

Actuarial valuation as at 31 March 2013

Rhondda Cynon Taf County Borough Council



Prepared for	Rhondda Cynon Taf County Borough Council The Administering Authority of the Rhondda Cynon Taf County Borough Council Pension Fund
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Date	31 March 2014

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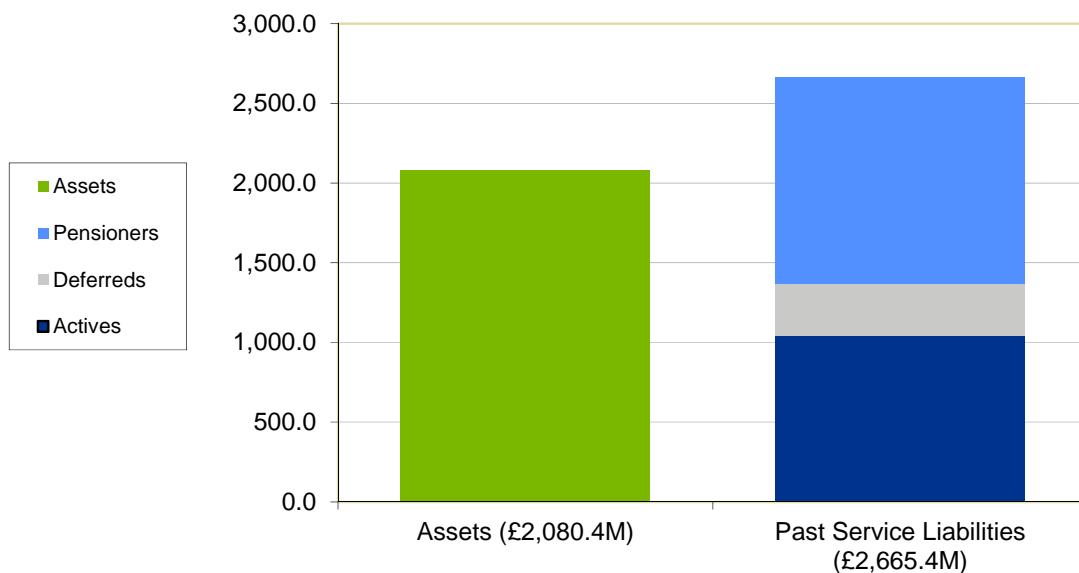
No decisions should be taken on the basis of this report by any party other than our client, Rhondda Cynon Taf County Borough Council, and nothing in this report removes the need for readers to take proper advice in relation to their specific circumstances.

Executive Summary

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

There was a shortfall of assets relative to the past service liabilities of 585.0M, corresponding to a funding ratio of 78%

The past service liabilities is the amount of assets agreed with the Administering Authority as being appropriate to meet members' benefits, assuming the Fund continues as a going concern.



The aggregate Employer future service contribution rate in respect of the benefits provided by the 2014 Scheme is 13.8% of Pensionable Pay.

The aggregate Employer contribution rate required to restore the funding ratio to 100% over a recovery period of 25 years from 1 April 2014, and assuming the membership remains broadly stable and pay increases are in line with our assumptions, is 20.6% of Pensionable Pay. The comparable figure at the previous valuation was 20.4% of Pensionable Pay.

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

Actuarial valuation as at 31 March 2013

Rhondda Cynon Taf County Borough Council

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Introduction

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

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

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

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

Shorthand

Fund

Rhondda Cynon Taf County Borough Council Pension Fund

Administering Authority

Rhondda Cynon Taf County Borough Council, the Administering Authority of the Rhondda Cynon Taf County Borough Council Pension Fund

Employers

All Employers with employees participating in the Fund

Regulations

The Local Government Pension Scheme Regulations (see Appendix 12)

Pensionable Pay

As defined in the Regulations

Pensionable Service

Periods of membership, as defined in the Regulations

Snapshot view

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

Update since the previous valuation

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

The Fund's assets were £1,568.9M and the past service liabilities were £2,229.0M, which corresponded to a shortfall of £660.1M and a **funding ratio** of 70%.

The aggregate Employer future service contribution rate was 13.1% of Pensionable Pay

The Administering Authority agreed Employer contributions from 1 April 2011 designed to restore the funding ratio to 100% over a period not exceeding 25 years.

The resulting aggregate Employer contributions were:

- the Employer future service contribution rate of 13.1% of Pensionable Pay plus
- additional monetary amounts as follows

Year	Aggregate shortfall contribution (£M)
2011/12	27.9
2012/13	29.0
2013/14	30.2

Employers paid additional contributions towards funding the increase in past service liabilities due to discretionary increases to benefits, including redundancies and early retirements.

In addition, members paid contributions required under the Regulations.

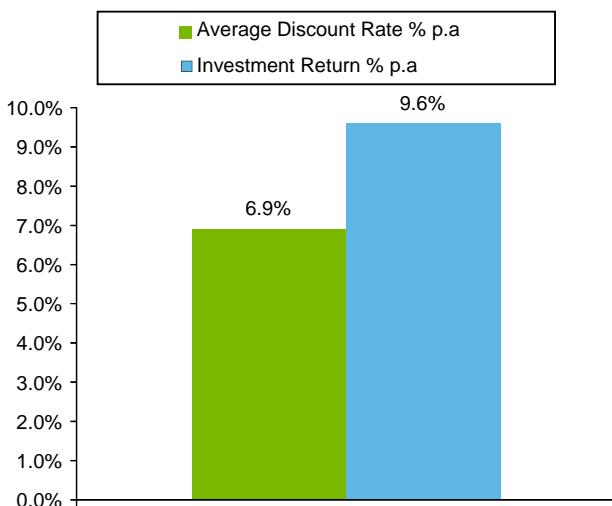
The formal report signed on 30 March 2011 by Chris Darby FIA and David Marsh FIA includes further information.

Financial development

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

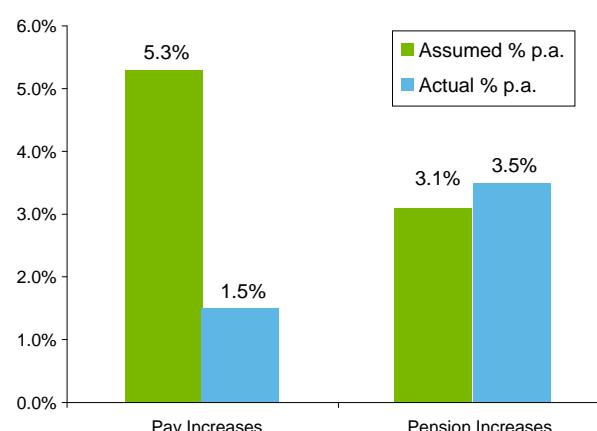
▪ Investment return (or discount rate)

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



▪ Inflationary pay and pension increases

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



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

Other key developments since the previous valuation

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

▪ **Change to pension increases**

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

This change was reflected in the 2010 valuation.

▪ **Changes to State Pension Age**

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

▪ **Bulk transfers**

The following bulk transfers of assets have been paid since the previous valuation:

- Local Government Data Unit
- Fire Service Administration Staff

The following bulk transfers of assets are yet to be paid at the valuation date. Approximate allowance has been made in the Fund asset value at the valuation date:

- Glamorgan Record Office
- South Wales Sea Fisheries
- 101Call Centre
- Vision Products
- Traffic Wardens
- Wales Probation Trust

▪ **2014 Scheme**

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

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

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

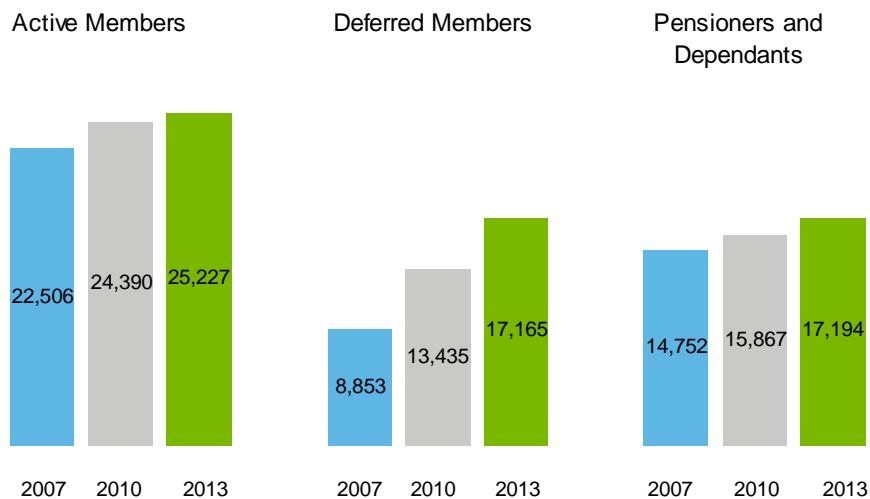
This valuation reflects our understanding of the benefits to be provided by the new 2014 Scheme.

Membership data

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

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

The chart below shows how the membership profile of the Fund has changed over the last three valuations. During this period, the Fund has become slightly less mature with the proportion of pensioners decreasing from 32% of the Fund's membership at 31 March 2007 to 29% at 31 March 2013.



In addition to the above, there were a number of members who had yet to decide whether to take a transfer payment. Suitable allowance has been made for these in our calculations.

The 2013 figures exclude 150 children (2010: 128) who are in receipt of pensions. Suitable allowance has been made for these in our calculations.

Membership data

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

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

The results in this report rely entirely on the accuracy of the information supplied. Readers who have reason to believe that the data we have used may be incomplete or inaccurate, should let us know.

Pensionable Pay in 2014 Scheme

We have been provided with Pensionable Pay for the year ended 31 March 2013, as defined for the 2008 Scheme. A different definition applies for benefits building up after 1 April 2014. In particular certain elements of pay which were previously not pensionable, will be included.

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

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

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

Benefits valued

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

Discretionary benefits

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

GMP equalisation

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

State Pension Age changes

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

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

2013 Local Government Pension Scheme Regulations

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

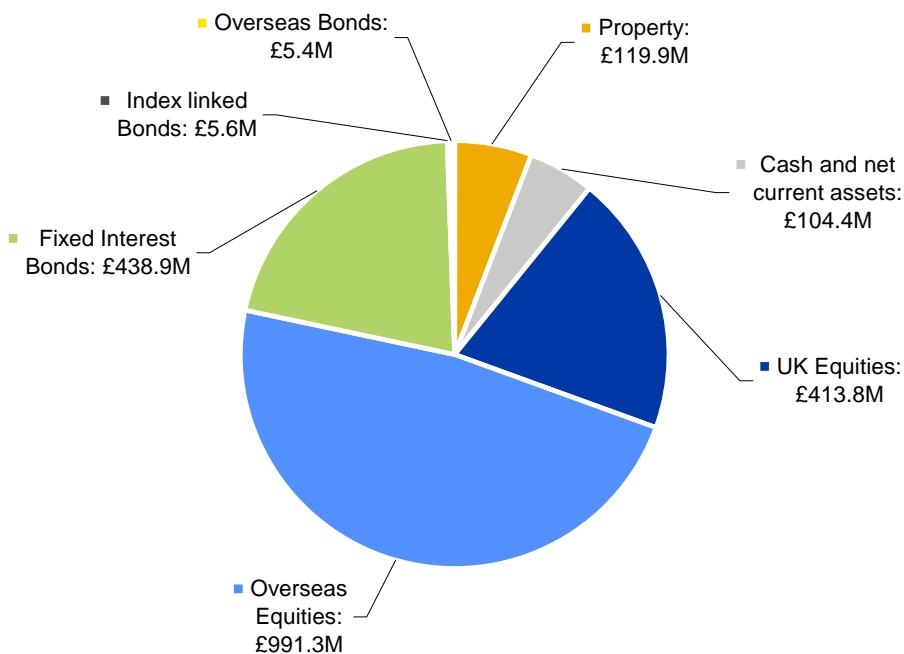
Our valuation reflects our understanding of the Regulations currently available. Any future changes may affect the conclusions in this report. However we do not anticipate any significant changes at this time.

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

Asset data

The audited accounts for the Fund for the year ended 31 March 2013 show the value of the assets to be £2,079.3M at the valuation date.

The assets of £2,079.3M were invested as follows:



- This summary excludes assets for defined contribution AVC accounts to be consistent with the present value of liabilities.
- We have increased the assets shown above by £1.1M in respect of the following amounts accrued but not paid at the valuation date which have not been reflected in the Fund's audited accounts.
 - Strain payments due after the valuation date in respect of early retirements on redundancy or efficiency grounds that occurred before the valuation date.
 - Estimated amounts in respect of the following bulk transfers:
 - South Wales Sea Fisheries (Transfer In)
 - 101 Call Centre (Transfer In)
 - Vision Products (Transfer In)
 - Glamorgan Record Office (Transfer Out)
 - Traffic Wardens (Transfer Out).

We have therefore used an asset figure of £2,080.4M for the purpose of our valuation calculations.

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

"A management agreement is in place for each investment manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Investment Advisory Panel.

The Investment Advisory Panel has agreed a benchmark which provides an efficient balance between risk and return.

Funding objective

Terminology

Past service liabilities

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

Funding objective

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

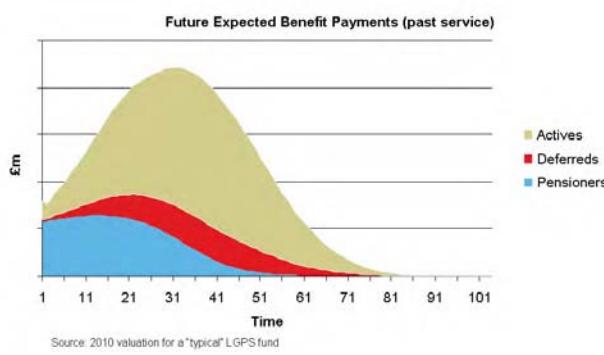
Funding strategy statement

A document that sets out the Administering Authority's strategy for meeting the funding objective

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

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

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



The discount rate

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

- The discount rate for long term scheduled bodies assumes indefinite future investment in assets similar to the Fund's holdings at the valuation date (allowing for any known planned changes to the long term investment strategy).
- The Fund assets are considered to have a better than evens chance of delivering investment returns in excess of the scheduled body discount rate.
- For orphan bodies, the discount rate has regard to the possibility that participation might cease at any time and anticipates a move to a low risk investment portfolio made up of long dated gilts at cessation.
- For subsumption bodies, where a long term scheduled body has agreed to subsume the liabilities of the body on exit, we have agreed with the Administering Authority to use a discount rate for that employer as if it was a scheduled body. Details of employers to which this applies are given in Appendix 6.

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

Summary of method and assumptions

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

Assumption	This valuation	Previous valuation	Rationale for change
Average in service discount rate	5.6% pa	7.0% pa	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
Average left service discount rate	5.4% pa	6.8% pa	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
Rate of revaluation of pension accounts	2.4% pa	n/a	Not required in the 2010 valuation.
Increases on pensions in excess of GMP	2.4% pa	3.1% pa	Updated to reflect the outlook for CPI inflation at 31 March 2013.
Pensionable pay increases	3.9% pa*	5.3% pa	Updated to reflect the outlook at 31 March 2013.
Post-retirement mortality assumption – base table	SAPS Normal Health tables with scaling factors of: Men 100% Women: 95%	SAPS Normal Health tables with scaling factors of: Men 90% Women: 100%	Updated to reflect the Fund's pensioner mortality experience since the last valuation
Post-retirement mortality assumption – future improvements	CMI 2012 core projections with long-term improvement rate of 1.5% pa	CMI 2009 core projections with long-term improvement rate of 1.25% pa	Updated to reflect our current views and latest research

**A short term Pensionable Pay Increase assumption has been adopted for scheduled bodies of 1.0% p.a. for the three year period after the valuation date.*

We show below the assumed life expectancies at age 65 for current members based on the post-retirement mortality assumptions:

Valuation	Member currently aged 65		Member currently aged 45	
	Men	Women	Men	Women
2010	22.8	24.7	25.0	26.6
2013	23.3	25.7	25.2	28.0

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

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

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

Past service results

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

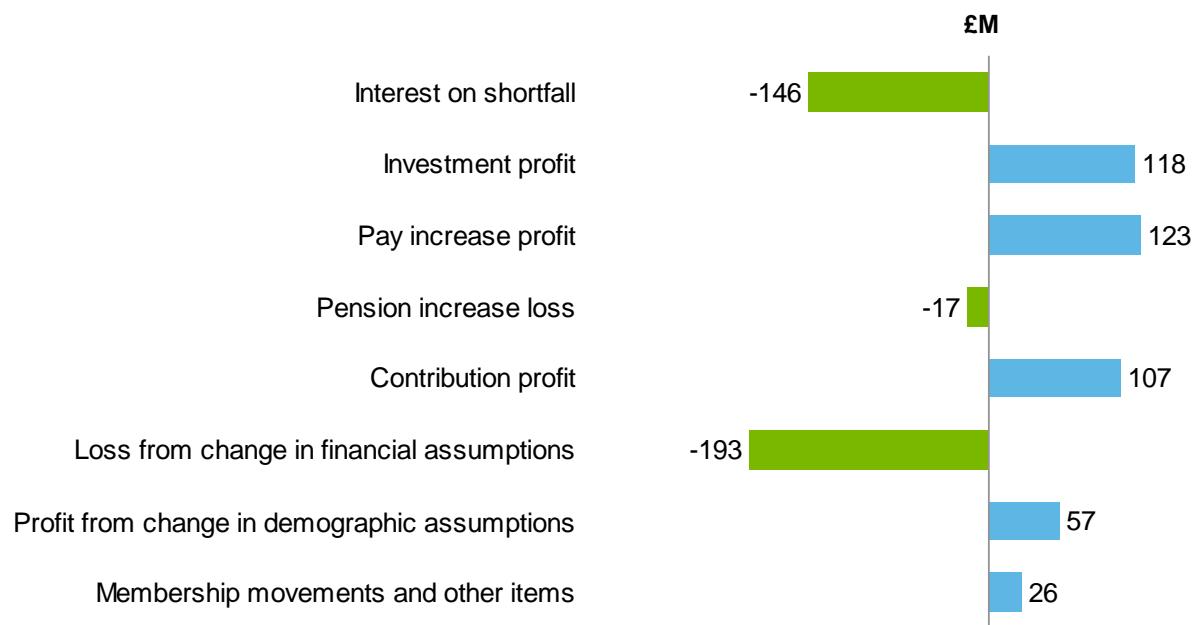
	£M
Value of past service benefits for	
Actives	1,041.8
Deferred members	324.5
Pensioners	1,299.1
Total past service liabilities	2,665.4
Value of assets	2,080.4
Past service surplus (shortfall)	(585.0)
Funding ratio	78%

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

Reasons for change in past service position

At the previous valuation the Fund had a shortfall of £660.1M. The funding position has therefore improved by £75.1M over the period.

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



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

- Investment returns on the Fund's assets above the average discount rate of 6.9% p.a. assumed in the 2010 valuation
- Pay increases below those previously assumed
- Contributions above the cost of accrual, being part of the 2010 funding plan to eliminate the deficit disclosed in that valuation over a 25 year period.
- Changes to the demographic assumptions adopted, in particular the changes to the assumed age at retirement, partially offset by the change to the longevity assumptions.

which have all improved the position; and

- Interest on the shortfall at the previous valuation
- A loss from changes in the financial assumptions used, mainly from a reduction in future assumed investment returns, partially offset by a reduction in the pay and pensions increase assumptions.

which have all worsened the position.

The effect of membership movements includes fewer ill-health retirements than expected and more withdrawals from active service than expected, both leading to an improvement in the funding position.

Addressing the shortfall

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

We have agreed with the Administering Authority a recovery plan such that the shortfall will be removed by payment of additional contributions by the Employers over a range of different recovery periods not exceeding 25 years.

The recovery period used for each Employer is set out in Appendix 6. For some Employers, contribution increases will be phased in over a number of years (or 'steps'). These are also shown in Appendix 6.

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

The aggregate shortfall contributions required to remove the shortfall by the end of 25 years are £29.4M pa from 1 April 2014, increasing at 3.9% pa. This is equivalent to approximately 6.8% of Pensionable Pay assuming the membership remains broadly stable and payroll increases in line with our pay increase assumption.

Terminology

Recovery plan

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

Recovery period

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

Shortfall contributions

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

Cost to the Employers of future benefits

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

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

	% of Pensionable Pay
Value of benefits building up	19.3
Death in service cash sum	0.3
Administration expenses	0.5
Less member contributions	(6.3)
Net cost to the Employers	13.8

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

The cost of future benefits has increased since the previous valuation. The main reasons for this are:

- A reduction to the future assumed level of investment returns (i.e. the discount rate assumption)
- A fall in the average member contribution rate

which have all increased the cost; and

- The introduction of the 2014 Scheme
- Changes in the demographic assumptions, in particular the assumption for ill health retirement
- Changes to the pension increase assumption

which have all reduced the cost

Low risk funding measure

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

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

	£M
Value of past service benefits for	
Actives	1,970.3
Deferred members	523.8
Pensioners	1,671.0
Low risk value of liabilities	4,165.1
Value of assets	2,080.4
Low risk surplus / (shortfall)	(2,084.7)
Low risk funding ratio	50%

Risks and uncertainties

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

These risks include:

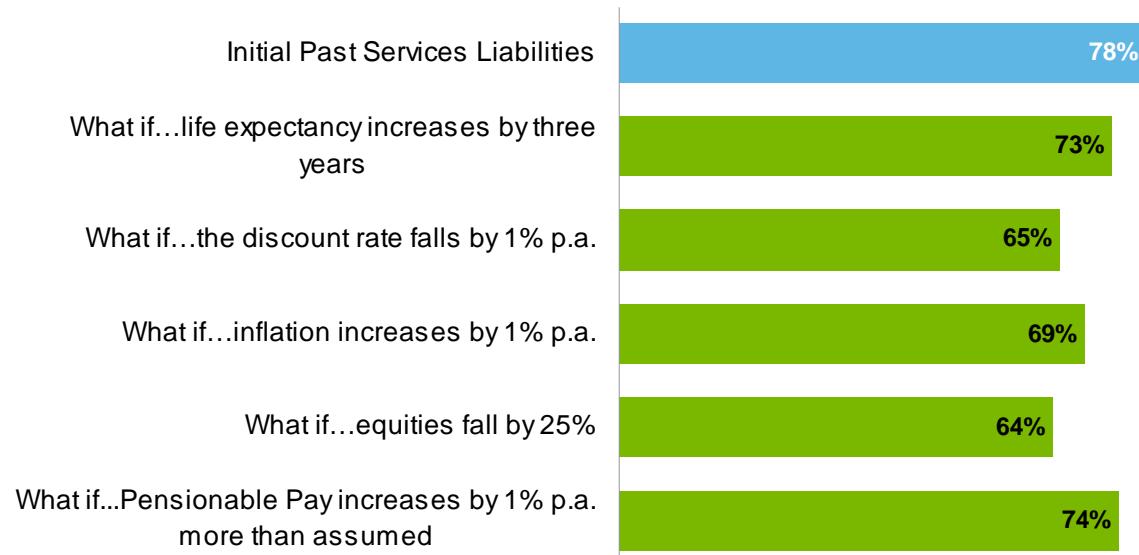
- Funding risk – the risk that the value placed on the past service liabilities is set too low and proves insufficient to meet the payments as they fall due.
- Employer risk – the risk that an Employer is no longer able to meet its liabilities in the Fund.
- Investment risks – the risk that investment returns are lower than allowed for in the valuation, and that investment returns and assets move out of line with the liabilities, so the funding position is not stable.
- Longevity risk – the risk that Fund members live for longer than assumed and that pensions would therefore need to be paid for longer resulting in a higher cost for the Fund.
- Inflation risk – the risk that inflation is higher than assumed, increasing the pensions that need to be paid.
- Options for members (or other parties) – the risk that members exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash than allowed for.

To quantify some of these risks, the chart on the following page shows the approximate impact of the following one-off step changes on the Fund's funding ratio (all other elements of the valuation basis being unchanged unless otherwise indicated):

- Life expectancy at age 65 is three years longer than anticipated (with corresponding increases at other ages).
- A 1% fall in long term expected investment returns (the discount rate) with no change in asset values.
- A 1% pa increase in expected price inflation, measured by CPI.
- A 25% fall in the market value of equities (with no change in bond values).
- A 1% pa increase in expected Pensionable Pay increases (with no change in price inflation).

Risks and uncertainties

Funding Ratio under different scenarios



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

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

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

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

Individual Employer contribution rates

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

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

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

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

Rates of contribution payable by individual Employers, or groups of Employers, differ because they take into account the Employers' particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to the circumstances. The Actuary and the Administering Authority have agreed that increases and decreases in contribution rates for some Employers can be phased in over periods not exceeding 6 years. Details are given in Appendix 6.

For certain Employers, the Actuary has agreed with the Administering Authority that shortfall contributions will be expressed as a percentage of Pensionable Pay. Where this is the case, rates are expressed in terms of projected Pensionable Pay figures.

For Employers which are in surplus, it has been agreed with the Administering Authority that the Employer can use the surplus to support the payment of contributions to the Fund at a rate below the future service contribution.

The aggregate Employer contributions certified for the 3 years from 1 April 2014, and the aggregated theoretical contribution over the remaining 3 years of the stepping period, can be summarised as follows:

Year from 1 April	% of Pensionable Pay	Aggregate monetary contribution (£M)
2014	18.9	7.8
2015	19.0	7.9
2016	19.1	8.2
2017	19.3	8.5
2018	19.5	8.9
2019	19.6	9.2

- The contributions payable by individual Employers are set out in Appendix 11.
- Payments to meet additional costs arising from early retirements and other increases in benefits are payable in addition.
- The annual monetary contributions above are the aggregate of the monetary contributions for individual Employers in each year.
- At the end of the period shown above, the annual monetary contributions are anticipated to increase by approximately 3.9% p.a. and the contribution rate to remain at 19.6% p.a. of Pensionable Pay until the end of the relevant recovery period. Thereafter, contributions are anticipated to be in line with the aggregate future service contribution rate of 13.8% p.a. of Pensionable Pay. These contributions will be subject to review at future actuarial valuations.
- Member contributions are payable in addition to the Employer contributions set out above and in Appendix 11. These are set out in the Regulations. AVCs are payable in addition.
- Contributions by active members and Employers should be paid to the Fund at such time and at such frequency as required by the Regulations. Any monetary shortfall contributions have been calculated on the basis that they are payable uniformly over the relevant year.

Terminology

Rates and Adjustments Certificate

Specifies the contributions payable by the Employers until March 2017.

Final comments

The key results from this valuation are:

The Fund's assets were £2,080.4M and the past service liabilities were £2,665.4M which correspond to

- a shortfall of £585M and
- a funding ratio of 78%.

The Employers' share of the future benefits building up is 13.8% of Pensionable Pay after 1 April 2014.

If the shortfall is removed over 25 years from 1 April 2014, the aggregate Employer contributions needed would be equivalent to 20.6%* of Pensionable Pay until 31 March 2039, reverting to 13.8% of Pensionable Pay thereafter.

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

Developments since the valuation date

▪ State Pension Age changes

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

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

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

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

▪ Market movements since 31 March 2013

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

Abolition of contracting-out

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

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

Monitoring the Fund

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

Next actuarial valuation

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

If actual experience before the next actuarial valuation is in line with the assumptions in this report, we expect the Fund's funding ratio to increase to about 80%. This would be mainly due to contributions being made to eliminate the shortfall over the recovery period.

Appendix 1: Legal framework

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

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

It is produced in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

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

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

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

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

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

Appendix 2: Membership data

Membership data was provided by the Administering Authority.

Active members		Number	Average age	Total Pensionable Pay (£000 pa)	Average Pensionable Pay (£pa)	Average service (years)
Men	2013	7,192	43.8	158,472	22,034	10.9
	2010	7,154	44.3	164,165	22,948	11.8
Women	2013	18,035	42.9	264,715	14,678	7.2
	2010	17,236	42.6	255,311	14,813	7.2
Total	2013	25,227	43.2	423,187	16,775	8.3
	2010	24,390	43.1	419,476	17,199	8.6

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

Deferred members		Number	Average age	Total pension (£000 pa)	Average pension (£pa)
Men	2013	4,882	43.3	8,902	1,823
	2010	4,055	43.6	7,350	1,813
Women	2013	12,283	42.8	12,013	978
	2010	9,380	42.3	8,786	937
Total	2013	17,165	42.9	20,915	1,218
	2010	13,435	42.7	16,136	1,201

Note: The deferred pension amounts shown above include increases up to and including April 2013 (2010: April 2010). There were also a number of members who had yet to decide whether to take transfer payments. Suitable allowance has been made for those members in our calculations.

Pensioners		Number	Average age	Total pension (£000 pa)	Average pension (£000 pa)
Men	2013	6,597	69.5	48,692	7,381
	2010	6,095	68.8	40,821	6,697
Women	2013	8,174	69.7	30,518	3,734
	2010	7,433	69.0	23,736	3,193
Dependants	2013	2,423	76.0	6,938	2,863
	2010	2,339	75.4	6,194	2,648
Total	2013	17,194	70.5	86,148	5,010
	2010	15,867	69.5	70,751	4,459

Note: The pension amounts shown above include the increase awarded in April 2013 (2010: April 2010). The 2013 figures exclude 150 children (2010:128) who are in receipt of pensions. Suitable allowance has been made for these in our calculations.

Appendix 3: Membership data by Employer

The membership data by Employer is shown below.

Employer	Number of active members	Total Pensionable Pay	Number of deferred members	Number of pensioners and dependants
ACADEMI	0	-	0	1
Agored Cymru	2	-	6	0
Amgen Cymru	3	-	2	6
Amgen Rhondda	0	-	3	3
Arts Council for Wales	0	-	0	5
Assembly of Welsh Counties	0	-	0	2
Brackla Community Council	3	-	1	0
Bridgend College	327	5,334	280	133
Bridgend County Borough Council	6,081	76,073	4,027	1,843
Bridgend Town Council	0	-	1	2
Capita Glamorgan Consultancy	39	1,215	9	13
Cardiff Wales Airport	0	-	50	79
Care Council for Wales	74	2,260	46	7
Care Standards Inspectorate for Wales (CSIW)	0	-	0	2
Careers Wales Association	9	262	15	2
Central South Consortium	65	2,692	0	4
Coleg Y Cymoedd	375	6,978	323	148
Council of Museums in Wales	0	-	4	2
Coychurch Crematorium	7	126	9	19
Cynon Valley Borough Council	0	-	43	475
Cynon Valley Transport	0	-	2	30
ESIS	8	285	17	47
Finance Wales Investment	37	1,641	22	3
Finance Wales plc	24	1,061	17	2
Garw Valley Community Council	1	-	0	0
Gelligaer Community Council	1	-	1	0
Glamorgan County Council	0	-	0	55
Halo Leisure Services Ltd	249	2,273	8	4

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Employer	Number of active members	Total Pensionable Pay	Number of deferred members	Number of pensioners and dependants
Inter Valley Link	0	-	18	57
Llanbradach Community Council	0	-	0	1
Llanharry Community Council	0	-	0	1
Llantrisant Community Council	3	-	4	2
Llantwit Fadre Community Council	3	-	6	5
Llwydcoed Crematorium	9	167	4	15
Local Government Data Unit for Wales	21	611	29	4
Maesteg Town Council	2	-	0	0
Maesteg Town Hall	20	179	3	0
Magistrates Court Committee	0	-	17	35
Merthyr Institute for the Blind	1	-	0	4
Merthyr Tydfil Borough Council	0	-	83	485
Merthyr Tydfil College	90	1,922	51	42
Merthyr Tydfil County Borough Council	1,667	30,536	1,231	892
Merthyr Valley Homes	142	3,535	34	23
Careers Wales	115	2,803	87	94
Mid Glamorgan County Council	0	-	628	3,923
National Health Service - Glamorgan	0	-	0	11
Ogwr Borough Council	0	-	115	477
Penywaun Enterprise Partnership	8	193	3	0
Police and Crime Commissioner for Wales	2,063	50,261	997	1,118
Pontyclun Community Council	3	-	1	3
Pontypridd Town Council	8	189	7	14
RCT Homes	269	6,960	48	49
Rhondda Borough Council	0	-	65	528
Rhondda Cynon Taf County Borough Council	10,630	144,577	6,628	3,609
Rhymney Valley District Council	0	-	112	644
Royal Welsh College of Music and Drama	63	1,806	37	15
South Wales Fire Authority	289	7,093	89	108

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Employer	Number of active members	Total Pensionable Pay	Number of deferred members	Number of pensioners and dependants
South Wales Sea Fisheries Committee	0	-	18	10
South Wales Valuation Tribunal	4	106	2	2
Syniad	0	-	1	4
Taff Ely Borough Council	0	-	94	453
Taff Ely Transport	0	-	3	14
Tonyrefail Community Council	5	99	1	3
University of South Wales	894	24,220	623	414
Vale of Glamorgan	0	-	0	2
Valley Arts Marketing	0	-	3	2
Valleys to Coast Housing	125	3,180	35	51
Vinci Construction	4	82	0	0
Wales Probation Trust	1,055	27,639	519	676
Welsh Government	211	8,911	575	559
Welsh Water Authority	0	-	0	5
WJEC	218	6,159	108	103

Note:

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

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

Appendix 4: Benefits

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

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

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

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

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

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

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

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

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

Appendix 5: Consolidated revenue account

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

		Total £000s
Fund as at 31 March 2010		1,511,003
Income		
Contributions	Employer normal	258,054
	Employer additional	-
	Employer special	-
	Employee	77,508
Transfers-in		83,553
Investment income		162,223
Others Income		13,189
Total income		594,527
Outgo		
Pensions paid		238,023
Retirement cash sums		65,289
Transfers-out		15,815
Refunds of contributions on leaving		-
Expenses	Investment	13,504
	Administration	5,503
Death benefits paid		6,013
Others payments		34
Total outgo		344,181
Change in market value		317,987
Fund as at 31 March 2013		2,079,336

Appendix 6: Employer funding strategies

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

Employer	Recovery period	Stepping period (from 1 April 14)	Subsuming Employer
Agored Cymru	19	-	
Amgen Cymru	19	-	
Brackla Community Council	19	-	
Bridgend College	25	-	
Bridgend County Borough Council	25	6	
Capita Glamorgan Consultancy Ltd	25	6	
Care Council for Wales	25	-	
Careers Wales Association	25	-	
Central South Consortium	25	6	
Coleg Y Cymoedd	25	-	
Coychurch Crematorium	25	-	
Finance Wales Investment	25	-	
Finance Wales plc	25	-	
Garw Valley Community Council	19	-	
Gelligaer Community Council	19	-	
Halo Leisure Services Ltd	25	6	Bridgend CBC
Llantrisant Community Council	19	-	
Llantwit Fadre Community Council	19	-	
Llwydcoed Crematorium	25	-	
Local Government Data Unit for Wales	25	6	
Maesteg Town Council	19	-	
Maesteg Town Hall	19	-	
Merthyr Institute for the Blind	19	-	
Merthyr Tydfil College	25	-	
Merthyr Tydfil County Borough Council	25	6	
Merthyr Valley Homes	25	6	
Careers Wales	25	-	
Penywaun Enterprise Partnership	16	-	

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Employer	Recovery period	Stepping period (from 1 April 14)	Subsuming Employer
Police and Crime Commissioner for Wales	25	-	
Pontyclun Community Council	19	-	
Pontypridd Town Council	25	-	
RCT Homes	25	6	
Rhondda Cynon Taf County Borough Council	25	6	
Royal Welsh College of Music and Drama	25	-	
South Wales Fire Authority	25	-	
South Wales Valuation Tribunal	25	-	
Tonyrefail Community Council	19	-	
University of South Wales	25	-	
Valleys to Coast Housing	25	6	
Vinci Construction	25	6	Rhondda Cynon Taf CBC
Wales Probation Trust	22	-	
Welsh Government	25	-	
WJEC	25	-	

Admission Bodies where there is a Subsuming Employer have been valued using the same discount rate as for the Scheduled Bodies. Under this arrangement, the Subsuming Employer will take on the responsibility for the future financing of the Employer's liabilities after the Admission Body exits the Fund and has paid any contributions necessary to ensure a funding ratio of 100%.

Admission Bodies using an alternative funding target

The following Admission Bodies are expected to remain in the Fund in the long term, and are also open to new entrants. For these Employers, cessation is not currently envisaged and the Funding Strategy Statement provides that their funding target is set in the same way as for the Scheduled Bodies. As a result, the liabilities for these employers have been valued using the same discount rate as for the Scheduled Bodies.

Employer
Merthyr Valley Homes
Valleys to Coast Housing
RCT Homes
Local Government Data Unit for Wales

Appendix 7: Assumptions used to value the liabilities

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

Financial assumptions

In service discount rate	
<i>Scheduled bodies and subsumption bodies</i>	5.6% pa
<i>Orphan bodies</i>	5.2% pa
Left service discount rate	
<i>Scheduled bodies and subsumption bodies</i>	5.6% pa
<i>Orphan bodies</i>	3.6% pa
Rate of Pensionable Pay increases (in addition to promotional increases) for service up to 31 March 2014	3.9% pa*
Rate of RPI price inflation	3.3% pa
Rate of CPI price inflation	2.4% pa
Rate of revaluation of pension accounts	2.4% pa
Rate of pension increases	
on non GMPs	2.4% pa
on post 88 GMPs	2.0% pa
Rate of deferred pension increases	2.4% pa
Administration expenses	0.5% of Pensionable Pay

* A short term Pensionable Pay increase assumption has been adopted for scheduled bodies of 1.0% p.a. for the three year period after the valuation date.

Demographic assumptions

Pre-retirement base mortality	Males: 65% of Standard SAPS Normal Health tables Females: 65% of Standard SAPS Normal Health tables	
Post-retirement base mortality	Males: 100% of Standard SAPS Normal Health tables Females: 95% of Standard SAPS Normal Health tables	
III health retirement base mortality	Males: 100% of Standard SAPS III Health tables Females: 105% of Standard SAPS III Health tables	
Improvements to base mortality	An allowance for improvements between 2002 and 2013 and an allowance for future improvements have been made in line with the CMI 2012 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% pa for men and women.	
Promotional salary increases	Allowance is made for age-related promotional increases (see sample rates below).	
Withdrawals	Allowance is made for withdrawals from service (see sample rates below). On withdrawal, members are assumed to leave a deferred pension in the Fund.	
Retirement age	Members are assumed to retire at the following ages:	
	Member group	Assumed age at retirement
	Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)	Rule of 85 age (or age 60 if higher). Any part of their pension which is not protected is assumed to be reduced in respect of early payment.
	All other active members	Age 65. Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.
	Deferred members who left the Fund before 1 April 2013 with a protected Rule of 85 age	Rule of 85 age (or age 60 if higher). Any part of their pension which is not protected is assumed to be reduced in respect of early payment.
	Deferred members who left the Fund before 1 April 2013 with no protected Rule of 85 age	Age 65.
Retirement cash sum	Each member is assumed to surrender pension on retirement, such that the total cash received, including the statutory 3N/80 lump sum, is 75% of the permitted maximum.	

Family details	<p>Men are assumed to be three years older than their wife/partner.</p> <p>90% of non-pensioners are assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death.</p> <p>90% of pensioners are assumed to be married or have a partner at age 65 or younger.</p> <p>Dependants/partners are assumed to exhibit mortality rates based on Normal Health base tables for pensioners of the equivalent gender.</p> <p>No allowance for children's pensions.</p>						
Take up of 50:50 scheme	An allowance consistent with that used by the Government Actuary's Department in the costing of the 2014 Local Government Pension Scheme based on an assumption of 10% of members earning less than £21,000 electing to join the 50:50 scheme						
Retirement due to ill-health	<p>Allowance has been made for retirements due to ill-health (see below). Proportions assumed to fall into the different benefit tiers are:</p> <table> <tr> <td>Tier 1</td> <td>75%</td> </tr> <tr> <td>Tier 2</td> <td>20%</td> </tr> <tr> <td>Tier 3</td> <td>5%</td> </tr> </table>	Tier 1	75%	Tier 2	20%	Tier 3	5%
Tier 1	75%						
Tier 2	20%						
Tier 3	5%						

Sample rates

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

Current age	Percentage promotional pay increase over year	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage leaving the Fund each year as a result of ill health early retirement
20	2.3	11.7	0.00
25	1.9	10.7	0.02
30	1.5	9.2	0.05
35	1.1	7.6	0.08
40	0.7	6.2	0.11
45	0.3	5.2	0.21
50	0.0	4.4	0.30
55	0.0	3.8	0.70
60	0.0	0.0	1.10
64	0.0	0.0	2.36

Appendix 8: Assumptions for low risk measure

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

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

Financial Assumptions

In service discount rate	3.2% pa
Left service discount rate	3.2% pa

Appendix 9: Membership experience

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

Type of exit	Men	Women
Death in service		
Actual	26	34
Expected	25	47
Withdrawals (excluding refunds)		
Actual	1,305	3,750
Expected	1,182	3,047
Normal and voluntary retirements		
Actual	379	616
Expected	660	882
Ill-health retirements		
Actual	64	126
Expected	78	148
Severance and redundancy retirements		
Actual	352	397
Expected	-	-

Appendix 10: Current contribution rates

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

Employer	Pensionable Pay %	Additional monetary amount £
Agored Cymru	20.7	4,260
Amgen Cymru	15	4,820
Brackla Community Council	15	-
Bridgend College	12.3	201,000
Bridgend County Borough Council	20.8	-
Capita Glamorgan Consultancy Ltd	22.6	-
Care Council for Wales	20.9	40,700
Careers Wales Association	20.3	10,860
Central South Consortium	16.9	-
Coleg Morgannwg	12.3	131,000
Coychurch Crematorium	15	9,180
Finance Wales Investment	19.7	56,800
Finance Wales plc	20.9	91,000
Garw Valley Community Council	15	-
Gelligaer Community Council	15	400
Halo Leisure Services Ltd	17.5	-
Llantrisant Community Council	15	4,340
Llantwit Fadre Community Council	15	4,890
Llwydcoed Crematorium	15	7,870
Local Government Data Unit for Wales	15.4	-
Maesteg Town Council	15	360
Maesteg Town Hall	20.7	7,520
Merthyr Institute for the Blind	20.7	23,500
Merthyr Tydfil College	11.5	78,100
Merthyr Tydfil County Borough Council	24.2	-
Merthyr Valley Homes	12.5	-
Careers Wales	22.8	353,000
Penywaun Enterprise Partnership	20.7	14,400

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Police and Crime Commissioner for Wales	11	2,240,000
Pontyclun Community Council	15	1,640
Pontypridd Town Council	15	20,500
RCT Homes	12.8	-
Rhondda Cynon Taf County Borough Council	20.9	-
Royal Welsh College of Music & Drama	11.5	89,600
South Wales Fire Authority	12.4	370,000
South Wales Valuation Tribunal	15	11,400
Tonyrefail Community Council	15	6,530
University of South Wales	11.5	1,200,000
Valleys to Coast Housing	14.7	-
Vinci Construction	20.2	-
Wales Probation Trust	12.3	1,130,000
Welsh Government	22.3	3,080,000
WJEC	23	933,000
Ystrad Mynach College	12.3	157,000

Appendix 11: Rates and Adjustments Certificate

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

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

- A common rate of 13.8% of Pensionable Pay.
- Individual adjustments which, when added to or subtracted from the common rate, produce the following minimum Employer contribution rates

Employer	Contribution rate (% Pensionable Pay) and additional monetary amounts for the years commencing:					
	1 April 2014		1 April 2015		1 April 2016	
	% Pay	£'000	% Pay	£'000	% Pay	£'000
Agored Cymru	19.9	3.2	19.9	3.3	19.9	3.4
Amgen Cymru	17.0	3.0	17.0	3.1	17.0	3.2
Brackla Community Council	16.1	-	16.1	-	16.1	-
Bridgend College	13.7	140.9	13.7	146.4	13.7	152.1
Bridgend County Borough Council	20.8	-	21.0	-	21.3	-
Capita Glamorgan Consultancy	20.8	-	18.9	-	17.1	-
Care Council for Wales	21.9	108.1	21.9	112.3	21.9	116.6
Careers Wales Association	17.4	-	17.4	-	17.4	-
Central South Consortium	15.8	-	14.6	-	13.5	-
Coleg Y Cymoedd	13.7	184.4	13.7	191.5	13.7	199.0
Coychurch Crematorium	17.0	6.1	17.0	6.3	17.0	6.6
Finance Wales Investment	20.0	33.3	20.0	34.6	20.0	35.9
Finance Wales plc	21.7	52.8	21.7	54.8	21.7	57.0
Garw Valley Community Council	16.6	-	16.6	-	16.6	-
Gelligaer Community Council	16.3	-	16.3	-	16.3	-
Halo Leisure Services	16.3	-	15.1	-	13.8	-
Llantrisant Community Council	17.0	3.7	17.0	3.9	17.0	4.0
Llantwit Fadre Community Council	17.0	3.9	17.0	4.0	17.0	4.2
Llwydcoed Crematorium	17.0	4.3	17.0	4.4	17.0	4.6
Local Government Data Unit	13.5	-	11.6	-	9.7	-

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Employer	Contribution rate (% Pensionable Pay) and additional monetary amounts for the years commencing:					
	1 April 2014		1 April 2015		1 April 2016	
	% Pay	£'000	% Pay	£'000	% Pay	£'000
Maesteg Town Council	17.0	0.1	17.0	0.1	17.0	0.1
Maesteg Town Hall	19.9	6.4	19.9	6.6	19.9	6.9
Merthyr Institute for the Blind	19.9	16.6	19.9	17.2	19.9	17.9
Merthyr Tydfil College	12.0	59.5	12.0	61.8	12.0	64.2
Merthyr Tydfil County Borough Council	24.2	-	24.9	-	25.5	-
Merthyr Valley Homes	10.5	-	8.4	-	6.4	-
Careers Wales	22.7	333.1	22.7	346.1	22.7	359.6
Penywaun Enterprise Partnership	19.9	14.4	19.9	15.0	19.9	15.6
Police and Crime Commissioner for Wales	11.9	1,557.4	11.9	1,618.1	11.9	1,681.2
Pontyclun Community Council	17.0	0.9	17.0	0.9	17.0	1.0
Pontypridd Town Council	17.0	14.8	17.0	15.3	17.0	15.9
RCT Homes	12.1	-	11.5	-	10.8	-
Rhondda Cynon Taf County Borough Council	20.9	-	21.3	-	21.7	-
Royal Welsh College of Music and Drama	12.0	55.9	12.0	58.1	12.0	60.3
South Wales Fire Authority	14.1	158.5	14.1	164.6	14.1	171.1
South Wales Valuation Tribunal	17.0	8.4	17.0	8.7	17.0	9.0
Tonyrefail Community Council	17.0	4.1	17.0	4.2	17.0	4.4
University of South Wales	15.1	-	15.1	-	15.1	-
Valley to Coast Housing	14.8	-	14.9	-	15.0	-
Vinci Construction	18.8	-	17.4	-	15.9	-
Wales Probation Trust	12.3	198.0	-	-	-	-
Welsh Government	24.5	4,058.8	24.5	4,217.1	24.5	4,361.6
WJEC	23.5	766.4	23.5	796.3	23.5	827.4

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

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

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

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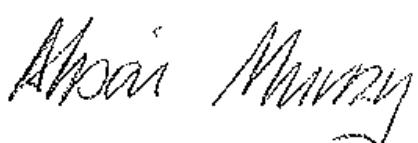
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Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2013 and these will be certified separately.

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

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

Signed on behalf of Aon Hewitt Limited



Alison Murray
Fellow of the Institute and Faculty of Actuaries



Tim Lunn
Fellow of the Institute and Faculty of Actuaries

31 March 2014

Aon Hewitt Limited
25 Marsh Street
Bristol
BS1 4AQ

Notes to Actuary's certificate

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

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

Type of Retirement	Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017	
	Number	New Pension £'000
Normal, late and voluntary under Regulations 30(1), 30(3) and 30(5) of the 2013 Regulations or Regulation 16 or 30 of the Benefits Regulations	2,057	14,473
Comments on Funding	Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before Normal Pension Age and no reduction for early payment applies. The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	
Ill-health under Regulation 35 of the 2013 Regulations or Regulation 20 of the Benefits Regulations	327	1,992
Comments on Funding	Such retirements increase costs due to the early payment of enhanced benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation. In accordance with Regulation 64(6)(b) of the 2013 Regulations the Administering Authority should monitor the number of ill-health retirements arising over each Fund year and refer the position to the Actuary if numbers exceed the levels implied above.	

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

In this certificate references to

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

Appendix 12: Glossary

Active member

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

Admission Body

An Employer admitted to the fund under an admission agreement.

Attained age method

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

Best estimate

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

Consumer Prices Index (CPI)

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

Deferred member

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

Discount rate

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

Funding objective

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

Funding ratio

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

Funding strategy statement

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

Funding target

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

Future service contribution rate

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

Guaranteed Minimum Pensions (GMPs)

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

Orphan body

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

Past service liabilities

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

Present value

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

Projected unit method

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

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

Prudent

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

Rates and adjustments certificate

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

Recovery period

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

Recovery plan

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

Regulations

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

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

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

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

Scheduled body

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

Shortfall

This is the funding target less the value of assets. If the value of assets is greater than the funding target, then the difference is called a surplus.

Shortfall contributions

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

State Pension Age (SPA)

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

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

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

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

Subsumption and subsumption body

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

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

Strains

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

Surplus

This is the value of assets less the funding target. If the funding target is greater than the value of assets, then the difference is called a shortfall.

Transfer value

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