

**Barnett Waddingham**



# **London Borough of Newham Pension Fund**

Actuarial Valuation as at 31 March 2013

**Valuation Report**

**Barnett Waddingham LLP**

31 March 2014

## Contents

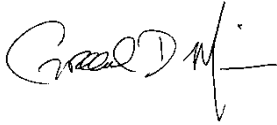
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# 1. Introduction and Summary

## Purpose of the Valuation

- 1.1. We have carried out an actuarial valuation of the London Borough of Newham Pension Fund (“the Fund”) as at 31 March 2013, as requested by London Borough of Newham. The Fund is part of the Local Government Pension Scheme (“LGPS”).
- 1.2. The valuation was carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 (“the Regulations”) as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.
- 1.3. This report summarises the results of the valuation and is addressed to London Borough of Newham as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.
- 1.4. This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).
- 1.5. The results of the valuation are that the past service funding level of the Fund as a whole has increased from 72% to 73% between 31 March 2010 and 31 March 2013. There are a number of factors which have contributed to this improvement:
  - Higher than expected investment returns over the period;
  - Lower than expected salary increases over the period;
  - Payment of contributions towards the Fund deficit.
- 1.6. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased from 22.7% to 24.9% of pensionable salaries. This increase reflects a:
  - Reduction in pensionable salaries over which any deficit is expressed as a rate of pay;
  - Lower outlook for future investment returns due to changes in market conditions.

1.7. We would be pleased to discuss any aspect of this report in more detail.



**Graeme D Muir FFA**



**Alison Hamilton FFA**

## 2. Valuation Data

### Data Sources

- 2.1. We have used the following items of data as provided by London Borough of Newham:
- Membership extract as at 31 March 2013.
  - Fund accounts and accounting information split by employer for the three years to 31 March 2013.
  - The results of the previous actuarial valuation as at 31 March 2010.
- 2.2. The 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.
- 2.3. A summary of the data is set out in Appendix 1.

### Assets

- 2.4. The asset allocation of the Fund as at 31 March 2013 was as follows:

Asset Allocation of the Fund	31 March 2013	
	£000's	%
UK Equities	98,617	12%
Overseas Equities	379,819	45%
Corporate Bonds	8,383	1%
Cash	15,761	2%
UK Gilts	22,061	3%
Overseas Bonds	103,207	12%
Property	74,485	9%
Alternative Assets	138,091	16%
<b>Total</b>	<b>840,424</b>	<b>100%</b>

- 2.5. We estimate that the return on the assets in market value terms for the three years to 31 March 2013 was approximately 7.7% per annum.
- 2.6. The current investment strategy is set out in a Statement of Investment Principles issued in 2013.

## Benefits

- 2.7. The valuation has been carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 (“the Regulations”) as amended.
- 2.8. However from 1 April 2014, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 will come into effect and replace the current regulations.
- 2.9. The benefits for service from 1 April 2014 will be based on the Local Government Pension Scheme Regulations 2013. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.
- 2.10. The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2014 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.
- 2.11. The benefits underlying the valuation are summarised in Appendix 6.
- 2.12. We have made no allowance for discretionary benefits awarded throughout the LGPS. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.

## **3. Actuarial Methods and Assumptions**

### **General Valuation Approach**

- 3.1. We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2013 and we do this for all current members and their possible dependants.
- 3.2. We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.
- 3.3. Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2013 to 30 June 2013.
- 3.4. The market value of the assets at 31 March 2013 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the liabilities. If the smoothed assets are greater than the past service liabilities, there is a surplus; if not, there is a deficit.
- 3.5. Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2013 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll.
- 3.6. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

### **Multiple Calculations**

- 3.7. As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.
- 3.8. For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.
- 3.9. This is known as the Projected Unit Method and 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.
- 3.10. At individual employer level we use the Projected Unit Method for employers who still admit new employees into the Fund.

- 3.11. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.
- 3.12. For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the Projected Unit Method and the Attained Age Method.
- 3.13. The amount that the employer pays is a combination of the future service cost described above and any adjustments for the past service surplus or deficit. For some employers, if there is a deficit, this adjustment may be specified as an additional contribution expressed as a lump sum cash amount to be paid in each year.
- 3.14. For those employers with a deficit a recovery plan, this will be agreed with a maximum deficit recovery period of 20 years under normal circumstances. The Administering Authority retains the right to shorten the recovery period if it has concerns about the employer's participation in the Fund. Individual employers may shorten their deficit recovery periods if they wish.
- 3.15. The Administering Authority can also extend the maximum recovery period for an individual employer in exceptional circumstances with agreement of the Fund actuary

## **Funding Strategy**

- 3.16. Regulation 36 of the Local Government Pension Scheme Administration (Regulations) 2008 states that the actuary must have regard to:
- The existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
  - The desirability of maintaining as nearly a common a rate of contribution as possible; and
  - The current version of the Administering Authority's Funding Strategy Statement
- 3.17. The Funding Strategy Statement sets out how employers' liabilities are best met going forward. In particular, it states that employer contribution rates should be held as near to constant as possible whilst having regard to the liabilities and with a view to funding prudently over the long term.
- 3.18. We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

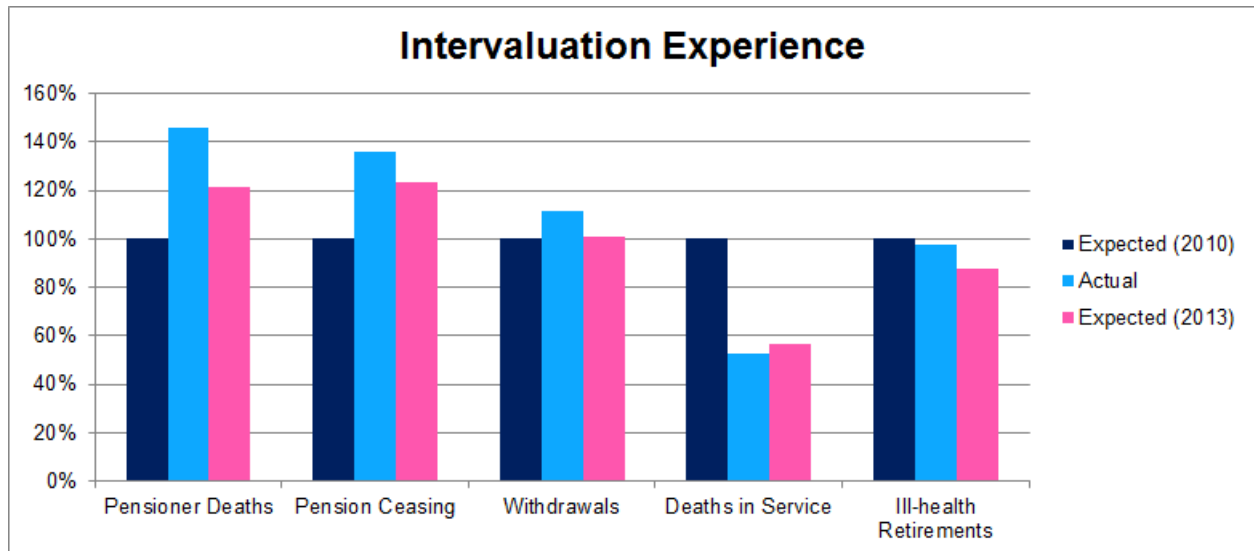


## 4. Valuation Assumptions

- 4.1. As mentioned in the previous section, various assumptions are needed for this valuation.
- 4.2. The principal assumptions are:
- The discount rate - this is based on the expected investment return from the Fund's assets.
  - Pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2014 will also be linked to the Pension Increase Order.
  - Salary increases - active members' benefits for service before 31 March 2014 will continue to be linked to their final salary.
  - Current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.
- 4.3. The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.
- 4.4. The assumptions and the rationale for them have been discussed with the Administering Authority. The final assumptions have been adopted following discussion with the Administering Authority and are as set out in Appendix 2. We confirm that we believe that these are appropriate for the purposes of this valuation.
- 4.5. A comparison of the actual financial experience with the assumptions adopted at the previous valuation is summarised below:

Intervaluation Experience		
	Actual	Expected
<b>Investment Return</b>	7.7% pa	6.8% pa
<b>Pay Increases **</b>	1.6% pa	3.2% pa
<b>Pension Increases</b>	3.5% pa	3.0% pa
** includes short term overlay		

4.6. A comparison of the actual demographic experience of members of the Fund over the inter-valuation period, with that assumed by the assumptions adopted at the last valuation in 2010 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2010.



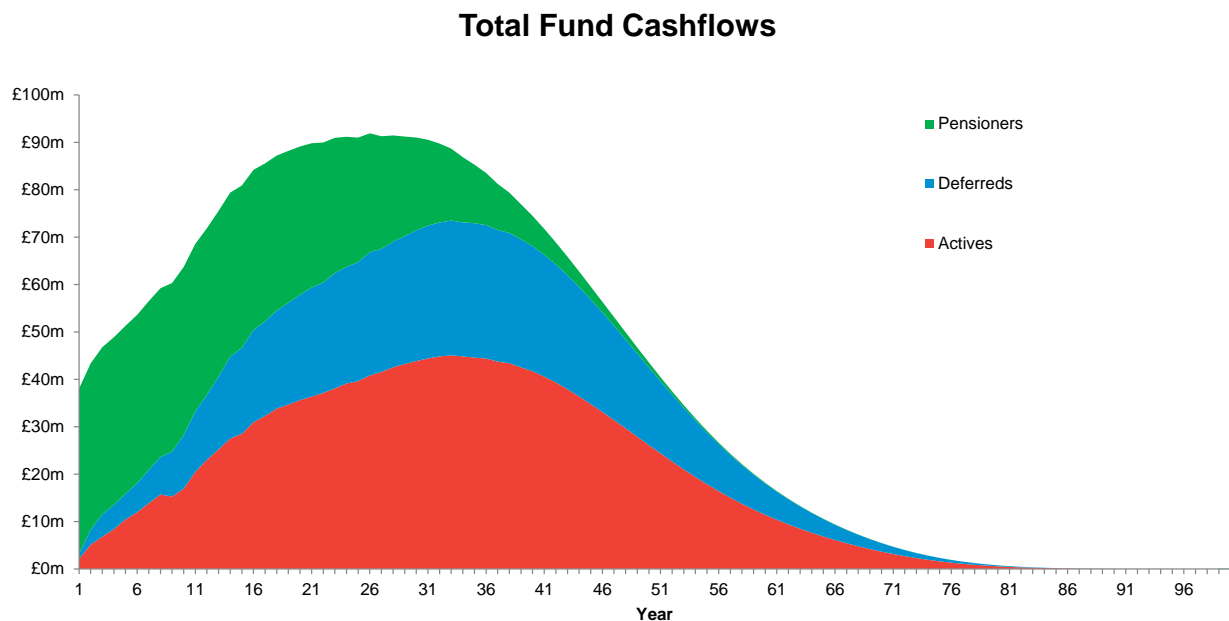
## 5. Valuation Results

### Previous Valuation

- 5.1. The last formal actuarial valuation of the Fund was carried out as at 31 March 2010 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated March 2011.
- 5.2. The results of the previous valuation indicated that the assets of the Fund represented 72% of the accrued liabilities of the Fund. The average employer contribution was calculated to be 22.7% of payroll which assumed that the past service funding level would be restored over a period of 20 years.

### Projected Cashflows

- 5.3. As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



### Past Service Funding Position and Contribution Rates

- 5.4. The following table sets out the valuation results for the Fund as a whole. We show:

- The past service funding position
- The required average ongoing employer contribution rate for future service benefits

- The total employer contribution rate required to restore the funding position to 100% over the agreed 20 year period following the valuation date.

Past Service Funding Position		31 March 2013
		£000's
<b>Asset Value</b>		<b>817,194</b>
<b>Value of Accrued Liabilities</b>		
	Active Members	384,698
	Deferred Members	236,526
	Pensioner Members	493,547
<b>Total Liabilities</b>		<b>1,114,771</b>
<b>Surplus/(Deficit)</b>		<b>(297,577)</b>
<b>Funding Level</b>		<b>73%</b>
Employer Contribution Rates		% of Payroll
Future Service Cost		13.4%
Deficit Recovery Over 20 years		11.5%
<b>Total</b>		<b>24.9%</b>

- 5.5. As we see, the funding level as at 31 March 2013 was 73% and the average required employer contribution to restore the funding position to 100% over the next 20 years is 24.9% of pensionable pay.
- 5.6. The contributions payable by each employer are set out in Appendix 4. These are based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

## Sensitivity Analysis

- 5.7. It is important to understand that these results indicate the expected cost of providing the benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the future experience.
- 5.8. 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, as shown below:

Assumption change	Effect on Deficit
Decreasing the discount rate by 0.5% per annum	Increase by £95m
Increasing the CPI assumption by 0.5% per annum	Increase by £85m
Increasing the long-term rate of salary increase by 0.5% per annum	Increase by £10m
Increasing the long-term rate of improvement used in the mortality projection from 1.5% to 1.75% per annum	Increase by £10m

## Projected Future Results

- 5.9. The progression of the funding level over time is influenced by a large number of factors including any changes in membership, the investment return achieved and the contributions paid.
- 5.10. We estimate that 3 years after the valuation date (i.e. at the next valuation) the funding position on the same basis will be 77%. This allows for contributions to be paid as certified and assumes that investment returns and other experience over the next 3 years are in line with the assumptions described above.

## Neutral Estimate

- 5.11. We are also required to consider whether the assumptions used are neutral, that is “not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome”.
- 5.12. Other than the discount rate, we consider all the assumptions used to be neutral.
- 5.13. We would consider a neutral discount rate to be 6.3% per annum rather than 6.0% per annum. The higher neutral discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund’s investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

## Valuation Reconciliation

- 5.14. The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in Past Service Position		
	£(000)	£(000)
<b>Surplus(Deficit) at 31 March 2010</b>		<b>(250,072)</b>
Benefits Accrued	(87,469)	
Early Retirements	(4,655)	
Contributions Paid	148,856	
<b>Deficit Funded (Use of Surplus)</b>	<b>56,732</b>	
Interest Cost	(51,565)	
Asset Gain/Loss	31,069	
Change in Market Conditions	(68,672)	
<b>Financial Gain(Loss)</b>	<b>(89,168)</b>	
Salary Increases	19,329	
Pension Increases	(7,842)	
Membership Movements	58,967	
<b>Experience</b>	<b>70,455</b>	
<b>Change in Assumptions</b>	<b>(85,524)</b>	
<b>Surplus(Deficit) at 31 March 2013</b>		<b>(297,577)</b>

5.15. As we can see, a key factor for the increase in the deficit is the deterioration in market conditions underpinning the financial assumptions.

## 6. Risk and Uncertainty

- 6.1. There are many factors that affect the financial position of the Fund, in particular:
- 6.2. Employer covenant risk – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.
- 6.3. The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.
- 6.4. Investment risk - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.
- 6.5. The sensitivity of the valuation results to changes in the investment return assumption is shown above. The Fund should regularly review the investment strategy to ensure the risks being taken are understood and that those risks are being appropriately managed.
- 6.6. Inflation - in projecting the expected future benefit payments, we make assumptions regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the funding position unless investment returns are similarly higher than expected.
- 6.7. The sensitivity of the results to the choice of inflation assumptions is also shown above.
- 6.8. Mortality - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, the Fund's funding position will deteriorate and additional contributions will be required.
- 6.9. The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review the mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.
- 6.10. Member options - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the valuation liabilities, depending on the particular member and market conditions.

6.11. Legislative changes – there are a number of legislative risks to the Fund and the LGPS in general, including:

- All benefits relating to membership after 31 March 2014 will be linked to the individual's State Pension Age and the Chancellor of the Exchequer's Autumn 2013 Statement outlined plans to increase this for some individuals. This valuation is based on the current legislation so if these plans are enacted, some members will find the value of their future benefits reduced and this would be expected to reduce the cost of meeting these benefits.
- Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- As part of the changes to the LGPS from 1 April 2014, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered.
- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.



## Appendix 1 Valuation Data

A1.1. A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Full Time	2013	2010	2013	2010	2013	2010		
Males	1,586	1,886	53,158	63,466	33,517	33,651	45	63
Females	1,665	1,971	53,442	61,421	32,097	31,162	45	63
Part Time								
Males	342	354	5,229	4,843	15,290	13,681	47	64
Females	2,739	2,675	36,573	34,466	13,353	12,884	46	64
Total	6,332	6,886	148,402	164,197	23,437	23,845	46	64
Pensioners			Annual Pensions		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
	2013	2010	2013	2010	2013	2010		
Males	2,412	2,170	19,015	15,043	7,884	6,932	70	
Females	2,951	2,757	12,926	10,190	4,380	3,696	71	
Dependants	1,185	1,104	3,049	2,684	2,573	2,431	74	
Total	6,548	6,031	34,991	27,918	5,344	4,629	71	
Deferred Pensioners			Annual Pensions		Average		This Valuation	
(including "undecideds")	Number		£ (000)		£		Average Age	Average Retirement Age
	2013	2010	2013	2010	2013	2010		
Males	2,935	2,634	7,744	5,793	2,638	2,199	46	62
Females	5,569	4,772	8,958	6,485	1,609	1,359	45	62
Total	8,504	7,406	16,702	12,278	1,964	1,658	46	62

### Notes

A1.2. 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.

A1.3. Annual pensions are funded items only and include pension increases up to and including the 2013 Pension Increase Order.

A1.4. Pensionable pay is actual earnings.

A1.5. A summary of the assets held by the Fund at the valuation date and the revenue account for the three years preceding the valuation date is as shown below.

Revenue Accounts		Year to	March 2013	March 2012	March 2011	TOTAL
			£ (000)	£ (000)	£ (000)	£ (000)
Expenditure	Retirement Pensions		33,885	30,748	28,883	93,516
	Retirement Lump Sums		12,530	10,045	8,839	31,414
	Death Benefits		1,164	339	1,028	2,531
	Leavers Benefits		4,500	5,701	9,700	19,901
	Expenses		809	786	998	2,593
	Other Expenditure		-	-	-	-
Total Outgo			52,888	47,619	49,448	149,955
Income	Employees Ctbns		9,910	10,475	11,213	31,598
	Employers Ctbns		36,819	36,246	37,105	110,170
	Transfer Values		3,036	7,152	9,803	19,991
	Other Income		-	-	-	-
Investment Income			7,124	7,914	6,249	21,287
Total Income			56,889	61,787	64,370	183,046
New Money for Investment			(3,123)	6,254	8,673	11,804
Fund Value						
Assets at Start of Year			746,637	723,575	661,916	661,916
Cashflow			4,001	14,168	14,922	33,091
Change in Value			89,786	8,894	46,737	145,417
Assets at End of Year			840,424	746,637	723,575	840,424
Annual Returns						
Approx Rate of Return (per annum)			13.0%	2.3%	8.0%	7.7%

## Appendix 2 Actuarial Assumptions

A2.1. A summary of the assumptions adopted in the valuation is set out below:

Future Assumed Returns at 2013		Risk Adjusted Discount Rate Weighting (rounded)
Equities	6.9% per annum	67%
Gilts	3.3% per annum	3%
Cash	3.1% per annum	2%
Corporate Bonds	3.9% per annum	19%
Property	6.0% per annum	9%
Expense allowance	0.1% per annum	

Financial Assumptions	2013	2010
Discount Rate	6.0% per annum (as above)	6.7% per annum
Retail Price Inflation (RPI)	3.5% per annum (20 year point on the BoE Inflation Curve)	3.5% per annum
Consumer Price Inflation (CPI)	2.7% per annum (RPI less 0.8%)	3.0% per annum
Pension and Deferred Pension Increases	2.7% per annum (RPI less 0.8%)	3.0% per annum
Short Term Pay Increases	In line with the CPI assumption for the 2 years to 31 March 2015	Pay freeze for those earning over £21k for the 2 years to 31 March 2012
Long Term Pay Increases	4.5% per annum (RPI plus 1% per annum)	4.7% per annum

Statistical Assumptions	2013	2010
Post Retirement Mortality		
Current Mortality	110% of the S1PA tables	Club Vita Lite Tables
Mortality Projection	2012 CMI Model with a long term rate of improvement of 1.5% per annum	CMI Medium Cohort

Statistical Assumptions	2013	2010
	Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits	For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits
Retirement Ages	If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75.	Active and deferred members over these respective ages are assumed to retire immediately
Proportion Married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death
Partner Age Difference	Males are 3 years older than their spouse and Females are 3 years younger than their spouse	Males are 3 years older than their spouse and Females are 3 years younger than their spouse
Ill-health Tiers	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	30% of ill-health retirements will be eligible for benefits based on full prospective service and 70% will qualify for a service enhancement of 25% of prospective service
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
50/50 Scheme Allowance	It is assumed that 10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme	n/a
Other Statistical Assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds
Sample rates shown below		

Incidence per 1000 active members per annum								
Age	Death		Ill Health Retirement		Withdrawal		Salary Scales	
	Males	Females	Males	Females	Males	Females	Males	Females
25	0.1	0.1	0.1	0.1	122.0	144.5	100	100
30	0.2	0.1	0.2	0.1	104.4	122.4	102	101
35	0.3	0.2	0.3	0.3	89.4	103.6	111	105
40	0.5	0.3	0.6	0.5	76.5	87.7	117	108
45	0.8	0.5	1.1	0.8	65.5	74.3	121	110
50	1.3	0.8	2.2	1.6	56.0	62.9	124	110
55	2.1	1.3	4.1	2.9	48.0	53.3	127	110
60	3.4	2.0	7.8	5.3	41.0	45.1	127	110
65	5.4	3.0	14.8	9.8	35.1	38.2	127	110

## Appendix 3 Individual Employer Data as at 31 March 2013

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	Number	Actual Pay	Average Age	Number	Deferred Pensions	Average Age	Number	Pensions in Payment	Average Age
70	London Borough of Newham	5,909	£137,144,789	46	7,836	£15,106,092	46	6,262	£33,173,905	71
71	North College of Further Education	196	£5,528,241	45	298	£524,333	45	125	£609,159	69
72	NEWVIC	61	£1,597,362	45	127	£161,072	43	14	£42,092	65
76	Greenwich Leisure Ltd	-	-	-	49	£125,311	43	4	Note (1)	Note (1)
78	Carpenter TMO	5	£139,389	50	4	Note (1)	42	4	Note (1)	Note (1)
79	F M Conway Ltd	1	Note (1)	Note (1)	-	-	-	2	Note (1)	Note (1)
790	Arc in the Park Com Links Trust	7	£194,667	48	4	Note (1)	42	2	Note (1)	Note (1)
791	Newham Homes ALMO	-	-	-	119	£617,373	44	78	£673,033	66
793	MITIE	4	Note (1)	Note (1)	2	Note (1)	45	-	-	-
73	Stratford School	-	-	-	12	£10,434	47	7	£42,199	65
792	Stratford Regeneration Partner	4	Note (1)	Note (1)	1	Note (1)	46	-	-	-
795	Thames Gateway (London Partnership)	2	Note (1)	Note (1)	1	Note (1)	40	2	Note (1)	Note (1)
794	RM Education	4	Note (1)	Note (1)	2	Note (1)	50	1	Note (1)	Note (1)
796	Brampton Manor Academy	32	£672,076	49	5	£8,882	40	5	£12,395	63
799	Active Newham	23	£627,861	46	-	-	-	-	-	-
797	Newco Products Ltd	48	£1,126,212	48	-	-	-	1	Note (1)	Note (1)
798	London Academy of Excellence	4	Note (1)	Note (1)	1	Note (1)	35	-	-	-
80	School 21	5	£164,694	38	-	-	-	-	-	-
81	Newham Partnership Working	-	-	-	-	-	-	-	-	-
74	ELWA	-	-	-	20	£60,555	49	21	£103,485	69
75	Magistrates Court	-	-	-	21	£51,595	46	18	£158,049	70
77	David Webster	-	-	-	-	-	-	1	Note (1)	Note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	Number	Actual Pay	Average Age	Number	Deferred Pensions	Average Age	Number	Pensions in Payment	Average Age
	Stratford Academy	27	£613,286	50	2	Note (1)	53	1	Note (1)	Note (1)
	<b>Total</b>	<b>6,332</b>	<b>£148,401,874</b>	<b>46</b>	<b>8,504</b>	<b>£16,702,187</b>	<b>46</b>	<b>6,548</b>	<b>£34,990,866</b>	<b>71</b>

Note (1) - membership details have been excluded for privacy reasons where there are fewer than 5 members.

## Appendix 4 Rates and Adjustment Certificate

A4.1. The Common Rate of Contribution as defined by Regulation 36 for the period 1 April 2014 to 31 March 2017 is 24.9% of pensionable payroll.

A4.2. However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

Code	Employer	Employer contributions due as a % of pensionable pay for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		1 Apr 2014	1 Apr 2015	1 Apr 2016	1 Apr 2014	1 Apr 2015	1 Apr 2016
70	London Borough of Newham *	13.4%	13.4%	13.4%	£16,300,000	£16,300,000	£16,300,000
71	North College of Further Education	16.7%	16.7%	16.7%	-	-	-
72	NEWVIC	12.1%	12.1%	12.1%	-	-	-
78	Carpenter TMO	15.0%	15.0%	15.0%	-	-	-
79	F M Conway Ltd	15.3%	15.3%	15.3%	-	-	-
790	Arc in the Park Com Links Trust	13.7%	13.7%	13.7%	-	-	-
793	MITE	17.0%	17.0%	17.0%	-	-	-
792	Stratford Regeneration Partner	25.6%	25.6%	25.6%	-	-	-
794	RM Education	20.9%	20.9%	20.9%	-	-	-
796	Brampton Manor Academy	23.5%	23.5%	23.5%	-	-	-
799	Active Newham	16.4%	16.4%	16.4%	-	-	-
797	Newco Products Ltd	25.6%	25.6%	25.6%	-	-	-
798	London Academy of Excellence	12.0%	12.0%	12.0%	-	-	-
80	School 21	12.0%	12.0%	12.0%	-	-	-
	Stratford Academy	25.6%	25.6%	25.6%	-	-	-

A4.3. \* London Borough of Newham is required to pay total deficit contributions of £16.3m p.a. in each of the three years to 31 March 2017. For the purposes of re-charging deficit contributions to schools and service organisations within London Borough of Newham, a rate of 11.9% of payroll should be applied.

### Notes

A4.4. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.

A4.5. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.

A4.6. Contributions are due to be paid monthly in arrear unless otherwise agreed between an employer and the Administering Authority. Any such agreements are reflected in the amounts certified above.



A4.7. Contributions may be subject to reviews and adjustments during the inter-valuation period. Any such reviews will be carried out in consultation with the Investment and Accounts Committee.

### **Projected New Benefits**

A4.8. The following table shows the amount of new pension and lump sum benefits (excluding early retirement benefits due to redundancy) projected to come into payment during the period 1 April 2014 to 31 March 2017.

Year to	Retirement Benefits £(000)
31 March 2015	8,339
31 March 2016	10,129
31 March 2017	10,321

## Appendix 5 New Employers since 31 March 2013

A5.1. The following table lists those employers who have joined the Fund since 31 March 2013 and their rates were certified at their date of joining and will continue as set out until 1 April 2017 when they will be assessed as part of the next formal valuation.

Code	Employer	Employer contributions due as a % of pensionable pay for the year beginning		
		1 Apr 2014	1 Apr 2015	1 Apr 2016
	Newham Partnership Working	26.9%	26.9%	26.9%
	Langdon Academy	23.5%	23.5%	23.5%
	Chobham Academy	12.0%	12.0%	12.0%
	East London Science School	12.0%	12.0%	12.0%

### Notes

- A5.2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A5.3. 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.
- A5.4. Contributions are due to be paid monthly in arrear unless otherwise agreed between an employer and the Administering Authority. Any such agreements are reflected in the amounts certified above.

## Appendix 6 LGPS Benefits

A6.1. The benefit changes from 1 April 2014 involve the formation of a new scheme, referred to below as LGPS 2014. Transitional regulations are applied so that the benefits in the previous LGPS 2008 scheme are maintained.

LGPS Benefits	LGPS 2014		LGPS 2008	
Type of Scheme	Career Average Revalued Earnings (CARE)		Final Salary	
Pension Benefit Accrual	1/49 <sup>th</sup>		1/60 <sup>th</sup> for service after 1 April 2008. Benefits for service before 31 March 2008 were based on 1/80 <sup>th</sup> accrual and an automatic lump sum of 3/80 <sup>ths</sup> .	
Revaluation	Consumer Prices Index (CPI)		Based on Final Salary	
Lump Sum	By commutation 12:1 up to a maximum of 25% of lifetime allowance			
Pensionable Pay	Pay <b>including</b> non-contractual overtime and additional hours for part time staff		Pay <b>excluding</b> non-contractual overtime and non-pensionable additional hours	
Member Contributions	Banded Contributions based on <b>actual</b> pensionable pay		Banded Contributions based on <b>full time equivalent</b> pensionable pay	
	Range	Gross Rate	Range	Gross Rate
	Up to £13,500	5.5%	Up to £13,700	5.5%
	£13,501 to £21,000	5.8%	£13,701 to £16,100	5.8%
	£21,001 to £34,000	6.5%	£16,101 to £20,800	5.9%
	£34,001 to £43,000	6.8%	£20,801 to £34,700	6.5%
	£43,001 to £60,000	8.5%	£34,701 to £46,500	6.8%
	£60,001 to £85,000	9.9%	£46,501 to £87,100	7.2%
	£85,001 to £100,000	10.5%	More than £87,100	7.5%
	£100,001 to £150,000	11.4%		
	More than £150,000	12.5%		
Contribution Flexibility	Member can pay 50% contributions for 50% of the pension benefit		Not Available	
Normal Pension Age	Linked to individual member's State Pension Age (minimum age 65)		Age 65	
Death in Service Lump Sum	3 x Pensionable Pay			
Death in Service Survivor Benefits	1/160 <sup>th</sup> accrual based on potential service to <b>Normal Pension Age</b>			

LGPS Benefits	LGPS 2014	LGPS 2008
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to <b>Normal Pension Age</b>	
	Tier 2 - Immediate payment with 25% service enhancement to <b>Normal Pension Age</b>	
	Tier 3 - Temporary payment of pension for up to 3 years	
Post Retirement Revaluation	Pension Increase Orders	
Vesting Period	2 years	3 months
Early Payment - Reduction to Benefits (Rule of 85)	For members of the LGPS on 30 September 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.	
	The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.	
	If they <b>could not satisfy the Rule of 85 by the time they are 65</b> , then all of their benefits are reduced, if they choose to retire before age 65.	
	If they <b>will be age 60 or over by 31 March 2016</b> and choose to retire before age 65, then <b>provided they satisfy the Rule of 85 when they start to draw their pension</b> , the benefits they build up to 31 March 2016 will not be reduced.	
	If they <b>will be under age 60 by 31 March 2016</b> and choose to retire before age 65, then <b>provided they satisfy the Rule of 85 when they start to draw their pension</b> , the benefits they have built up to 31 March 2008 will not be reduced. Also, if they will be aged 60 between 1 April 2016 and 31 March 2020 and meet the Rule of 85 by 31 March 2020, some or all of the benefits that they have built up between 1 April 2008 and 31 March 2020 will not have a full reduction.	