

London Borough of Barnet Pension Fund

Actuarial Valuation as at 31 March 2010
Valuation Report

Barnett Waddingham
Public Sector Consulting

30 March 2011

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Dear Sirs

Actuarial Valuation as at 31 March 2010

We have carried out an actuarial valuation of the London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2010. The Fund is part of the Local Government Pension Scheme ("LGPS").

The valuation is being carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended.

The purpose of this report is to set out the results of the actuarial valuation of the Fund.

This report is addressed to London Borough of Barnet as administering authority to the Fund. It is not intended to assist any user other than London Borough of Barnet in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.

This report has been written in accordance with "Technical Accounting Standard R: Reporting Actuarial Information" and "Technical Actuarial Standard D: Data" issued by the Board for Actuarial Standards and actuarial guidance note "GN9: Funding Defined Benefits – presentation of actuarial advice", insofar as they apply to the LGPS.

Our report is set out in the following sections.

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1 Introduction

1.1 Purpose of the Valuation

- 1.1.1 The main purpose of the valuation is to review the financial position of the Fund and to determine the rate at which the employing bodies participating in the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.
- 1.1.2 The figures in this report count as part of a “planning exercise” for the purposes of the Board for Actuarial Standards’ Technical Actuarial Standard R. This means the primary purpose of the figures is for “budgeting” or “target setting” – in this case setting the future levels of employer contributions payable to the Fund.

1.2 Previous Valuation

- 1.2.1 The last formal actuarial valuation of the Fund was carried out as at 31 March 2007 by W Douglas B Anderson of W Douglas B Anderson and the results of that valuation were set out in the formal valuation report dated March 2008.
- 1.2.2 The results of the previous valuation indicated that the assets of the Fund represented 71% of the accrued liabilities of the Fund. The Total Required Contribution Rate was certified as 23.5% of payroll which assumed that the past service funding level would be restored over a period of 20 years.

1.3 Changes to the LGPS

- 1.3.1 The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the Consumer Price Index or CPI rather than RPI.
- 1.3.2 Also, it was announced that State Pension Age will be increased to age 66 for both men and women from 2020 which is likely to influence future retirement patterns.
- 1.3.3 A report has recently been issued by an independent pensions commission led by Lord Hutton to investigate pension reform across the public sector. His report contains a number of recommendations which are likely to lead to some changes to the LGPS in future although at this stage it is difficult to assess the detail of what they might be. The Chancellor has also indicated that the level of member contribution should be expected to increase at some point in future. We anticipate that these changes will be closer to being finalised by the date of the next valuation.
- 1.3.4 Full current details of the current benefits and contribution structure are set out in Appendix 7.

2 Valuation Data

2.1 Data Sources

2.1.1 We have used the following items of data as provided by the London Borough of Barnet:

- Membership extract as at 31 March 2010. The membership data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.
- Fund accounts for the 3 years to 31 March 2010.

2.1.2 A summary of the data is set out in Appendix 2.

2.2 Assets

2.2.1 The asset allocation of the Fund as at 31 March 2010 was as follows:

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	188,408	30%
Overseas Equities	148,117	23%
Corporate Bonds	3,829	1%
Cash	75,876	12%
UK Gilts	48,768	8%
Overseas Bonds	11,086	2%
Property	22,264	4%
Other assets	-	-
Alternative assets	133,053	21%
Total	631,401	100%

2.2.2 We estimate that the annual return on the assets in market value terms for the 3 years to 31 March 2010 was approximately 3.0% per annum.

2.3 Benefits

2.3.1 Since the previous valuation changes to the benefits have been introduced with effect from 1 April 2008.

2.3.2 The benefits being valued including these changes are as set out in the Regulations governing the Local Government Pension Scheme ("the LGPS") and are summarised in LGPS Benefits.

3 Actuarial Methods and Assumptions

3.1 Valuation Method

- 3.1.1 For the purposes of this valuation we have, as in the past, adopted an approach which separately considers the benefits in respect of service completed before the valuation date (“past service”) and benefits in respect of service expected to be completed after the valuation date (“future service”). This approach enables us to focus on:-
- 3.1.2 The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members’ pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; a funding level of less than 100% indicates a deficit.
- 3.1.3 The future service funding rate i.e. the level of contributions required from the employing bodies to support the cost of benefits building up in future.
- 3.1.4 There are various “funding methods” that can be used to determine the cost of providing benefits. The method we have adopted for employers open to new staff at this valuation is known as the “Projected Unit Method”. The key feature of this method is that in assessing the future service cost we calculate the contribution rate which meets the cost of one year of benefit accrual.
- 3.1.5 For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.
- 3.1.6 This is the same approach as adopted at the previous valuation.

3.2 Valuation Assumptions

- 3.2.1 The next step is to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 3.2.2 Future levels of pay increases will determine the level of benefits to be paid in future in respect of active members as well as the contributions that will be received by the Fund. Once in payment, pension benefits in excess of Guaranteed Minimum Pensions (“GMPs”) are linked to the Retail Prices Index through increases granted in line with the Pensions (Increase) Act 1971. Although in future pension benefits will be linked to the CPI rather than RPI.
- 3.2.3 The cost of providing for benefits, however, depends not only upon the amount but also the incidence of benefits paid i.e. at what point in the future benefits begin to be paid and, for pension benefits, for how long they continue to be paid.

- 3.2.4 As money is being set aside now to provide for benefits payable in the future i.e. the benefits are being prefunded, then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets. These assets build up from contributions paid by scheme members and participating employers to the Fund.
- 3.2.5 The assumptions adopted at the valuation can therefore be considered as:-
- The statistical assumptions which generally provide estimates of the likelihood of benefits and contributions being paid, and,
 - The financial assumptions which determine the estimates of the amount of benefits and contributions payable as well as their current or present value.
- 3.2.6 We examine the assumptions in more detail in the next two sections of our report.

3.3 Funding Model

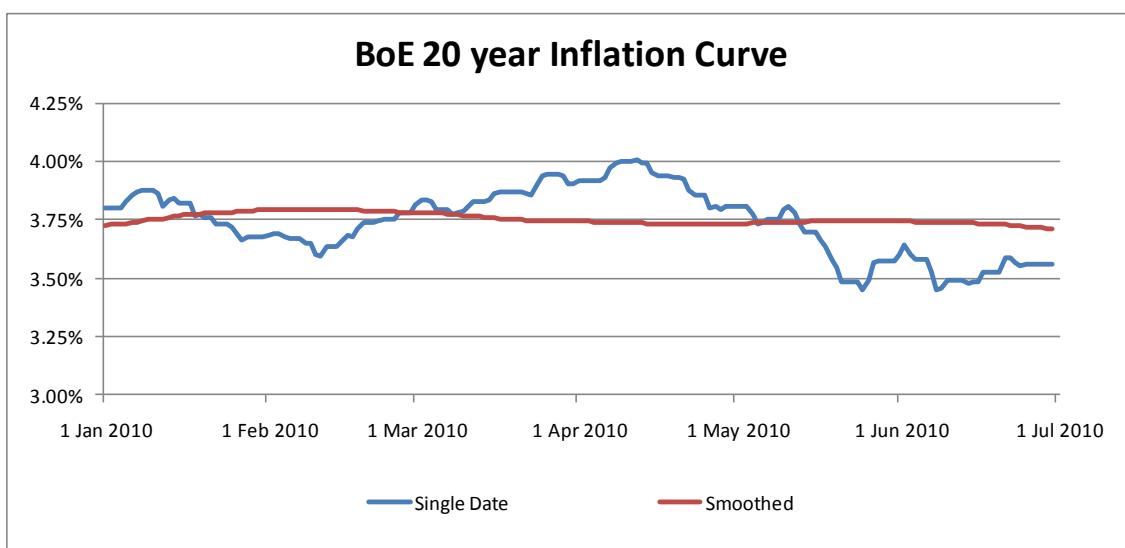
- 3.3.1 At this valuation we have used a market related funding model. The key features of the model are as follows:
- 3.3.2 Assumed future levels of retail price inflation are derived by considering the difference between index-linked gilt and fixed-interest gilt yields at the valuation date, as published by the Bank of England. At this valuation we have also included an adjustment known as an inflation premium. This inflation premium is deducted from the market implied inflation assumption to reflect the expectation that market implied inflation tends to overstate actual retail price inflation.
- 3.3.3 Pay increases are assumed to exceed future retail price inflation based on past experience and expectations of future experience.
- 3.3.4 Pension increases are assumed to be in line with CPI rather than RPI. It is assumed that CPI will be 0.5% per annum less than RPI, consistent with the historical average.
- 3.3.5 The expected future return from equities is based on dividend yields at the valuation date in addition to an allowance for real capital growth in asset values.
- 3.3.6 Rather than take "spot" yields and market values of assets at the valuation date we have used smoothed yields and asset values spanning the 6 month period around the valuation date.
- 3.3.7 The discount rate used to discount future payments to and from the Fund and so determine the value placed on the liabilities reflects the risk adjusted expected return that will be earned by the actual investment strategy adopted by the Fund.
- 3.3.8 Under TAS R a "funding model" is referred to as a "measure".

4 Financial Assumptions and Experience

- 4.1.1 The derivation of the key financial assumptions adopted at this valuation and how they compared as at the previous valuation are set out below. Further details are set out in Appendix 3.

4.2 Future Retail Price Inflation

- 4.2.1 The base assumption is the future level of retail price inflation. This is derived by considering the difference in yields from conventional and index linked gilts using the Bank of England Inflation Curve and then adjusting by an inflation premium.
- 4.2.2 The following chart plots the Inflation Curve over the 6 month period spanning the valuation date.



- 4.2.3 As at the valuation date the spot inflation projection was 3.90% and the average or smoothed level over the 6 months spanning the valuation date was 3.75%. We have used the smoothed level but then reduced by a 0.25% inflation premium adjustment to end up with an RPI assumption of 3.5% per annum.

4.3 Future Pension Increases

- 4.3.1 Previously, pension increases were assumed to be in line with retail price increases. The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the CPI rather than RPI. We have therefore assumed that pension increases will be 0.5% less than the price inflation assumption. i.e. 3.0% per annum.

4.4 Future Pay Inflation

- 4.4.1 As benefits are currently linked to pay levels at retirement, an assumption has to be made about future levels of pay inflation. Historically there has been a close link between price and pay inflation

with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions.

- 4.4.2 The assumption adopted at this valuation is that pay increases, over and above increases due to promotion and other increments (or “salary scales”), will in the longer term exceed price inflation by 1.5% per annum in the longer term.
- 4.4.3 However, in anticipation of Government policy we have completed calculations assuming a short term “pay freeze” for 2 years for those earning over £21,000 per annum.
- 4.4.4 At this valuation we have updated the salary scales as set out in Appendix 3 - Actuarial Assumptions.

4.5 Future Investment Returns/Discount Rate

- 4.5.1 To determine the value of accrued liabilities and future contribution requirements at any given point in time it is necessary to discount future payments to and from the Fund. There are a number of different approaches which can be adopted in deriving the discount rate to be used. FRS 17 for example requires that the discount rate is related only to yields from corporate bonds.
- 4.5.2 In our view the discount rate adopted should depend on the purpose of the valuation and the overall funding objectives. The regulations require the actuary to adopt methods and assumptions which produce stable levels of employer contributions. In our view therefore, to help achieve this objective, the discount rate should reflect the expected investment return to be achieved from the underlying investment strategy.
- 4.5.3 In determining the assumption to be made in relation to future investment returns it is necessary to consider the investment strategy of the Fund and the resulting expected future return earned by the assets held.
- 4.5.4 The investment strategy of the Fund is to invest the assets in a mix of equities, bonds and alternative assets.
- 4.5.5 Redemption yields from gilts give an indication of the future rates of return from these asset classes. Redemption yields from corporate bonds are also readily available. There is however no comparable market indicator to derive the market expected future return from investing in equities, property or other alternative assets.
- 4.5.6 It is however possible to model future returns from equities by considering current dividend yields and making an assumptions regarding future growth in capital values.
- 4.5.7 The following table sets out the derivation of the expected return from equities at the valuation date.

Smoothed Equity Returns	March 2010
	% p.a.
Net equity yield	3.3%
Inflation	3.5%
plus assumed real capital return	0.6%
Equity Return	7.4%

- 4.5.8 It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities.
- 4.5.9 Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.
- 4.5.10 We then derive the discount rate as firstly, the weighted average of future expected returns from the various asset classes based on the actual asset allocation as at the valuation date.
- 4.5.11 We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with more than 75% in equity type investments the reduction in discount rate is 50% of the extra return expected from the actual strategy compared to one invested 75% in equity type investments.
- 4.5.12 Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4% per annum.
- 4.5.13 In summary therefore we have adopted the following assumptions.

Financial Assumptions	March 2010		March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.4%	3.9%		
Gilts	4.5%	1.0%		
Bonds & Property	5.6%	2.1%		
Risk Adjusted Discount Rate	6.7%	3.2%	6.1%	2.9%
Pay Increases	5.0%	1.5%	4.7%	1.5%
Price Inflation	3.5%	-	3.2%	
Pension Increases	3.0%	(0.5%)	3.2%	

- 4.5.14 Note that the pay increase assumption is zero for 2 years for those earning over £21,000.

4.6 Intervaluation Experience - Financial

4.6.1 The following table sets out the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation.

Financial Experience	Actual % p.a.	Assumed % p.a.	Difference % p.a.
Investment Return	3.0%	6.1%	(3.1%)
Estimated Pay Increases	4.4%	4.7%	(0.3%)
Price Inflation/Pension Increases	2.9%	3.2%	(0.3%)

4.6.2 The principal conclusions are:

- Investment returns were less than assumed.
- Pay increases were slightly less than expected.
- Pension increases were also slightly less than expected.

4.6.3 Overall the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a negative factor.

5 Demographic Experience and Assumptions

5.1 Statistical Experience – Active Members

- 5.1.1 The following table sets out the actual number of membership movements amongst active members during the intervaluation period compared to the assumptions adopted at the previous valuation.

Active Membership Movements	Actual	Assumed	Difference %
Early Leavers	1,885	1,702.6	11%
Deaths in Service	23	28	(18%)
Retirements			
Ill health	25	130.5	(81%)
Age	520		
Voluntary	26		
Redundancy	179		
Efficiency	10		
Total	760		

- 5.1.2 There were more early leavers than expected and fewer ill-health retirements than expected.
- 5.1.3 Overall the demographic experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a positive factor during the intervaluation period.
- 5.1.4 We have adjusted our pre retirement assumptions to better reflect recent actual experience.

5.2 Pensioner Mortality

- 5.2.1 Mortality investigations over the last few years have concluded that the population across the UK is living longer and that this improvement will continue at a faster rate than seen in the past. Our analysis of LGPS pensioner longevity over the course of the last 20 years or so confirms that pensioners are living longer although experience does vary across the country and from Fund to Fund.
- 5.2.2 The following table sets out the actual and expected mortality of pensioners during the intervaluation period.

Pensioner Deaths	Pensioners	Dependants	Total
By Number			
Actual	397	177	574
Assumed	286	90	376
% Difference	39%	96%	53%
By Amount of Pension	£(000)	£(000)	£(000)
Actual	1,692	368	2,060
Assumed	1,300	240	1,540
% Difference	30%	53%	34%

- 5.2.3 The number of pensioners dying during the intervaluation period was higher than expected. In terms of the amount of pension ceasing then this was also more than expected.
- 5.2.4 Overall the mortality experience over the intervaluation period had a positive impact on the financial position of the Fund in that the amount of pension ceasing was more than expected.
- 5.2.5 We have reviewed the mortality assumptions adopted at this valuation which bring the assumptions closer to recent experience but also allow for improvements in mortality over the next 20 years.

5.3 Retirement Ages – Active Members

- 5.3.1 At the previous valuation it was assumed that active members will retire as soon as they are able to on unreduced benefits without requiring employer consent – typically satisfying the Rule of 85 but no earlier than age 60 nor later than age 65.
- 5.3.2 Experience suggests that whilst the Rule of 85 is an influencing factor on when active members choose to retire, State Pension Age is also a major factor, as for many active members, they need the additional income payable from the State before they can afford to retire.
- 5.3.3 There are existing plans in place to increase State Pension Age albeit very slowly. The new Government have however indicated that State Pension Age will be 66 from 2020.
- 5.3.4 It is difficult to assess what the impact will be but we have completed calculations assuming that active members will retire 1 year later than the date they would be entitled to retire and receive unreduced benefits.

6 Valuation Results

6.1 Past Service Funding Position and Contribution Rates

6.1.1 The following table sets out the valuation results for the Fund. We show

- The past service funding position
- The required average ongoing employer contribution rate for future service benefits
- The required total employer contribution rate to restore the funding position to 100% over a 15 year recovery period following the valuation date.

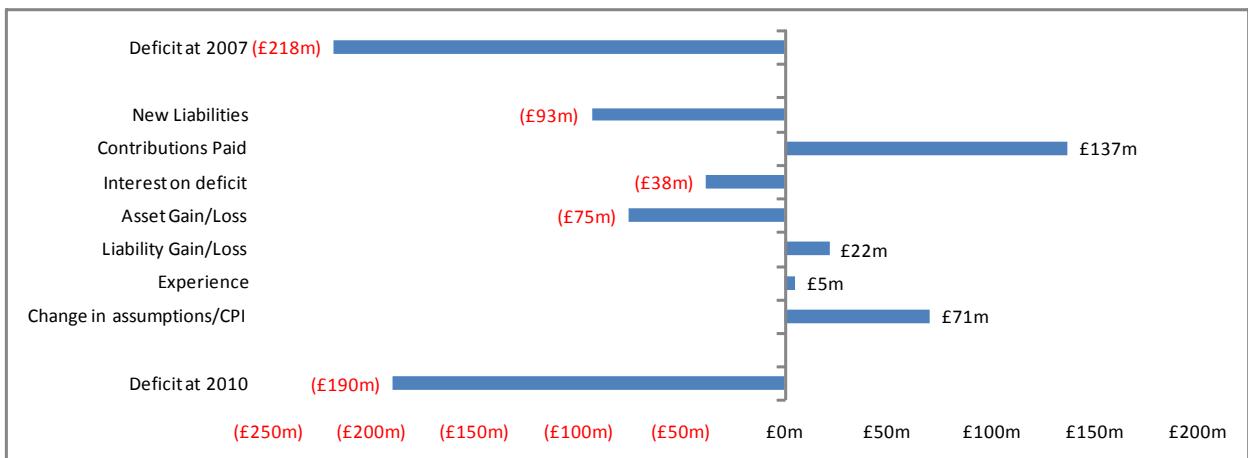
Past Service Funding Position	
Smoothed Asset Value	609,675
Past Service Liabilities	
Active Members	299,655
Deferred Pensioners	113,968
Pensioners	385,667
Value of Scheme Liabilities	799,290
Surplus (Deficit)	(189,615)
Funding Level	76%
Employer Contribution Rates	
Future Service Contribution Rate	14.2%
Deficit recovery (13/15 years)	9.3%
Total Contribution Rate	23.5%

6.1.2 As we see, the funding level was 76% and the average required employer contribution to restore the funding position to 100% over the next 15 years is 23.5% of pensionable pay.

6.1.3 The London Borough of Barnet have a 13 year deficit recovery plan in place.

6.2 Reconciliation of Past Service Position

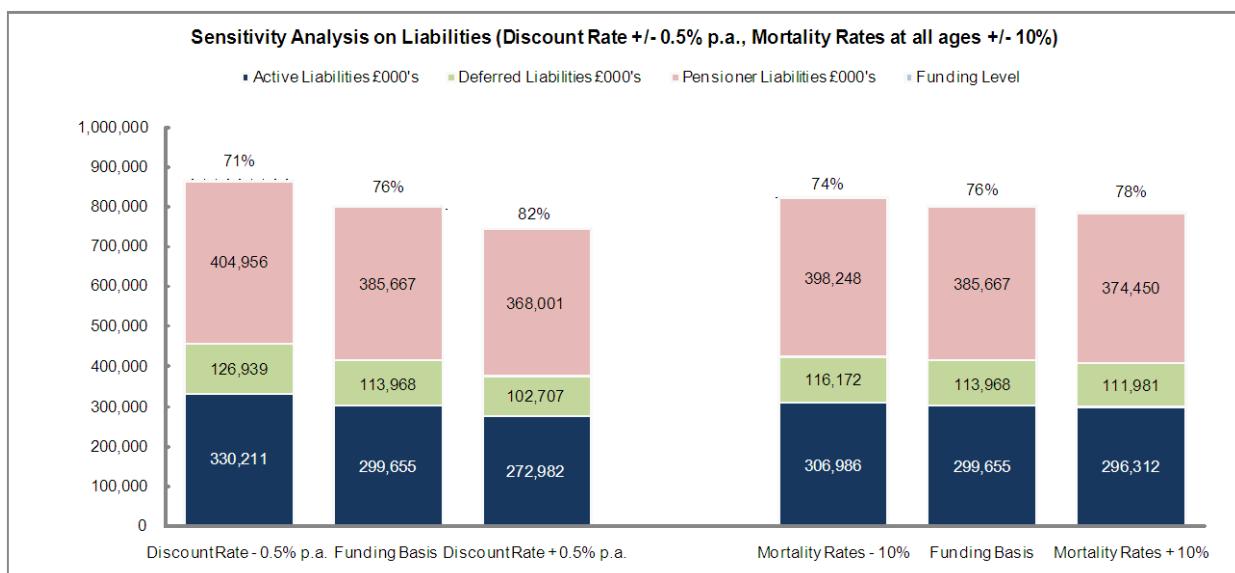
6.2.1 A reconciliation of the intervaluation experience on the past service position in the 3 years to the valuation date is set out in the following chart.



6.2.2 As we can see, overall the deficit has decreased during the intervaluation period.

6.3 Sensitivity Analysis

- 6.3.1 It is important that it is understood that the valuation results for the Fund are based on the assumptions used to determine the liabilities. Changes to the adopted assumptions will affect the funding position of the Fund.
- 6.3.2 In order to illustrate this, a number of calculations have been carried out to highlight the sensitivity of the funding position to the assumptions adopted, focusing on the assumptions to which the funding position is most sensitive.
- 6.3.3 To highlight the sensitivity of the funding position to changes in the discount rate, we have considered the impact of changing this assumption by 0.5% p.a. in either direction. We have also considered the impact of mortality rates at all ages being either 10% higher or lower than assumed. The results of this analysis is shown in the chart below:



7 Comments and Conclusions

7.1 Financial Position

- 7.1.1 The funding level has shown an improvement since the 2007 valuation.
- 7.1.2 Whilst investment returns were less than assumed this was offset by the CPI changes and other assumption changes.

7.2 Employer Contribution Rates

- 7.2.1 The contribution rates that we have certified have been set to fund each employer's share of the deficiency in the Fund over the next 15 years except London Borough of Barnet which has been set to fund the deficiency over the next 13 years.
- 7.2.2 The certified contribution rates for each employer are set out in our certificate in Appendix 5.

7.3 New Employers joining the Fund

- 7.3.1 We would recommend that any new small employers or admitted bodies joining the Fund with no previous interest in the Fund should be referred to us for individual calculation as to the required level of contribution.
- 7.3.2 Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 38.
- 7.3.3 We would be pleased to answer any questions arising from this report.



Graeme D Muir FFA



Alison Hamilton FFA

Appendix 1. Valuation Method

Valuation of Liabilities

Using our assumptions we estimate the payments which will be made from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then calculate the amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called “the present value” (or, more simply, “the value”) of members benefits. Separate calculations are made in respect of benefits arising in relation to service before the valuation date (“past service”) and for service after the valuation date (“future service”).

Past Service Funding Level

A comparison is made of the value of the existing assets with the value of benefits in relation to past service (allowing for future pay and pension increases). If there is an excess of assets over past service liabilities then there is a past service surplus. If the converse applies there is a past service deficiency.

Future Service Funding Rate

The first stage is to calculate the value of benefits accruing to existing active members in the future, by reference to projected pay as at the date of retirement or earlier exit.

For employers that are still open to new staff we have used the Projected Unit Method which considers the benefits accruing in the year following the valuation date. The value of benefits accruing in the year following the valuation date is then expressed as a percentage of payroll over the same period having first deducted the equivalent contribution paid by the active members.

The method described above results in a stable, long term contribution rate over time, if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then the contribution rate calculated at future valuations would be expected to increase.

For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.

Valuation of Assets

Assets have been valued at a 6 month smoothed market value straddling the valuation date.

Appendix 2. Valuation Data

A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay			Average	
	Number		£ (000)		£		
Full Time	2010	2007	2010	2007	2010	2007	
Males	1,678	1,720	51,279	47,012	30,560	27,333	
Females	2,209	2,167	65,525	57,353	29,663	26,467	
Part Time							
Males	259	195	3,047	2,172	11,765	11,138	
Females	2,902	2,785	34,088	30,567	11,746	10,976	
Total	7,048	6,867	153,939	137,104	21,842	19,966	
Pensioners			Annual Pensions			Average	
	Number		£ (000)		£		
	2010	2007	2010	2007	2010	2007	
Males	2,180	2,117	14,656	12,991	6,723	6,137	
Females	3,205	2,820	11,446	9,178	3,571	3,255	
Dependants	876	842	2,069	1,821	2,362	2,163	
Total	6,261	5,779	28,171	23,990	4,499	4,151	
Deferred Pensioners (incl "undecideds")			Annual Pensions			Average	
	Number		£ (000)		£		
	2010	2007	2010	2007	2010	2007	
Males	2,418	2,126	4,429	3,921	1,832	1,844	
Females	4,953	3,910	5,615	4,395	1,134	1,124	
Total	7,371	6,036	10,045	8,316	1,363	1,378	

Notes

- The numbers relate to the number of records and so will include members in receipt of or potentially in receipt of more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2010 PI Order.
- Pensionable pay is actual earnings.

A summary of the assets held by the Fund at the valuation date is as shown below.

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	188,408	30%
Overseas Equities	148,117	23%
Corporate Bonds	3,829	1%
Cash	75,876	12%
UK Gilts	48,768	8%
Overseas Bonds	11,086	2%
Property	22,264	4%
Other assets	-	-
Alternative assets	133,053	21%
Total	631,401	100%

Revenue Accounts	Year to	March 2010	March 2009	March 2008	TOTAL £ (000)
		£ (000)	£ (000)	£ (000)	
EXPENDITURE	Retirement Pensions	27,234	25,364	23,866	76,464
	Retirement Lump Sum	7,939	5,738	4,502	18,179
	Death Benefits	528	519	438	1,485
	Leavers benefits	6,426	2,051	2,724	11,201
	Admin/Investment Ex	1,030	936	832	2,798
	Other Expenditure	-	-	-	-
		43,157	34,608	32,362	110,127
TOTAL					
INCOME	Employees Ctns	10,460	10,093	8,907	29,460
	Employers Ctns	38,216	35,957	33,368	107,541
	Transfer Values	4,660	2,973	2,156	9,789
	Investment Income	12,672	16,961	18,886	48,519
	Other Income	7	1	-	8
TOTAL		66,015	65,985	63,317	195,317
Fund Value		£ (000)	£ (000)	£ (000)	£ (000)
Assets at Start of Year		482,139	548,635	539,730	539,730
Cashflow		22,858	31,377	30,955	85,190
Change in value		126,404	(97,873)	(22,050)	6,481
Assets at End of Year		631,401	482,139	548,635	631,401
Annual Returns					
Approx Rate of Return		28.6%	-14.5%	-0.6%	3.0%

Appendix 3. Actuarial Assumptions

The valuation process is essentially a projection of future cashflows into and out of the Fund. The amount of future cashflows out of the Fund i.e. benefits provided will depend on rates of future pay increases and price inflation. The timing or incidence of the cashflows will depend upon future rates of retirement, mortality etc.

As money is being set aside now to provide for benefits payable in the future then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets which then build up. The higher the rate of return achieved by the assets the lower the contribution requirement that has to be paid in future to meet the cost of the benefits.

Financial Assumptions

The principal financial assumptions adopted in the valuation are therefore as follows:-

Price Inflation

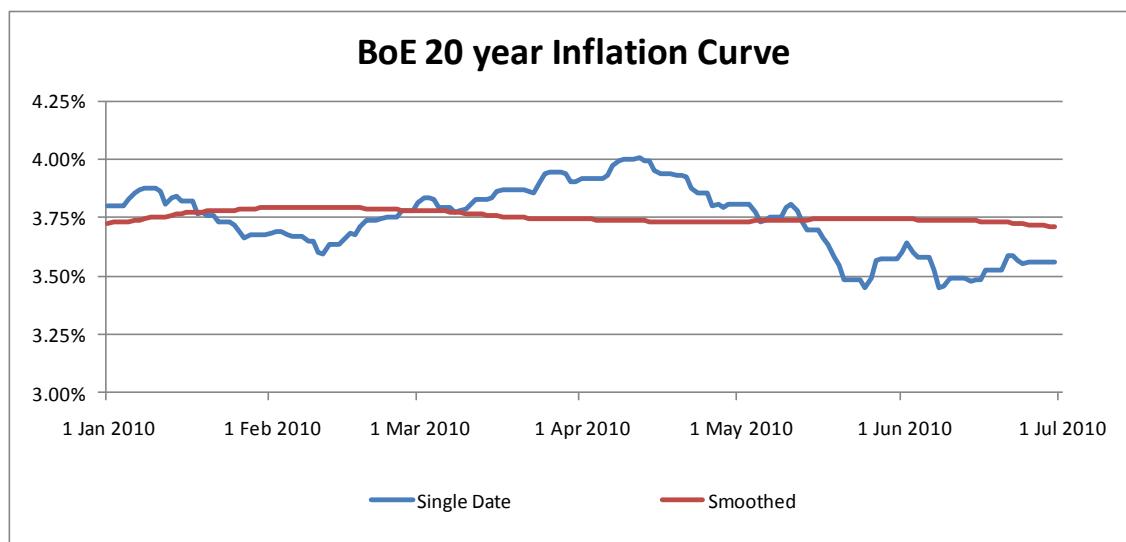
There are number of ways to try to estimate what future levels of inflation might be.

One approach would be to look at the long term trend in the past although much depends on the measurement period.

In these days of "marked to market" valuations, the usual approach is to look at the difference between yields from fixed-interest and index-linked gilts.

At this valuation we have looked at 20 year Bank of England Inflation curve which is the level of future RPI over the next 20 years as implied by the gilt market.

The following chart shows this on a daily basis during the 6 month period straddling the valuation date. We have also shown the smoothed or rolling average observation over that period.

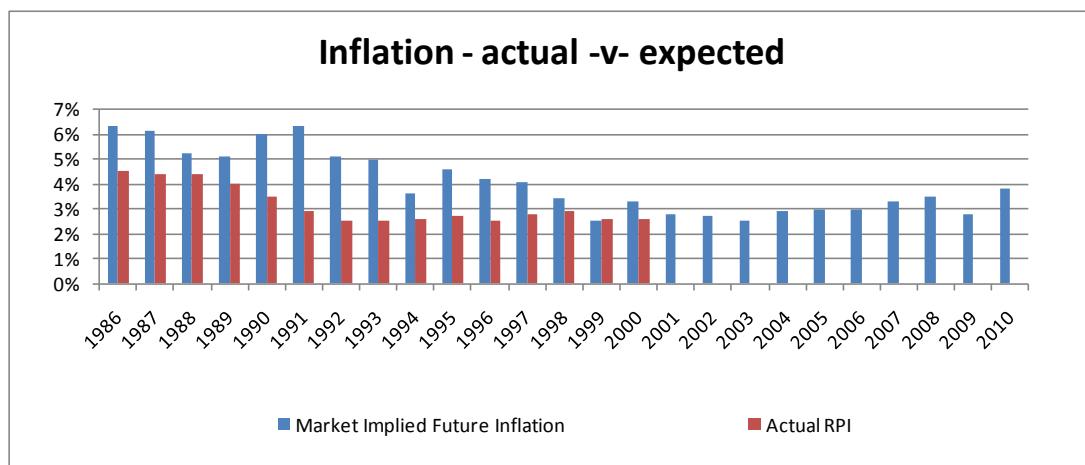


However, one of the issues in adopting such an approach is the arguably imperfect nature of the gilt market. The supplier of gilts (the Government) is a reluctant supplier, especially for long-dated gilts (which are the ones which are most useful for estimating future inflation for pension schemes).

On the demand side, there are certain institutions (insurance companies for example) who are essentially “forced holders” of gilts to meet various solvency requirements. Accordingly, the pricing of gilts is not perfect.

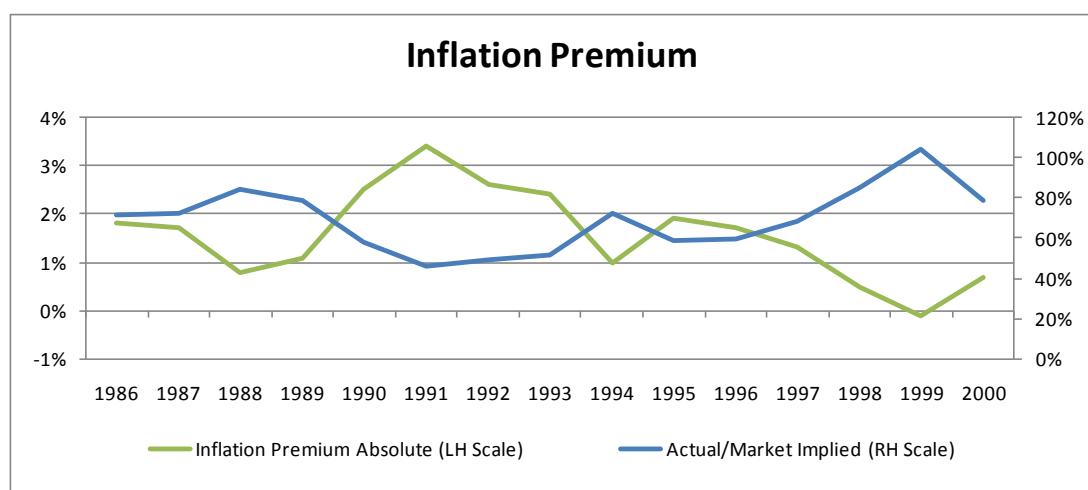
There is also the issue of what is known as the “inflation premium”. The argument is that investors will pay a premium for inflation protection and so arguably index-linked gilts are “more expensive” than fixed-interest gilts or equivalently index-linked gilt yields are lower than they might otherwise be.

The following chart shows how the gilt market implied 10 year inflation level at the beginning of each year has compared with the resulting 10 year actual level of inflation.



As we see the market implied level of inflation has consistently over-estimated the actual level of inflation.

The following chart shows the inflation premium both at an absolute level – the difference between actual and expected inflation and in relative terms (actual/expected).



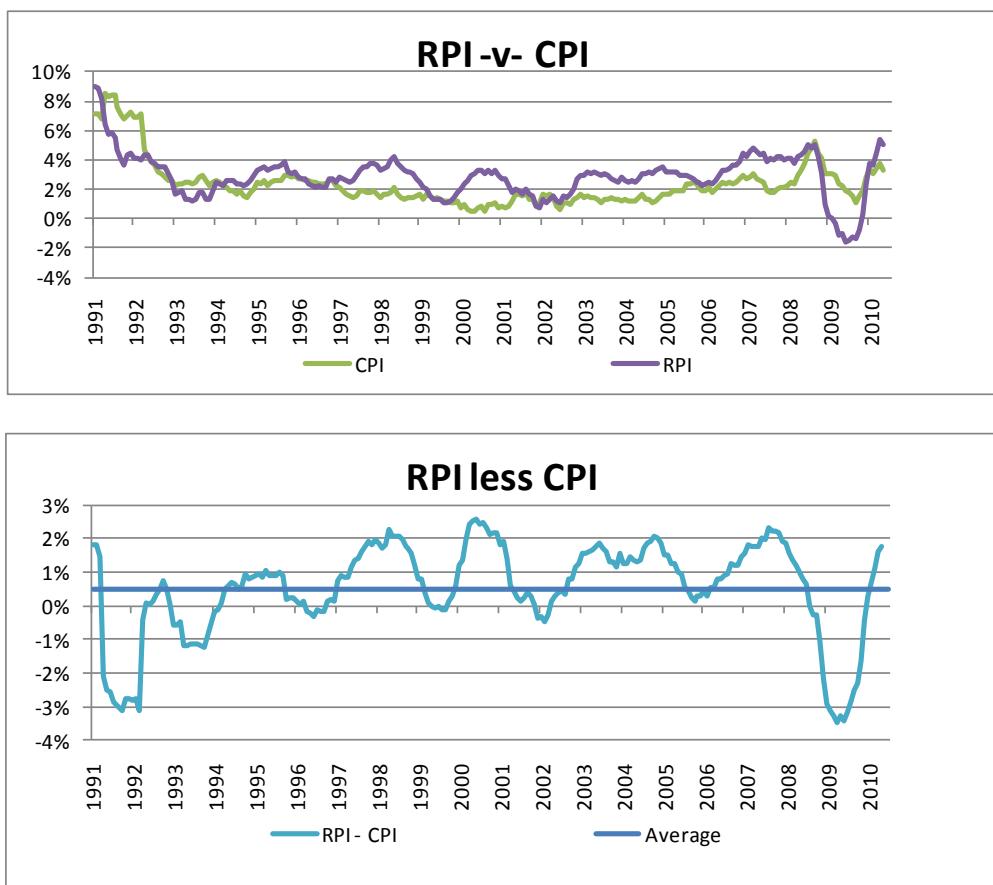
Pension Increases

The Retail Price Index has long been the established measure of inflation in the UK. It measures the change in prices of a number of things including housing costs such as mortgage interest payments.

However, in the 1990's the Government introduced the Consumer Price Index which is based on the prices of a range of consumer goods – similar to the RPI but it specifically excludes housing costs. The CPI is now the favoured measure the Government uses for measuring inflation in the economy.

The 2010 Emergency Budget delivered by George Osborne announced that in future, the pension increase orders will be linked to the CPI rather than RPI. This was expected to save some pennies implying that the Government expects CPI to be below RPI.

The following chart show how the 2 have compared since 1990.



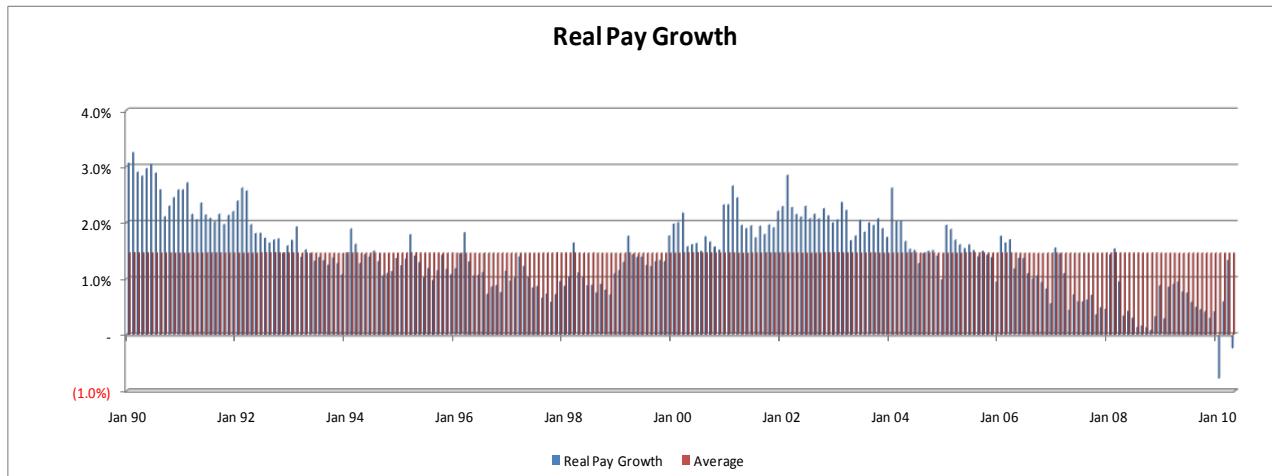
As we see RPI has indeed generally been higher the CPI and the average “gap” over the last 20 years has been around 0.5% per annum.

Thus, if this past trend continues then we would expect future pension increases to be 0.5% less than previously projected.

Pay Increases

Having determined our assumption about future levels of price inflation, the next stage is to assess future levels of pay increases relative to price inflation.

Historically there is, not surprisingly, a strong correlation between pay and price inflation as we see in the following charts.



The trend has been that real pay increases have been around 1% to 3% per annum although as overall levels of inflation have reduced so too has the level of real pay growth. The long term average is 1.5% more than RPI although there is evidence of a declining trend.

At this valuation we have assumed that future long term salary growth will be 1.5% more than RPI.

Investment Returns

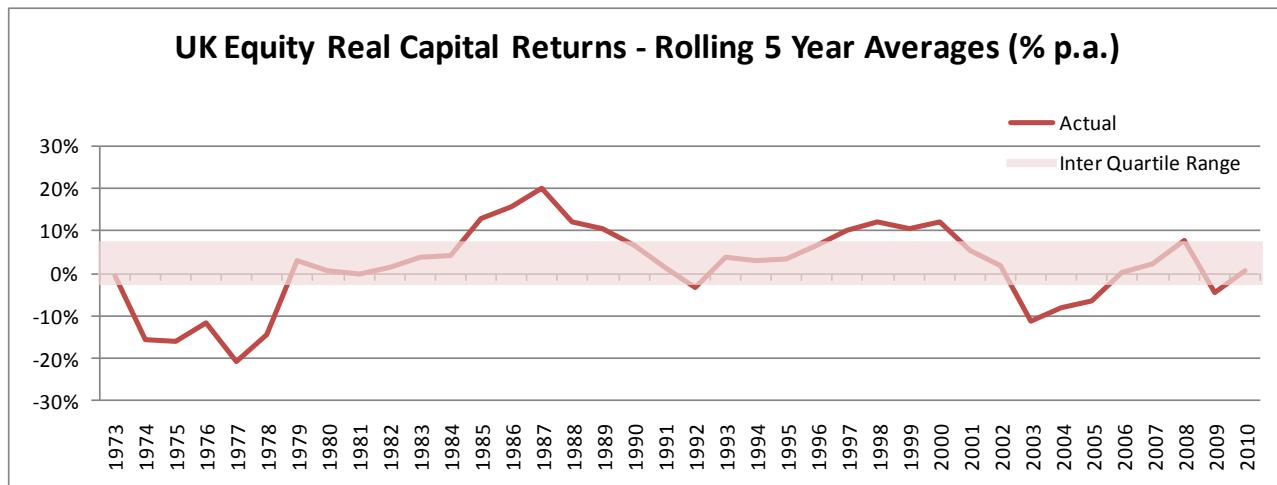
In a market-related valuation it is necessary to assess future average levels of return in current market conditions.

Redemption yields from gilts give an indication of the market's expectations of long term interest rates and so some indication about future risk free rates of return. There is however no comparable market indicator to derive the market's expected future return from investing in equities at any particular point in time.

We have assumed that the real return to be earned in future from equities from current market levels will be the current net dividend yield plus future real growth in share values.

The next chart shows the long term capital return from UK equities in real terms over the last 35 years or so together with the "inter quartile range" – the range of observations that account for 50% of all observations around the median.

As we see the actual returns have averaged out at around 2% per annum although there have been prolonged periods when the real capital returns have been significantly different to this average.



For the purposes of the valuation therefore we have assumed that real capital returns will be 0.6% per annum.

The derivation of the equity return is therefore as follows:-

Smoothed Equity Returns		March 2010
		% p.a.
Net equity yield		3.3%
Inflation		3.5%
plus assumed real capital return		0.6%
Equity Return		7.4%

It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities – what we usually see from corporate bonds.

Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.

We then derive the discount rate as the weighted average of future expected returns from the various asset classes based on the actual investment strategy.

We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with 100% in equity type investments the reduction in discount rate is 50% of the extra return expected from a Fund invested 100% in equity type investments compared to one invested 75% in equity type investments.

Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4%.

In summary therefore we have adopted the following assumptions.

Financial Assumptions	March 2010		March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.4%	3.9%		
Gilts	4.5%	1.0%		
Bonds & Property	5.6%	2.1%		
Risk Adjusted Discount Rate	6.7%	3.2%	6.1%	2.9%
Pay Increases	5.0%	1.5%	4.7%	1.5%
Price Inflation	3.5%	-	3.2%	
Pension Increases	3.0%	(0.5%)	3.2%	

Statistical Assumptions

The statistical assumptions we have adopted are based on our analysis of the incidence of retirement and withdrawal of our Local Authority client funds.

Sample rates are shown in the following tables: -

Age	Incidence per 1000 active members per annum								Salary Scales			
	Males		Females		Males		Females		Males		Females	
	Death	III Health	Wdls	Death	III Health	Wdls	FT	PT	FT	PT	FT	PT
20	0.5	0.0	0.0	400.0	0.2	0.1	0.1	400.0	100.0	100.0	100.0	100.0
25	0.4	0.1	0.1	360.0	0.2	0.1	0.1	360.0	122.8	100.0	114.2	100.0
30	0.3	0.1	0.1	264.0	0.3	0.2	0.2	264.0	145.5	100.0	125.8	100.0
35	0.5	0.2	0.2	184.0	0.5	0.4	0.4	184.0	166.3	100.0	133.6	100.0
40	0.8	0.4	0.4	108.0	0.5	0.6	0.6	108.0	183.1	100.0	136.6	100.0
45	1.2	0.7	0.7	48.0	0.7	0.9	0.9	48.0	194.4	100.0	136.6	100.0
50	2.3	1.2	1.2	-	1.3	1.6	1.6	-	198.8	100.0	136.6	100.0
55	3.9	2.6	2.6	-	2.0	3.2	3.2	-	198.8	100.0	136.6	100.0
60	6.2	5.5	5.5	-	2.8	6.4	6.4	-	198.8	100.0	136.6	100.0
64	10.0	9.9	9.9	-	3.6	8.6	8.6	-	198.8	100.0	136.6	100.0

Other assumptions

Age Retirements	It is assumed that active members will retire at age 60 or when they would first satisfy the rule of 85 if later, no later than 65, plus 1 year.	
Mortality	All members	90% S1PA Heavy tables allowing for long cohort projection, with a minimum 1% improvement
III Health Retirement		
Probability of partners pension coming into payment (including a loading for dependants benefits)	90%	
Partner Age Difference		
Commutation	Males are assumed to be 3 years older than their partners It is assumed that at retirement, 50% of members will opt to increase their lump sums to the maximum allowed.	
III health tiers		
	It is assumed that 50% of ill health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.	

Appendix 4. Individual Employer Data as at 31 March 2010

Employer	Code	Active Members			Pensioners			Deferred Pensioners		
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
		£ (000)	£		£ (000)	£		£ (000)	£	
London Borough of Barnet	1	4,889	101,099	20,679	4,943	22,399	4,531	5,378	7,131	1,326
Hendon School	2	57	852	14,945	20	41	2,061	48	18	368
Middlesex University	4	907	27,272	30,068	509	2,785	5,471	858	1,318	1,536
Queen Elizabeth's Boys School	5	26	473	18,177	11	30	2,718	23	22	937
Barnet Society for Mentally Handicapped	6	-	-	-	-	-	-	1	3	2,533
Mill Hill GM High School	8	59	959	16,262	14	20	1,447	77	52	670
Barnet Borough Voluntary Service Council	9	-	-	-	1	2	1,866	-	-	-
Barnet College	10	219	4,672	21,335	117	426	3,640	314	460	1,465
Woodhouse College	12	21	498	23,698	7	26	3,784	16	13	825
St Mary's CE High School	13	41	690	16,823	15	28	1,838	36	16	448
Dollis GM Junior School	14	34	323	9,491	4	7	1,793	25	6	242
Osidge GM Primary School	15	22	255	11,605	3	9	3,126	18	10	531
Finchley Catholic GM School	16	31	413	13,324	10	25	2,531	19	11	577
Ashmole GM School	17	37	826	22,319	9	39	4,312	23	24	1,040
St Michael's RC GM School	18	31	380	12,270	15	35	2,321	22	4	193
St James GM School	19	43	641	14,897	19	45	2,372	25	15	619
Bishop Douglass RC School	20	36	710	19,732	12	27	2,221	41	29	697
Hasmonean High School	21	33	583	17,654	10	41	4,107	14	18	1,288
Menorah Foundation GM School	22	19	253	13,293	3	4	1,467	10	3	325
The Friends of Moat Mount Campsite	23	1	32	31,759	-	-	-	-	-	-
Fremantle Trust	24	91	1,849	20,322	85	341	4,008	84	189	2,253
North London Colleges European Network	25	-	-	-	1	1	694	1	2	1,810
Open Learning Partnership	26	4	190	47,392	1	10	9,978	4	9	2,328
Housing 21	27	78	1,318	16,898	31	98	3,164	23	38	1,668
Greenwich Leisure Ltd	28	22	504	22,915	4	24	6,070	24	33	1,392
Barnet Homes	29	216	6,451	29,864	58	467	8,059	106	324	3,054
Turners Cleaning	30	2	14	6,945	-	-	-	2	1	573
KGB Cleaning	31	-	-	-	1	1	563	2	1	259
Enterprise Cleaning	32	-	-	-	1	1	550	2	2	770
Birkins Cleaning Company	33	1	6	6,114	-	-	-	-	-	-
Middlesex University (Teaching)	35	-	-	-	-	-	-	1	1	734
Middlesex University (MU Press)	36	-	-	-	-	-	-	1	1	515
Middlesex University (Argentium Silver)	37	-	-	-	1	36	35,524	1	1	1,376
London Academy	38	47	802	17,068	6	32	5,278	15	5	348
Graysons Restaurants	39	2	15	7,402	-	-	-	-	-	-
Servite Houses	40	11	111	10,050	4	5	1,341	2	3	1,677
Connaught	41	27	698	25,863	10	59	5,857	11	39	3,582
Wren Academy	42	29	638	21,998	-	-	-	4	5	1,272
GO Plant Ltd	43	11	384	34,912	-	-	-	-	-	-
Y-Gen	44	1	30	29,831	-	-	-	1	0	497
Former Middlesex Polytechnic	900	-	-	-	202	600	2,971	55	92	1,671
former Middlesex Polytechnic	999	-	-	-	100	389	3,887	31	41	1,317
Total		7,048	153,939	21,842	6,261	28,171	4,499	7,371	10,045	1,363

Appendix 5. Rates and Adjustments Certificate

Andrew Travers
Deputy Chief Executive
London Borough of Barnet
North London Business Park
Oakleigh Road South
London N11 1NP

Dear Sirs

On your instruction, we have made an actuarial valuation of the London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2010.

In accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the following Contribution Schedule.

Yours faithfully



Graeme D Muir FFA



Alison Hamilton FFA

Contribution Schedule

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is 23.5% of pensionable payroll.

Individual Adjustments payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates are as set out below: -

Employer Code	Employing Authority	Total Contribution Rate		
		1 April 2011	1 April 2012	1 April 2013
1	London Borough of Barnet	24.8%	24.8%	24.8%
4	Middlesex University	27.6%	27.6%	27.6%
10	Barnet College	22.2%	22.2%	22.2%
12	Woodhouse College	22.2%	22.2%	22.2%
23	The Friends of Moat Mount Campsite	22.7%	22.7%	22.7%
24	Fremantle Trust	32.4%	32.4%	32.4%
26	Open Learning Partnership	16.5%	16.5%	16.5%
27	Housing 21	18.2%	18.2%	18.2%
28	Greenwich Leisure Ltd	14.5%	14.5%	14.5%
29	Barnet Homes	26.8%	26.8%	26.8%
30	Turners Cleaning	20.1%	20.1%	20.1%
33	Birkins Cleaning Company	25.6%	25.6%	25.6%
38	London Academy	23.6%	23.6%	23.6%
39	Graysons Restaurants	17.8%	17.8%	17.8%
40	Servite Houses	21.7%	21.7%	21.7%
41	Connaught	18.2%	18.2%	18.2%
42	Wren Academy	23.8%	23.8%	23.8%
43	GO Plant Ltd	21.1%	21.1%	21.1%
44	Y-Gen	24.1%	24.1%	24.1%
London Borough of Barnet Pool				
2	Hendon School	24.8%	24.8%	24.8%
8	Mill Hill GM High School	24.8%	24.8%	24.8%
13	St Mary's CE High School	24.8%	24.8%	24.8%
14	Dollis GM Junior School	24.8%	24.8%	24.8%
15	Osidge GM Primary School	24.8%	24.8%	24.8%
16	Finchley Catholic GM School	24.8%	24.8%	24.8%
18	St Michael's RC GM School	24.8%	24.8%	24.8%
19	St James GM School	24.8%	24.8%	24.8%
20	Bishop Douglass RC School	24.8%	24.8%	24.8%
21	Hasmonean High School	24.8%	24.8%	24.8%
22	Menorah Foundation GM School	24.8%	24.8%	24.8%

Academies

5	Queen Elizabeth's Boys School	23.8%	23.8%	23.8%
17	Ashmole GM School	23.8%	23.8%	23.8%
110	Compton Academy	23.8%	23.8%	23.8%
111	East Barnet	24.9%	24.9%	24.9%

Notes

1. The London Borough of Barnet contribution rate is based on a deficit recovery period of 13 years whereas all other employers in the Fund are based on a deficit recovery period of 15 years.
2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.
3. The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

Appendix 6. 2007 Contribution Schedule

Employer Code	Employing Authority	Total Contribution Rate		
		1 April 2008	1 April 2009	1 April 2010
1	London Borough of Barnet	23.3%	24.0%	24.8%
2	Hendon School	23.3%	24.0%	24.8%
4	Middlesex University	26.9%	27.7%	28.6%
5	Queen Elizabeth's Boys School	23.3%	24.0%	24.8%
8	Mill Hill GM School	23.3%	24.0%	24.8%
10	Barnet College	21.7%	22.3%	23.0%
12	Woodhouse College	21.7%	22.3%	23.0%
13	St Mary's GM High	23.3%	24.0%	24.8%
14	Dollis GM Junior	23.3%	24.0%	24.8%
15	Osidge GM Primary	23.3%	24.0%	24.8%
16	Finchley Catholic GM School	23.3%	24.0%	24.8%
17	Ashmole School	23.3%	24.0%	24.8%
18	St Michael's RC School	23.3%	24.0%	24.8%
19	St James School	23.3%	24.0%	24.8%
20	Bishop Douglass RC School	23.3%	24.0%	24.8%
21	Hasmonean High School	23.3%	24.0%	24.8%
22	Menorah Foundation GM School	23.3%	24.0%	24.8%
23	Friends of Moat Mount	22.4%	23.1%	23.7%
24	Fremantle Trust	29.9%	29.9%	29.9%
26	Open Learning Partnership	12.0%	12.3%	12.5%
27	Housing 21	19.2%	19.2%	19.2%
28	Greenwich Leisure Ltd	11.4%	11.4%	11.4%
29	Barnet Homes	25.2%	26.5%	27.8%
30	Turners	21.1%	21.1%	21.1%
31	KGB	20.2%	20.2%	20.2%
38	London Academy	22.1%	23.4%	24.6%
39	Accent	18.0%	18.0%	18.0%
40	Servite	21.1%	21.1%	21.1%
41	Connaught	18.7%	18.7%	18.7%

Appendix 7. LGPS Benefits

	LGPS 1997	LGPS 2008																
General Features																		
Type of Scheme	Final salary																	
Relationship with S2P	Contracted-out																	
Member Contributions	<p>6%</p> <p>5% for manual workers in scheme prior to 01/04/1998</p>	<p>Banded Contributions based on full time pay as at 1st April 2011</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Range</th><th style="text-align: center;">Cont Rate</th></tr> </thead> <tbody> <tr><td>£0 - £12,900</td><td>5.50%</td></tr> <tr><td>£12,901 - £15,100</td><td>5.80%</td></tr> <tr><td>£15,101 - £19,400</td><td>5.90%</td></tr> <tr><td>£19,401 - £32,400</td><td>6.50%</td></tr> <tr><td>£32,401 - £43,300</td><td>6.80%</td></tr> <tr><td>£43,301 - £81,100</td><td>7.20%</td></tr> <tr><td>More than £81,100</td><td>7.50%</td></tr> </tbody> </table> <p>Bands to be increased annually with Pension Increase Orders.</p> <p>Transitional protection for members currently paying 5% until 2011/2012.</p>	Range	Cont Rate	£0 - £12,900	5.50%	£12,901 - £15,100	5.80%	£15,101 - £19,400	5.90%	£19,401 - £32,400	6.50%	£32,401 - £43,300	6.80%	£43,301 - £81,100	7.20%	More than £81,100	7.50%
Range	Cont Rate																	
£0 - £12,900	5.50%																	
£12,901 - £15,100	5.80%																	
£15,101 - £19,400	5.90%																	
£19,401 - £32,400	6.50%																	
£32,401 - £43,300	6.80%																	
£43,301 - £81,100	7.20%																	
More than £81,100	7.50%																	
Final Pay	In general, best of the last 3 years pensionable pay																	
Pensionable Pay	Normal salary plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified as being pensionable.																	
Retirement Benefits																		
Normal Retiring Age	Age 65																	
Early Retirement	<p>Age 55+ (existing members remains at age 50+ for retirements up to 31 March 2010). Employer consent required if below age 60.</p> <p>Minimum 3 months membership or transfer in</p> <p>Benefits reduced unless Rule of 85 applies (member of the scheme as at 30th September 2006)</p> <p>Rule of 85 does not apply for service from 1 April 2008, subject to transitional protections.</p> <p>Employer's discretion to waive any actuarial reduction. No reductions applied for redundancy retirements.</p>																	
Transitional Protections	If born before 1 April 1960 and an existing member of the Scheme as at 30 September 2006 then 85 year rule stays for service up to 1 April 2016 with tapered protection to 1 April 2020.																	

		LGPS 1997	LGPS 2008												
General Features															
Flexible Retirement		<p>Age 55+</p> <p>(existing members remains at age 50+ for retirements up to 31/03/2010)</p> <p>Minimum 3 months membership or transfer in</p> <p>Reduce hours or move to a lower graded post</p> <p>Draw pension and salary</p> <p>Employers discretion to waive any actuarial reduction</p>													
Late Retirement		<p>Continue to day before eve of 75th birthday</p> <p>Benefits accrue to date of retirement</p>													
III Health Retirement		<p>Permanently unable to undertake own job or any comparable job with employer. Benefits are enhanced as per the table below with a maximum enhancement of potential membership to age 65</p> <table border="1"> <thead> <tr> <th>Accrued Membership</th> <th>Benefit Payable</th> </tr> </thead> <tbody> <tr> <td>Less than 3 months</td><td>Refund of contributions</td></tr> <tr> <td>3 months to 5 yrs</td><td>Accrued Membership</td></tr> <tr> <td>5 but less than 10 yrs</td><td>Membership Doubled</td></tr> <tr> <td>10 yrs to 13 yrs 122 days</td><td>Membership Enhanced to 20 yrs</td></tr> <tr> <td>13 yrs 123 days or more</td><td>Membership Enhanced by 6 2/3 yrs</td></tr> </tbody> </table>	Accrued Membership	Benefit Payable	Less than 3 months	Refund of contributions	3 months to 5 yrs	Accrued Membership	5 but less than 10 yrs	Membership Doubled	10 yrs to 13 yrs 122 days	Membership Enhanced to 20 yrs	13 yrs 123 days or more	Membership Enhanced by 6 2/3 yrs	<p>Permanently unable to undertake own job or any comparable job with employer. Benefits are graded based on how likely you are to be capable of gainful employment after you leave.</p> <p>First Tier - No reasonable prospect of alternative employment ever again then service enhanced by 100% of prospective service to age 65.</p> <p>Second Tier - No prospect of obtaining gainful employment within a reasonable period of leaving local government employment, but likely to be able to obtain gainful employment before 65 then service enhanced by 25% of prospective service.</p> <p>Third Tier - Reduced likelihood of obtaining gainful employment within 3 years of leaving, or before age 65 if earlier then no service enhancement. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or becomes capable of such employment, provided they are not age 65 by then.</p>
Accrued Membership	Benefit Payable														
Less than 3 months	Refund of contributions														
3 months to 5 yrs	Accrued Membership														
5 but less than 10 yrs	Membership Doubled														
10 yrs to 13 yrs 122 days	Membership Enhanced to 20 yrs														
13 yrs 123 days or more	Membership Enhanced by 6 2/3 yrs														
Benefit Accrual		<p>Pension = 1/80th</p> <p>Lump Sum = 3/80th plus increased lump sum by commutation 12:1 up to a maximum of 25% of lifetime allowance</p> <p>Spouse's Pension = 1/160th</p>	<p>Pension = 1/60th</p> <p>Lump Sum = By commutation 12:1 up to a maximum of 25% of lifetime allowance</p> <p>Spouse's Pension = 1/160th</p>												
Death and Survivor Benefits															
Lump Sum Death Benefit		<p>Active = 2 x Pensionable Pay</p> <p>Deferred = Current value of deferred lump sum</p>	<p>Active = 3 x Pensionable Pay</p> <p>Deferred = 5 x Current value of deferred annual</p>												

	LGPS 1997	LGPS 2008
General Features		
		pension
	Pensioner = 5 year guarantee less pension paid	Pensioner = 10 year guarantee less pension paid (for death before age 75)
Dependants' Provision	Widow(er)s Registered civil partners	Widow(er)s Registered civil partners Nominated cohabiting partners
Dependants' Pension (Death in Service)	If membership > 3 months 50% x notional ill health pension Otherwise 1/160 th x accrued membership	1/160th x full prospective service to age 65
Spouse's Short Term Pension	Active = 3 months x salary (increased to 6 months if dependent children) Deferred = none Pensioner = 3 months x member's pension (increased to 6 months if dependent children)	None
Children's Pensions	Surviving Parent 1 child = 1/4 x notional pension 2+ children = 1/2 x notional pension divided by number of children Orphans 1 child = 1/3 x notional pension 2+ children = 2/3 x notional pension divided by number of children For death in service the notional pension is the ill health pension or a pension based on the lesser of 10 years and full service to age 65 where this is higher.	Surviving Parent 1 child = 1/2 x dependant's pension 2+ children = 1 x dependant's pension divided by number of children Orphans 1 child = 2/3 x dependant's pension 2+ children = 1 1/3 x dependant's pension divided by number of children
Increasing Benefits		
AVCs	Maximum contributions – 50% of taxable earnings Options available: Open market annuity LGPS Top Up Pension Tax Free Lump Sum (100% of fund up to max of 25% of Lifetime Allowance)	

	LGPS 1997	LGPS 2008
General Features		
	LGPS Service Credit (if commenced AVCs prior to 13/11/2001)	
Added Years/Pension	<p>Maximum purchase 6 2/3 years</p> <p>Payable from next birthday to age 65 (contracts taken out before 01/10/2006 may have an earlier date than age 65)</p>	<p>Maximum purchase £5,000 extra pension (in multiples of £250).</p>
Leaving the Scheme		
Benefits on Leaving	<p>Less than 3 months membership and no transfer in</p> <p>Refund of contributions</p> <p>CETV</p> <p>Defer decision</p> <p>More than 3 months membership or transfer in</p> <p>CETV</p> <p>Defer Benefits until NRA</p>	