.4% pa	7.0% pa	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
Average left service discount rate	5.4% pa	7.0% pa	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
Rate of revaluation of pension accounts	2.4% pa	N/A	Not required at the 2010 valuation
Rate of pension increases on non GMPs on post 88 GMPs	2.4% pa 2.0% pa	3.3% pa 2.7% pa	Updated to reflect outlook at 31 March 2013.
Pensionable Pay Increases	3.9% pa	5.3% pa	Updated to reflect outlook at 31 March 2013.
Post-retirement mortality assumption – base table Normal Health	SAPS Normal Health tables with scaling factors of: Men 115% Women: 90%	SAPS Normal Health tables with scaling factors of: Men 115% Women: 85%	Updated to reflect the Fund's pensioner mortality experience since the last valuation
Post-retirement mortality assumption – future improvements	CMI 2012 core projections with long-term improvement rate of 1.5% pa	CMI 2009 core projections with long-term improvement rate of 1.25% pa	Updated to reflect our current views and research

We show below the assumed life expectancies at age 65 for current members resulting from these post retirement mortality assumptions:

	Member currently aged 65	Member currently aged 45
Men	21.7	23.8
Women	26.2	28.5

We believe these assumptions are appropriate for the purposes of the valuation, and setting Employer contributions to the Fund.

As for the previous valuation, the past service liabilities have been calculated using the projected unit method. This method, with a one year control period, has also been used to calculate the cost of future benefits building up for most Employers. The attained age method has been used for some Employers who do not permit new employees to join the Fund.

The costs of providing the cash sum on death in service in the period since the previous valuation have been pooled across all Employers in the Fund.

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# Past service results

*A comparison of the Fund's past service liabilities with the assets is shown below. The past service liabilities have been calculated using the assumptions described in the previous section.*

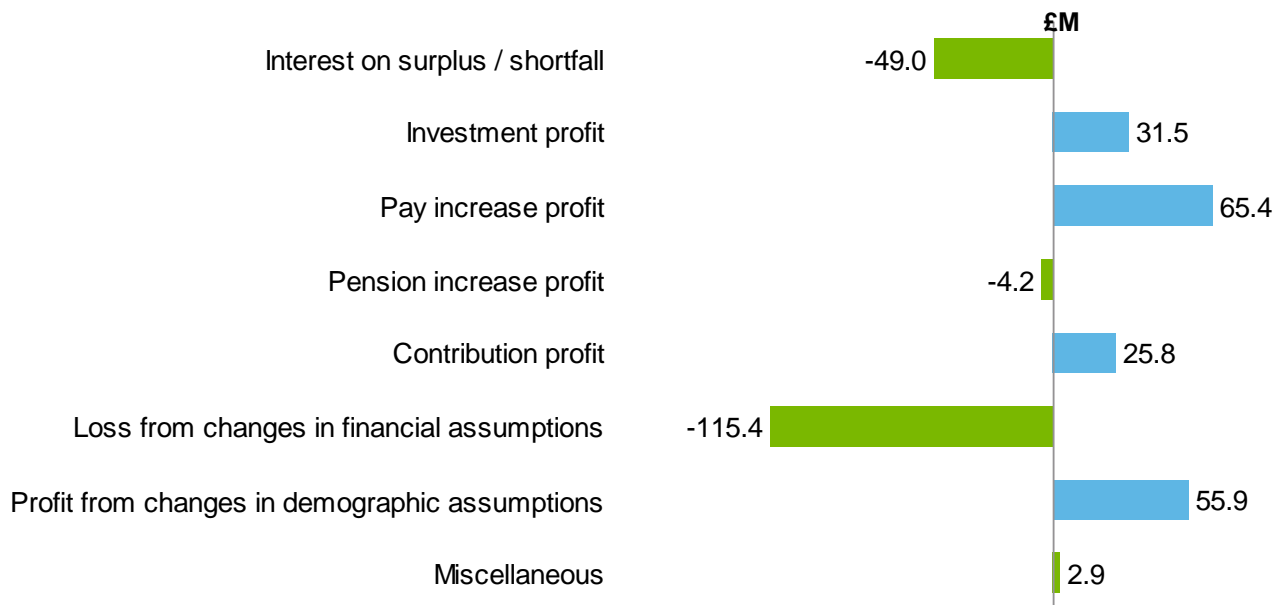
	£M
Value of past service benefits for	
Actives	393.9
Deferred members	270.7
Pensioners	539.2
<b>Total past service liabilities</b>	<b>1203.8</b>
Value of assets	994.7
<b>Past service surplus (shortfall)</b>	<b>(209.1)</b>
<b>Funding ratio</b>	<b>83%</b>

Employers will need to pay additional contributions to remove this shortfall. This is considered later.

# Reasons for change in past service position

*At the previous valuation, the Fund had a shortfall of £222.0M. The funding position has therefore improved by £12.9M over the period.*

The chart below shows the key reasons for the change in funding position.



The analysis shows that the main factors affecting the funding position since the previous valuation have been:

- Investment returns on the Fund's assets above those previously assumed
- Pay increases below those previously assumed
- Payment of shortfall contributions
- Changes in pay and pension increase assumptions, relative to RPI
- Changes to demographic assumptions

which have all improved the position; and

- Interest on the shortfall at the previous valuation
- A change in the real discount rate (discount rate relative to RPI)

which have worsened the position.

The miscellaneous item includes the effect of membership movements.

# Addressing the shortfall

*Employers will need to pay additional contributions to remove the shortfall.*

We have agreed with the Administering Authority that the shortfall will be removed by payment of additional contributions by the Employers over a range of different recovery periods not exceeding 30 years.

The recovery period used for each Employer is set out in Appendix 6. Contribution increases have not been phased in over a number of years (or 'steps') for any employers.

The assumptions used to calculate the recovery plans for each Employer are the same as those used to calculate the Employer's past service liabilities.

The aggregate contributions required to remove the shortfall by the end of 20 years from 1 April 2014 are £12.4M, increasing at 3.9% pa. This is equivalent to an aggregate employer contribution rate for shortfall contributions and future service benefits of approximately 20.7% of Pensionable Pay assuming the membership remains broadly stable and payroll increases in line with our salary increase assumption.

## **Terminology**

### **Recovery plan**

A plan for making good any shortfall relative to the past service liabilities.

### **Recovery period**

The period for which any contributions to remove the shortfall are to be paid.

### **Shortfall contributions**

The additional contributions to remove the shortfall by the end of the recovery period.



# Cost to the Employers of future benefits

*The table below shows the calculated cost to Employers at the valuation date of benefits in the 2014 Scheme that members will earn in the Fund in future. This rate of Employer contribution would be appropriate if the Fund had no surplus or shortfall.*

The rates have been calculated using the same assumptions as used to calculate the past service liabilities.

	<b>% of Pensionable Pay</b>
Value of benefits building up	19.1
Death in service cash sum	0.3
Administration expenses	0.6
Less member contributions	(6.7)
<b>Net cost to the Employers</b>	<b>13.3</b>

Employers will also pay additional contributions to remove the shortfall for past service liabilities.

The cost of future benefits has decreased slightly since the previous valuation and the main reasons for this are:

- The introduction of the 2014 Scheme
- Changes in the demographic assumptions

which have acted to reduce the cost.

The impact of these factors has been offset somewhat by a reduction in the discount rate relative to price inflation.

# Low risk funding measure

*The low risk measure shown below considers the position if no allowance is made in the discount rate for returns on the Fund assets to exceed the yields available on long dated UK government bonds as at 31 March 2013.*

Comparing the low risk measure with the past service result provides an indication of the level of reliance of the valuation past service results on future assumed investment returns on the Fund's asset holdings which are uncertain, and may not be achieved. Details of the assumptions used to calculate this low risk measure are summarised in Appendix 8.

	£M
Value of past service benefits for	
Actives	668.9
Deferred members	481.5
Pensioners	701.6
<b>Low risk value of liabilities</b>	<b>1852.0</b>
Value of assets	994.7
<b>Low risk surplus/Shortfall</b>	<b>(857.3)</b>
<b>Low risk funding ratio</b>	<b>54%</b>

# Risks and uncertainties

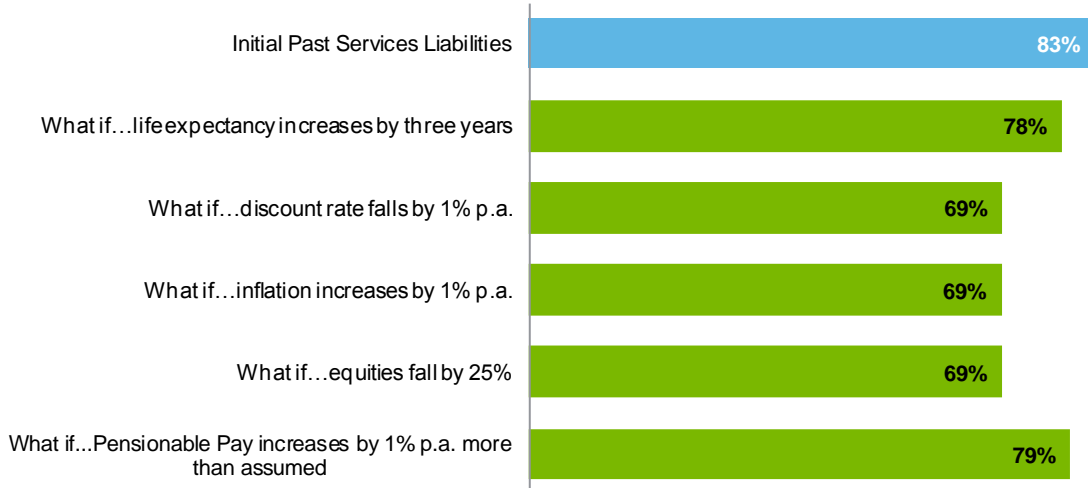
*The Fund faces a number of key risks which could affect its funding position.*

These risks include:

- Funding risk – the risk that the value placed on the past service liabilities is set too low and proves insufficient to meet the payments as they fall due.
  - Employer risk – the risk that an Employer is no longer able to meet its liabilities in the Fund.
  - Investment risks – the risk that investment returns are lower than allowed for in the valuation, and that investment returns and assets move out of line with the liabilities, so the funding position is not stable.
  - Longevity risk – the risk that Fund members live for longer than assumed and that pensions would therefore need to be paid for longer resulting in a higher cost for the Fund.
  - Inflation risk – the risk that inflation is higher than assumed, increasing the pensions that need to be paid.
  - Options for members (or other parties) – the risk that members exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash than allowed for.
- To quantify some of these risks, the chart on the following page shows the approximate impact of the following one-off step changes on the Fund's past service funding ratio (all other elements of the valuation basis being unchanged):
- Life expectancy at age 65 is three years longer than anticipated (with corresponding increases at other ages).
  - A 1% fall in long term expected investment returns (the discount rate) with no change in asset values.
  - A 1% pa increase in expected price inflation (measured by CPI) and pensionable pay.
  - A 25% fall in the market value of equities (with no change in bond markets).
  - A 1% pa increase in expected Pensionable Pay increases.

## Risks and uncertainties

The chart below shows the approximate impact on the Fund's past service funding ratio of the one-off step changes mentioned above (all other elements of the valuation being unchanged).



The analysis demonstrates that on the approach used the Fund is susceptible to:

- Falls in expected investment returns, or the market value of equities
- Rising inflation and pay increase expectations
- Members living longer than expected

The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation).

The low risk measure is also highly sensitive to these factors.

# Individual Employer contribution rates

*Employers, or groups of Employers, are set their own contribution rate which reflects their specific circumstances.*

The Employer contribution rates are set by the Actuary taking into account a number of factors including:

- Administration Regulation 36 – which requires the Actuary to have regard to
  - The existing and prospective liabilities
  - The desirability of maintaining as nearly constant a common rate as possible and
  - The current version of the Administering Authority's funding strategy statement.
- The results of the valuation.
- Developments since the valuation date.
- Discussions between the actuary, the Administering Authority and Employers.

Contribution rates for Employers which contribute to the Fund are set out in the Rates and Adjustments Certificate in Appendix 11.

Rates of contributions payable by individual Employers, or groups of Employers, differ because they take into account Employer's particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to the Employer's circumstances.

Details are given in Appendix 6.

## Terminology

### Rates and Adjustments Certificate

Specifies the contributions payable by the Employers until March 2017.

The aggregate Employer contributions certified for the 3 years from 1 April 2014 can be summarised as follows:

Year from 1 April	% of Pensionable Pay	Aggregate shortfall contribution (£M)
2014	13.3	13.4M
2015	13.3	13.9M
2016	13.3	14.3M

- The contributions payable by individual Employers are set out in Appendix 11.
- Payments to meet additional costs arising from early retirements, ill-health and other increases in benefits are payable in addition.
- The annual shortfall contributions above are the aggregate of the shortfall contributions for individual Employers in each year.
- At the end of the period shown above, the annual shortfall contributions are anticipated to increase by approximately 3.9% pa until the end of the relevant recovery period. Thereafter, contributions are anticipated to be in line with the future service contribution rate of 13.3% of Pensionable Pay. These contributions will be subject to review at future actuarial valuations.
- Member contributions are payable in addition to the Employer contributions set out above and in Appendix 11. These are set out in the Regulations. AVCs are payable in addition.
- Contributions by active members and Employers should be paid to the Fund at such time and at such frequency as required by the Regulations. Any monetary shortfall contributions have been calculated on the basis that they are payable uniformly over the relevant year.

# Final comments

## The key results from this valuation are:

The Fund's assets were £994.7M and the past service liabilities were £1203.8M which correspond to

- a shortfall of £209.1M and
- a funding ratio of 83%.

The cost of future benefits building up is 13.3% of Pensionable Pay after 1 April 2014.

If the shortfall is removed over 20 years from 1 April 2014, the aggregate Employer contributions needed would be equivalent to 20.7%\* of Pensionable Pay until 31 March 2034, reverting to 13.3% of Pensionable Pay thereafter.

*\* if the membership remains broadly stable and pay increases in line with our assumptions.*

## Developments since the valuation date

### State Pension Age changes

The Chancellor has recently announced proposals for how State Pension Age will be linked to future changes in longevity, and indicated that these might result in State Pension Age increasing

- To age 68 by the mid 2030s
- To age 69 by the late 2040s.

Normal Pension Age in the Fund is linked to State Pension Age so this will affect Normal Pension Age for benefits building up after 1 April 2014 for younger members in the Fund. As indicated earlier in this report no allowance has been made in this valuation for these possible further changes to State Pension Age.

We estimate that anticipating these further possible changes in this valuation might reduce the future service contribution rate by about 0.2% of Pensionable Pay, if no other changes were made. In practice however we would expect this to be offset by the cost of improvements in members' longevity so the overall impact might be expected to be negligible.

### Market movements since 31 March 2013

Since 31 March 2013, equity markets have generally risen, although this has been offset by falls in bond markets and in the risk-based discount rate that would be used for employing authorities and other long term bodies. Therefore, overall, we believe that market movements since the valuation date have had little impact on the funding ratio.

## Abolition of contracting-out

The Government is due to enact legislation in Spring 2014 to abolish contracting out from the State Second Pension from 6 April 2016. As a result the rebate in employee and employer National Insurance contributions will cease from that date.

At this stage there are no proposals to amend the Local Government Pension Scheme to mitigate these additional costs for Employers or employees.

## Monitoring the Fund

In light of the volatility inherent in situations where investments do not match liabilities, as for this Fund, we suggest the Administering Authority monitors the financial position in an appropriate manner on a quarterly basis.

### Next actuarial valuation

The next formal actuarial valuation is due to take place as at 31 March 2016.

If actual experience before the next actuarial valuation is in line with the assumptions in this report, we expect the Fund's funding ratio to increase to about 85%, primarily due to continuing contributions to eliminate the shortfall.

# Appendix 1: Legal framework

*It is a legal requirement to carry out a full valuation at least once every three years.*

This report was commissioned by and is produced solely for the use of the Administering Authority.

It is produced in compliance with:

- Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.
- The terms of the agreement between the Administering Authority and Aon Hewitt Limited, on the understanding that the report is solely for the benefit of the addressees.

Unless prior written consent has been given by Aon Hewitt Limited, this report should not be disclosed to or discussed with anyone else unless they have a statutory right to see it.

We permit the Administering Authority to release copies of this report to the following parties only:

- Any Employer which contributes to the Fund.
- The Department for Communities and Local Government.

We also permit The Department for Communities and Local Government to pass our report to the Government Actuary's Department in connection with their statutory duties. None of the above bodies have our permission to pass our report on to any other parties.

**Notwithstanding such consent, Aon Hewitt Limited does not assume responsibility to anyone other than the addressees of this report.**

# Appendix 2: Membership data

Membership data was provided by the Administering Authority.

Active members		Number	Average age	Total pensionable pay (£000 pa)	Average pensionable pay (£ pa)	Average service (years)
Men	2013	2,215	45.8	64,106	28,941	10.5
	2010	2,270	45.6	68,939	30,370	11.2
Women	2013	4,216	45.6	89,758	21,290	7.3
	2010	4,000	45.1	90,931	22,733	7.5
Total	2013	6,431	45.7	153,864	23,925	8.4
	2010	6,270	45.3	159,870	25,498	8.8

Note: Pensionable Pay is over the year to the valuation date, and includes annualised pay for new entrants during the year. Actual part-time pay is included for part-timers.

Deferred members		Number	Average age	Total pension (£000 pa)	Average pension (£ pa)
Men	2013	2,881	47.8	8,075	2,803
	2010	2,702	47.1	6,928	2,564
Women	2013	4,436	46.4	9,195	2,073
	2010	4,009	45.4	7,299	1,821
Total	2013	7,317	47.0	17,270	2,360
	2010	6,711	46.1	14,227	2,120

Note: The deferred pension amounts shown above include increases up to and including April 2013 (2010: April 2010). There were also a numbers of members (1,501) who had yet to decide whether to take a transfer payment and suitable allowance has been made for these in our calculation.

Pensioners		Number	Average age	Total pension (£000 pa)	Average pension (£ pa)
Men	2013	2,569	70.5	19,940	7,762
	2010	2,465	70.6	16,068	6,518
Women	2013	2,959	70.4	13,943	4,712
	2010	2,681	70.0	10,581	3,947
Dependants	2013	1,044	76.2	2,774	2,657
	2010	1,091	75.9	2,459	2,254
Total	2013	6,572	71.4	36,657	5,578
	2010	6,237	71.3	29,108	4,667

Note: The pension amounts shown above include the increase awarded in April 2013 (2010: April 2010). In 2013 there are also 108 children (2010:91) who are in receipt of pensions. Suitable allowance has been made for these in our calculation.

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# Appendix 3: Membership data by Employer

The distribution of membership by Employer as indicated by the data provided for the valuation is shown below.

Employer	Number of active members	Total Pensionable Pay (£000's)	Number of deferred members	Number of pensioners and dependants
The London Borough of Southwark	5,618	136,848.0	7,051	6,583
Bacon's College	59	1,433.8	6	2
Charter School	56	1,203.8	18	4
Dulwich Hamlet	30	385.2	2	0
Globe Academy	54	1,164.0	11	9
Goose Green Academy	35	272.9	1	0
Harris Academy Bermondsey	35	715.2	14	4
Harris Academy Peckham	65	1,185.4	87	5
Harris Boys Academy East Dulwich	30	682.5	9	0
Harris Girls Academy East Dulwich	32	632.1	13	8
Harris Peckham Free School	6	77.8	0	0
Kingsdale School	18	348.6	2	3
Peckham Park Academy	53	619.7	1	5
Redriff Primary School	33	464.3	0	1
Walworth Academy	52	1,076.9	20	6
St Michael and All Angels Academy	17	375.5	24	2
Capita	5	192.4	0	0
Balfour Beatty	14	288.9	1	1
Browning HMO	3	See note below	0	0
Brandon Trust	17	430.3	3	0
Chequers (2nd Admission)	4	19.7	0	0
Mears	8	255.0	0	0
Sherman and Waterman Associates	1	See note below	0	0

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<b>Employer</b>	<b>Number of active members</b>	<b>Total Pensionable Pay (£000's)</b>	<b>Number of deferred members</b>	<b>Number of pensioners and dependants</b>
<b>Interserve</b>	2	See note below	0	0
<b>Southwark Law Centre</b>	8	215.6	6	4
<b>Fusion</b>	35	835.7	7	2
<b>CLPE</b>	5	151.6	3	3
<b>South London Gallery</b>	1	See note below	1	0
<b>Olympic South (HATS)</b>	4	88.7	0	2
<b>Together</b>	0	See note below	2	4
<b>Camden Day Centre</b>	34	913.7	5	10
<b>PFI Veolia</b>	90	2,574.7	30	12
<b>APCOA</b>	3	See note below	0	9
<b>Leathermarket</b>	4	170.9	0	1
<b>Total</b>	<b>6,431</b>	<b>153,863.9</b>	<b>7,317</b>	<b>6,680</b>

*Notes:*

*Pensionable Pay is over the year to the valuation date, and includes annualised pay for new entrants during the year. Actual part-time pay is included for part-timers.*

*For Employers with three or fewer members, Pensionable Pay is not shown for data privacy reasons, but has been included in the total.*

*Members previously employed by employers who have since ceased and whose assets and liabilities were subsumed by The London Borough of Southwark have been included as part of The London Borough of Southwark data summary.*

*St Michael's and All Angel's Academy are included in this data summary for completeness, although they ceased to be an ongoing employer in the Fund from 31 August 2013.*

*Deferred membership numbers exclude members who had yet to decide whether to take a transfer payment.*

*Pensioner and Dependant numbers include children*

# Appendix 4: Benefits

The benefits of the Local Government Pension Scheme are set out in Regulations, the principal Regulations currently being

- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as subsequently amended) for membership before April 2014
- the Local Government Pension Scheme Regulations 2013 for membership from 1 April 2014

A broad summary of the benefits payable to active members as at 31 March 2014 is given below. This reflects our understanding of the Regulations at the time of writing. This may however be subject to change and readers should refer to the Regulations for further details.

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Type of scheme</b>	Final salary	Career average revalued earnings (CARE)
<b>Normal retirement / Pension Age</b>	65	Linked to State Pension Age (or age 65 if higher)
<b>Member contributions</b>	Between 5.5% of pay and 7.5% of full time equivalent Pensionable Pay dependent on contribution band the member is in (average 6.5%)  Special provisions apply for certain categories of former manual workers.	Between 5.5% of pay and 12.5% of actual Pensionable Pay dependent on contribution band the member is in (average 6.5%)
<b>50:50 option</b>	Not applicable	Members can opt to pay 50% contributions for 50% of member's pension benefit (dependants' benefits not affected)

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	2008 (and pre-2008) Scheme	2014 Scheme
<b>Pensionable Pay</b>	Generally total pay (excluding non contractual overtime)	Generally total pay (including non contractual overtime)
<b>Final Pay</b>	Generally Pensionable Pay over the 12 months prior to retirement or earlier exit or, if higher, in one of the preceding two years.	Not applicable
<b>Pensionable service</b>	Membership of Fund (years and days), plus periods of credited service	Not applicable
<b>Normal retirement pension</b>	<p>1/60 of Final Pay for each year of Pensionable Service on or after 1 April 2008.</p> <p>For each year of Pensionable Service before 1 April 2008:</p> <ul style="list-style-type: none"> <li>▪ a pension of 1/80 of Final Pay, plus</li> <li>▪ a cash sum of 3/80 of Final Pay</li> </ul>	<p>1/49 of revalued Pensionable Pay received during membership from 1 April 2014.</p> <p>The resulting accumulated pension is called the 'pension account'.</p>
<b>Retirement cash sum</b>	<p>Pension can be surrendered for additional cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up.</p>	<p>Pension can be surrendered for cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up.</p>

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	2008 (and pre-2008) Scheme	2014 Scheme
<b>Early retirement pension</b>	<p>Reduced pension payable on retirement after age 60, or after age 55 with Employer consent.</p> <p>Pension calculated as for normal retirement but based on Pensionable Service to early retirement date, and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years, with Employer consent required if under age 60.</p>	<p>Reduced pension payable on retirement after age 55.</p> <p>Pension calculated as for normal retirement but based on revalued Pensionable Pay up to early retirement date, and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years.</p>
<b>Incapacity and ill-health pensions</b>	<p>In each case members must be permanently incapable of efficiently discharging their current duties to qualify.</p> <p><b>Tier 1</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and potential Pensionable Service that would have been completed to Normal Retirement Age.</li> <li>▪ To qualify for this benefit there must be no reasonable prospect of the member being capable of undertaking any gainful employment.</li> </ul>	<p>In each case members must</p> <ul style="list-style-type: none"> <li>▪ be permanently incapable of efficiently discharging the duties of the employment they were engaged in to qualify and</li> <li>▪ be incapable of immediately undertaking any gainful employment</li> </ul> <p><b>Tier 1</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 2 years of Pensionable Service.</li> <li>▪ Immediate payment of accrued pension, plus an enhancement equal to the amount of earned pension the member would have accrued between the date of leaving and Normal Pension Age, based on the current Pensionable Pay.</li> <li>▪ To qualify for this benefit the member must be unlikely to be capable of undertaking any gainful employment before Normal Pension Age.</li> </ul>

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	2008 (and pre-2008) Scheme	2014 Scheme
Incapacity and ill-health pensions (continued)	<p><b>Tier 2</b></p> <ul style="list-style-type: none"> <li>Payable to members with more than 3 months' service based on Final Pay at exit and Pensionable Service completed to date of exit plus 25% of the period from date of exit to Normal Retirement Age.</li> <li>To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before Normal Retirement Age.</li> </ul>	<p><b>Tier 2</b></p> <ul style="list-style-type: none"> <li>Payable to members with more than 2 years of Pensionable Service.</li> <li>Immediate payment of accrued pension, plus an enhancement equal to 25% of the Tier 1 enhancement.</li> <li>To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before Normal Pension Age.</li> </ul>
	<p><b>Tier 3</b></p> <ul style="list-style-type: none"> <li>Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and Pensionable Service completed to date of exit.</li> <li>To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point within 3 years of date of exit.</li> <li>Payable for 3 years or until gainful employment obtained, if earlier.</li> </ul>	<p><b>Tier 3</b></p> <p>As 2008 Scheme, but subject to members having qualifying service of 2 years or more.</p>

	<b>2008 (and pre-2008) Scheme</b>	<b>2014 Scheme</b>
<b>Leaving Pensionable Service</b>	<p>Pension payable on retirement at Normal Retirement Age based on Final Pay at exit and Pensionable Service to date of exit.</p> <p>Certain categories of member can retire early on unreduced pension if aged 60 or over and their age plus service is greater than or equal to 85 years. Service in this case includes the period between date of exit and date pension commences.</p>	Pension payable on retirement at Normal Pension Age calculated as for normal retirement based on revalued Pensionable Pay during period of membership.
<b>CARE revaluation in service</b>	Not applicable	In line with increases in the Consumer Prices Index (CPI)
<b>Deferred pension revaluation after leaving</b>	<ul style="list-style-type: none"> <li>▪ Guaranteed Minimum Pensions (GMPs) increase in deferment in line with State revaluation factors.</li> <li>▪ Deferred pensions in excess of GMPs increase in line with CPI</li> </ul>	In line with CPI
<b>Pension increases in payment</b>	<ul style="list-style-type: none"> <li>▪ GMPs accrued after 6 April 1988 increase at the lower of 3% pa and CPI</li> <li>▪ Pensions in payment in excess of GMPs increase in line with CPI</li> </ul>	In line with CPI

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Death benefits</b>	<ul style="list-style-type: none"> <li>A cash sum of 3 x Final Pay at exit.</li> <li>A partner's pension of 1/160 of Final Pay at exit for each year of Pensionable Service, including a service enhancement that would have applied had retirement due to ill-health under Tier 1 occurred at the date of death.</li> </ul> <p>Partners are spouses, civil partners and co-habitees.</p> <ul style="list-style-type: none"> <li>Children's pensions may be payable.</li> </ul>	<ul style="list-style-type: none"> <li>A cash sum of 3 x Pensionable Pay at exit.</li> <li>A partner's pension of 1/160 of revalued Pensionable Pay received during membership to date of death plus an enhancement to pension of 1/160 of Pensionable Pay at death for each year between death and Normal Pension Age.</li> </ul> <p>Partners are spouses, civil partners and co-habitees.</p> <ul style="list-style-type: none"> <li>Children's pensions may be payable.</li> </ul>
<b>State pension scheme</b>	The Scheme is contracted out of the State Second Pension Scheme.	The Scheme is contracted out of the State Second Pension Scheme.  Note that the Government proposes abolishing contracting out from April 2016.
<b>Protections /underpins</b>	Pre 2008 benefits protected.  Rule of 85 retained for members aged over 60 on 31 March 2016. Partial protection of Rule of 85 for members aged over 60 on 31 March 2020.	Pre 2014 benefits protected (including link to eventual Final Pay).  Underpin of benefits on 2008 Scheme structure for members aged over 55 in April 2012.  Rule of 85 protections where applicable will continue to apply in the 2014 Scheme.
<b>Vesting period</b>	A refund of member contributions is paid for members leaving membership with qualifying service of less than 3 months.	A refund of member contributions is paid for members leaving membership with qualifying service of less than 2 years.

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# Appendix 5: Consolidated revenue account

We show a summary of the revenue and outgo of the Fund since the previous valuation below.

	<b>Total £000s</b>
<b>Fund as at 31 March 2010</b>	<b>786,766</b>
<b>Income</b>	
Contributions	
Employer normal	64,580
Employer additional	26,313
Employer special	14,424
Employee	30,903
Transfers-in	20,590
Investment income	46,626
Other	4
<b>Total income</b>	<b>203,440</b>
<b>Outgo</b>	
Pensions paid	105,016
Retirement cash sums	27,493
Transfers-out	16,376
Refunds of contributions on leaving	20
Expenses	
Investment	12,028
Administration	2,711
Death benefits paid	4,061
Other	331
<b>Total outgo</b>	<b>168,036</b>
<b>Change in market value</b>	<b>172,526</b>
<b>Fund as at 31 March 2013</b>	<b>994,696</b>

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# Appendix 6: Employer funding strategies

*An Employer's funding strategy depends on its own circumstances. Key details for each Employer are set out below. See the sections on Funding Objective and the Glossary in Appendix 12 for more details.*

Employer	Recovery period	Stepping period (if any)	Subsuming or Underwriting Employer (if any)
The London Borough of Southwark	19.5	-	
Bacon's College	N/A	-	
Charter School	N/A	-	
Dulwich Hamlet	N/A	-	
Globe Academy	N/A	-	
Goose Green Academy	N/A	-	
Harris Academy Bermondsey	N/A	-	
Harris Academy Peckham	N/A	-	
Harris Boys Academy East Dulwich	23	-	
Harris Girls Academy East Dulwich	N/A	-	
Harris Peckham Free School	N/A	-	
Kingsdale School	7	-	
Peckham Park Academy	7	-	
Redriff Primary School	7	-	
Walworth Academy	N/A	-	

Since the date of the last valuation, London Borough of Southwark introduced an admissions policy whereby the pensions risks of new admission bodies is underwritten by London Borough of Southwark, and in return the employer's contribution rate is fixed at the rate at initial entry to the Scheme (potentially subject to certain provisos). This covered the following employers:

Capita	Balfour Beatty	Browning HMO	Interserve
Brandon Trust	Chequers (2 <sup>nd</sup> Admission)	Mears	Sherman and Waterman Associates

London Borough of Southwark have extended this approach to existing admission bodies by, in general fixing their contribution rate at that currently being paid. This covers the following employers:

Southwark Law Centre	Fusion	CLPE	South London Gallery
Olympic South (HATS)	Together	Camden Day Centre	PFI Veolia
Leathermarket			

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# Appendix 7: Assumptions used to evaluate the liabilities

*The assumptions used for calculating the past service liabilities are summarised below. Different assumptions are used for the low risk measure, as set out in Appendix 8.*

## Financial assumptions

<b>In service discount rate</b>	<b>5.4% pa</b>
<b>Left service discount rate</b>	<b>5.4% pa</b>
<b>Rate of Pensionable Pay increases</b> (in addition to promotional increases)	<b>3.9% pa</b>
<b>Rate of RPI price inflation</b>	<b>3.3% pa</b>
<b>Rate of CPI price inflation</b>	<b>2.4% pa</b>
<b>Rate of revaluation of pension accounts</b>	<b>2.4% pa</b>
<b>Rate of pension increases</b> on non GMPs on post 88 GMPs	<b>2.4% pa</b> <b>2.0% pa</b>
<b>Rate of deferred pension increases</b>	<b>2.4% pa</b>
<b>Administration expenses</b>	<b>0.6% of Pensionable Pay</b>

## Demographic assumptions

<b>Pre-retirement base mortality</b>	Males: 75% of Standard SAPS Normal Health tables Females: 75% of Standard SAPS Normal Health tables	
<b>Post-retirement base mortality</b>	Males: 115% of Standard SAPS Normal Health tables Females: 90% of Standard SAPS Normal Health tables	
<b>Post-retirement ill health mortality</b>	Males: 100% of Standard SAPS Ill Health tables Females: 100% of Standard SAPS Ill Health tables	
<b>Improvements to base mortality</b>	An allowance for improvements between 2002 and 2013 and an allowance for future improvements has been made in line with the CMI 2012 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% pa for men and women.	
<b>Promotional salary increases</b>	Allowance has been made for age-related promotional increases (see sample rates below).	
<b>Withdrawals</b>	Allowance has been made for withdrawals from service (see sample rates below). On withdrawal, members were assumed to leave a deferred pension in the Fund.	
<b>Retirement age</b>	Members were assumed to retire at the following ages:	
	<b>Member group</b>	<b>Assumed age at retirement</b>
	Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)	Rule of 85 age (or age 60 if higher).  Any part of their pension payable from a later age will be reduced.
	All other active members	Age 65.  Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.
	Deferred members who left Fund before 1 April 2013 with protected Rule of 85 age	Rule of 85 age (or age 60 if higher).  Any part of their pension payable from a later age will be reduced.
	Deferred members who left Fund before 1 April 2013 with no protected Rule of 85 age	Age 65.
<b>Retirement cash sum</b>	Each member was assumed to surrender pension on retirement, such that total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	
<b>Family details</b>	<p>Men were assumed to be three years older than their wife/partner.</p> <p>90% of non-pensioners were assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death.</p> <p>90% of pensioners were assumed to be married or have a partner at age 65 or younger.</p> <p>Partners were assumed to exhibit the same mortality as pensioners of the same sex who retired in normal health.</p> <p>No allowance for children's pensions.</p>	
<b>Take up of 50:50 Scheme</b>	An allowance consistent with that used by the Government Actuary's Department in the costing of the 2014 Local Government Pension Scheme based on an assumption of 10% of members earning less than £21,000 electing to join the 50:50 scheme	

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## Sample rates

The table below illustrates the allowances made for withdrawals from service and ill-health retirement at various ages. Also shown is the allowance included for promotional pay increases, which is shown as the percentage increase over the next year.

Current age	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage promotional pay increase over year
	Men and Women	Men and Women
20	20.0	3.0
25	13.9	2.5
30	8.9	2.0
35	6.3	2.0
40	4.7	-
45	3.6	-
50	2.6	-
55	1.9	-
60	-	-

# Appendix 8: Assumptions for low risk measure

*The low risk measure considers the position if no allowance is made in the discount rate for returns on the Fund assets to exceed the yields available on long dated UK government bonds as at 31 March 2013, as shown below.*

*All other assumptions are the same as shown in Appendix 7.*

## Financial Assumptions

<b>In service discount rate</b>	<b>3.2% pa</b>
<b>Left service discount rate</b>	<b>3.2% pa</b>

# Appendix 9: Membership experience

*We have compared the actual numbers of deaths, retirements and other exits since the previous valuation with the numbers expected on the assumptions used for the current valuation:*

Type of exit	Men	Women
<b>Death in service</b>		
Actual	15	8
Expected	10	16
<b>Withdrawals (excluding refunds)</b>		
Actual	514	982
Expected	308	558
<b>Normal and voluntary retirements</b>		
Actual	125	181
Expected	197	277
<b>Ill-health retirements</b>		
Actual	29	30
Expected	-	-
<b>Severance and redundancy retirements</b>		
Actual	116	112
Expected	-	-

# Appendix 10: Current contribution rates

*Employers have paid contributions at the following levels in the year ended 31 March 2014.*

<b>Employer</b>	<b>Pensionable Pay %</b>	<b>Additional monetary amount £</b>
<b>Scheduled bodies</b>		
The London Borough of Southwark	13.1%	12,700,000
Bacon's College	13.8%	-
Charter School	13.1%	26,689
Dulwich Hamlet	13.6%	17,700
Globe Academy	13.6%	-
Goose Green Academy	17.1%	22,300
Harris Academy Bermondsey	13.8%	-
Harris Academy Peckham	11.3%	-
Harris Boys Academy East Dulwich	10.2%	-
Harris Girls Academy East Dulwich	15.8%	3,500
Harris Peckham Free School	15.5%	-
Kingsdale School	14.7%	30,539
Peckham Park Academy	15.5%	30,613
Redriff Primary School	16.1%	40,053
Walworth Academy	13.3%	-
<b>Admission bodies</b>		
Capita	19.5%	-
Browning HMO	17.6%	-
Brandon Trust	17.5%	-
Chequers (2nd Admission)	18.0%	-
Mears	17.5%	-
Sherman and Waterman Associates	21.2%	-
Interserve	27.6%	-
Southwark Law Centre	22.0%	-
Fusion	11.3%	127,636.32

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<b>Employer</b>	<b>Pensionable Pay %</b>	<b>Additional monetary amount £</b>
CLPE	24.1%	-
South London Gallery	17.2%	-
Olympic South (HATS)	23.8%	-
Together	21.3%	-
Camden Day Centre	17.7%	-
PFI Veolia	20.9%	-
Leathermarket	19.3%	-
APCOA	18.8%	-

# Appendix 11: Rates and Adjustments Certificate

*Actuarial certificate given for the purposes of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008*

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the 'Administration Regulations'), we certify that contributions should be paid by Employers at the following rates for the period 1 April 2014 to 31 March 2017.

- A common rate of 13.3% of Pensionable Pay.
- Individual adjustments which, when added to or subtracted from the common rate, produce the following minimum Employer contribution rates

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
<b>Scheduled bodies</b>				
The London Borough of Southwark	13.1%	13,200,000	13,700,000	14,200,000
Bacon's College	13.7%	-	-	-
Charter School	10.3%	-	-	-
Dulwich Hamlet	16.3%	-	-	-
Globe Academy	10.0%	-	-	-
Goose Green Academy	12.0%	-	-	-
Harris Academy Bermondsey	13.0%	-	-	-
Harris Academy Peckham	10.9%	-	-	-
Harris Boys Academy East Dulwich	8.3%	-	-	-
Harris Girls Academy East Dulwich	13.0%	-	-	-
Harris Peckham Free School	7.2%	-	-	-
Kingsdale School	16.2%	8,400	8,700	9,100
Peckham Park Academy	12.5%	15,000	15,600	16,200
Redriff Primary School	15.0%	13,900	14,400	15,000
Walworth Academy	13.9%	-	-	-
<b>Admission bodies</b>				
Capita	19.5%	-	-	-
Balfour Beatty	19.2%	-	-	-

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Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
Browning HMO	17.6%	-	-	-
Brandon Trust	17.5%	-	-	-
Chequers (2nd Admission)	18.0%	-	-	-
Mears	17.5%	-	-	-
Sherman and Waterman Associates	21.2%	-	-	-
Interserve	27.6%	-	-	-
Southwark Law Centre	22.0%	-	-	-
Fusion	11.3%	127,636.32	127,636.32	31,908.08
CLPE	24.1%	-	-	-
South London Gallery	17.2%	-	-	-
Olympic South (HATS)	23.8%	-	-	-
Together	21.3%	-	-	-
Camden Day Centre	17.7%	-	-	-
PFI Veolia	20.9%	-	-	-
Leathermarket	12.8%	-	-	-
APCOA	18.8%	-	-	-

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer should be adjusted to take account of any amounts payable, in respect of a surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer. Any adjustment should be as advised by the Fund Actuary.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38, payable over a period of up to 3 years. Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2013 and these will be certified separately.

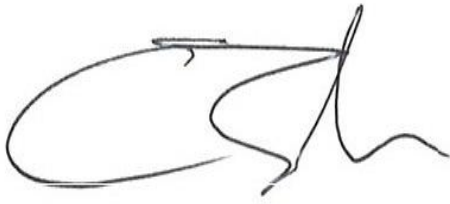
Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

This certificate should be read in conjunction with the notes overleaf.

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**Signed on behalf of Aon Hewitt Limited**



Chris Archer FIA  
Fellow of the Institute and Faculty of Actuaries



Bijal Shah FIA  
Fellow of the Institute and Faculty of Actuaries

31 March 2014

Aon Hewitt Limited  
25 Marsh Street  
Bristol  
BS1 4AQ

## Notes to Actuary's certificate

The contribution rates certified overleaf have been assessed using the actuarial methods and assumptions detailed in our report dated 31 March 2014.

These assumptions imply the following levels of new retirement liabilities from active membership status:

Type of Retirement	Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017	
	Number	New Pension £'000
Normal, late and voluntary under Regulations 30(1), 30(3) and 30(5) of the 2013 Regulations or Regulation 16 or 30 of the Benefits Regulations	631	£5,758
Comments on Funding	Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before Normal Pension Age and no reduction for early payment applies.  The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	
Ill-health under Regulation 35 of the 2013 Regulations or Regulation 20 of the Benefits Regulations	Nil	Nil
Comments on Funding	Such retirements increase costs due to the early payment of enhanced benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation.  The Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	

Type of Retirement	Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017	
	Number	New Pension £'000
Severance and redundancy under Regulation 30(7) of the 2013 Regulations or Regulation 19 of the Benefits Regulations	Nil	Nil
Comments on Funding	<p>Such retirements increase costs due to the early payment of benefits. Any enhancement of benefits through the Fund would increase costs further. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation.</p> <p>The Administering Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.</p>	
Flexible retirement under Regulation 30(6) of the 2013 Regulations or Regulation 18 of the Benefits Regulations	Nil	Nil
Comments on Funding	<p>Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before Normal Pension Age and no reduction for early payment applies.</p> <p>The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral</p>	

In this certificate references to

- the 2013 Regulations mean the Local Government Pension Scheme Regulations 2013
- the Benefits Regulations mean the Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007
- the Administration Regulations mean the Local Government Pension Scheme (Administration) Regulations 2008

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# Appendix 12: Glossary

## **Active member**

A person who is employed by an employer participating in the Fund, and is paying (or is treated as paying) contributions to the Fund (includes certain members temporarily absent, eg due to family leave or sickness).

## **Admission body**

An employer admitted to the Fund under an admission agreement

## **Attained age method**

This is one of the methods used by actuaries to calculate a contribution rate to the Fund. This method calculates the present value of the benefits expected to build up over members' expected remaining membership of the Fund expressed as a percentage of their expected future pensionable pay. It allows for projected future increases to pension accounts through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the Fund. If there are no new members, this method would be expected to result in a stable contribution rate as a percentage of pay, once surpluses or shortfalls are taken into account, and if all the other assumptions are borne out. However, if more members join the Fund to replace older leavers, the contribution rate can be expected to fall.

## **Best estimate**

Best estimate assumptions are such that the eventual outcome is considered equally likely to be higher or lower than the best estimate.

## **Consumer Prices Index (CPI)**

This is the price inflation index that increases to pensions and deferred pensions paid by the Fund are based on. It is published every month by the Office of National Statistics.

## **Deferred member**

A former employee who has left active membership, but has not yet received any benefits from the Fund and is prospectively entitled to receive a deferred pension from his/her Normal Pension Age.

## **Discount rate**

This is used to place a present value on a future payment. A 'low risk' discount rate is usually derived from the investment return achievable by investing in UK government bonds. A discount rate higher than the 'low risk' rate is often used to allow for some of the extra investment return that is expected by investing in assets other than UK government bonds.

## **Funding objective**

To hold sufficient and appropriate assets to cover the funding target.

## **Funding ratio**

This is the ratio of the value of assets to the funding target.

## **Funding strategy statement**

A document prepared by the Administering Authority in accordance with the Administration Regulations which sets out the funding strategy adopted for the Fund. The Actuary must have regard to this statement in preparing this actuarial valuation.

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## **Funding target**

An assessment of the present value of the benefits that will be paid from the Fund in the future, normally based on pensionable service prior to the valuation date. Under the current Funding Strategy Statement the funding target is equal to the past service liabilities calculated on a prudent set of assumptions.

## **Future service contribution rate**

The contribution rate (expressed as a percentage of Pensionable Pay) required to meet the cost of benefits which will accrue to members in future.

## **Guaranteed Minimum Pensions (GMPs)**

Most Funds that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the Fund not been contracted out. GMPs ceased to accrue on 6 April 1997 when the legislation changed.

## **Orphan body**

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

## **Past service liabilities**

This is the present value of the benefits to which members are entitled based on pensionable service to the valuation date, assessed using the assumptions agreed between a Fund's Administering Authority and the Actuary. It generally allows for projected future increases to pay through to retirement or date of leaving service.

## **Present value**

Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 6% a year and if we had to pay a cash sum of £1,060 in one year's time the present value would be £1,000.

## **Projected unit method**

One of the common methods used by actuaries to calculate a contribution rate to a Fund.

This method calculates the present value of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The present value is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to benefits through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age will increase and the contribution rate can be expected to rise.

## **Prudent**

Prudent assumptions are such that the actual outcome is considered more likely to be favourable, than unfavourable, than the best estimate assumption. For example, prudent assumptions are more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.

## **Rates and Adjustments Certificate**

A certificate required at each actuarial valuation under the Regulations, setting out the contributions payable by employers for the next 3 years from the 1 April following the valuation date.

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## Recovery period

The period over which any surplus or shortfall is to be eliminated.

## Recovery plan

Where a valuation shows a funding shortfall against the past service liabilities, a recovery plan sets out plans to meet the funding objective.

## Regulations

The statutory regulations setting out the contributions payable to and the benefits payable from the Local Government Pension Scheme and how the Funds are to be administered. They currently comprise the following sets of regulations:

- 1997 Regulations                                      Local Government Pension Scheme Regulations 1997
- Administration Regulations                      Local Government Pension Scheme (Administration) Regulations 2008
- Benefits Regulations                                Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007
- Transitional Regulations                          Local Government Pension Scheme (Transitional provisions) 1997

From April 2014 the following will set out the new 2014 Scheme:

- 2013 Regulations                                    Local Government Pension Scheme Regulations 2013
- 2014 Transitional Regulations                  Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

## Scheduled body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

## Shortfall

Where the assets are less than the funding target, then this is the funding target less the value of assets.

## Shortfall contributions

Additional contributions payable by employers to remove the shortfall by the end of the recovery period.

## State Pension Age (SPA)

Age at which State pensions are payable. Current legislation specifies the following ages:

- Currently age 65 for men; transitioning to age 65 for women by 2018.
- Current legislation transitions State Pension Age for both men and women to age 68 by 2046, as follows:
  - to age 66 by 2020
  - to age 67 by 2036
  - to age 68 by 2046

Legislation to bring forward the increase to age 67 to 2028 is expected to be enacted in Spring 2014.

The Government has announced further proposed changes to link changes in State Pension Age to improvements in longevity.

## **Subsumption and subsumption body**

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund, once any contribution on cessation under the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities.

In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

## **Strains**

These represent the value of additional benefits granted to members under a discretion of the employer or the Administering Authority. They include the cost of providing enhanced benefits on retirement or redundancy.

## **Surplus**

Where the funding target is less than the value of the assets, then this is the value of assets less the funding target.

## **Transfer value**

Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in a Fund, and a sum of money (called the transfer value) is paid into another approved pension Fund; this is used to provide pension benefits on the terms offered in that Fund.