

Actuarial valuation as at 31 March 2013

Teesside Pension Fund



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| Prepared for | Middlesbrough Borough Council The Administering Authority of the Teesside Pension Fund |
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| | Aon Hewitt Ltd |

Date 31 March 2014

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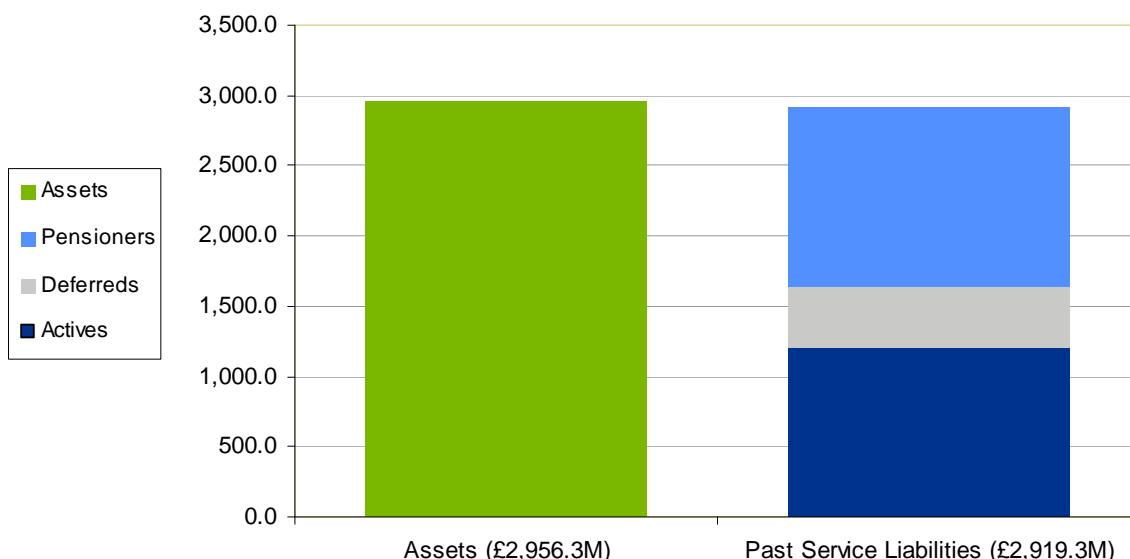
No decisions should be taken on the basis of this report by any party other than our client, Middlesbrough Borough Council, and nothing in this report removes the need for readers to take proper advice in relation to their specific circumstances.

Executive Summary

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

There was a surplus of assets relative to the past service liabilities of £37.0M which corresponded to a funding ratio of 101%.

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 14.4% of Pensionable Pay.

The aggregate Employer contribution rate required to restore the funding ratio to 100% using a recovery period of 11 years from 1 April 2014, is 13.5% of Pensionable Pay (if the membership remains broadly stable and pay increases are in line with our assumptions). The comparable figure at the previous valuation, based on a recovery period of 14 years, was 14.9% of Pensionable Pay.

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

Actuarial valuation as at 31 March 2013

Teesside Pension Fund

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Introduction

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

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

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

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

Shorthand

Fund

Teesside Pension Fund

Administering Authority

Middlesbrough Borough Council, the Administering Authority of the Teesside Pension Fund

Employers

Middlesbrough Borough Council, and other Employers with employees participating in the Fund

Regulations

The Local Government Pension Scheme Regulations (see Appendix 12)

Pensionable Pay

As defined in the Regulations

Pensionable Service

Periods of membership, as defined in the Regulations

Snapshot view

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

Update since the previous valuation

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

The Fund's assets were £2,232.6M and the past service liabilities were £2,250.2M, which corresponded to a shortfall of £17.6M and a **funding ratio** of 99%.

The results were smoothed by averaging market values over a period of 3 months either side of the valuation date.

The 2010 valuation was prepared by Graeme Muir FFA and Alison Hamilton FFA of Barnett Waddingham LLP.

The Administering Authority agreed Employer contributions from 1 April 2011 designed to restore the funding ratio to 100% over a period not exceeding 14 years.

The resulting aggregate Employer contributions were certified as follows:

| Year from 1 April | % of Pensionable Pay | Aggregate shortfall contribution (£M) |
|-------------------|----------------------|---------------------------------------|
| 2011 | 15.0% | 2.4 |
| 2012 | 15.2% | 2.4 |
| 2013 | 15.3% | 2.4 |

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

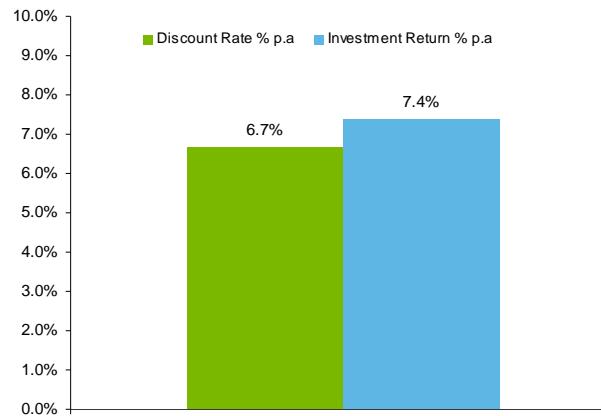
In addition, members paid contributions required under the Regulations.

Financial development

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

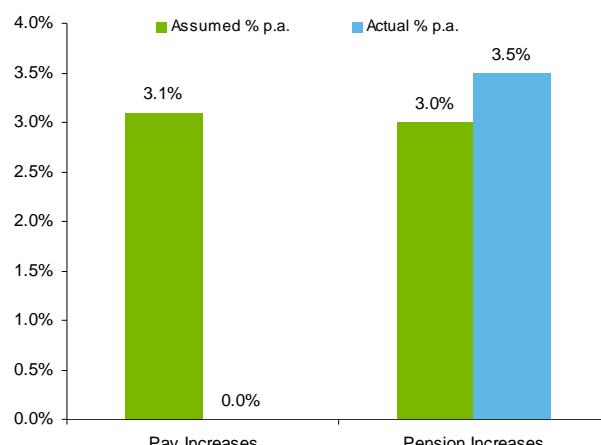
▪ Investment return (or discount rate)

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



▪ Inflationary pay and pension increases

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



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

Other key developments since the previous valuation

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

▪ **Change to pension increases**

The Government announced in 2010 that pension increases in deferment and payment 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 previous valuation.

▪ **Changes to State Pension Age**

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

▪ **Bulk transfers**

The following bulk transfers of assets are yet to be paid at the valuation date and are not included in the Fund's audited net asset statement. We have made an approximate allowance to the Fund assets in this valuation to be consistent with the valuation of the liabilities:

- Durham and Tees Valley Probation Trust (transfer in from Durham County Council Pension Fund)

▪ **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 will be based on actual (previously full time equivalent) pay
- Introduction of a 50/50 option, with member contribution rate and pension accrual rate both half rate
- An underpin to pensions for members within 10 years of age 65 in April 2012.

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

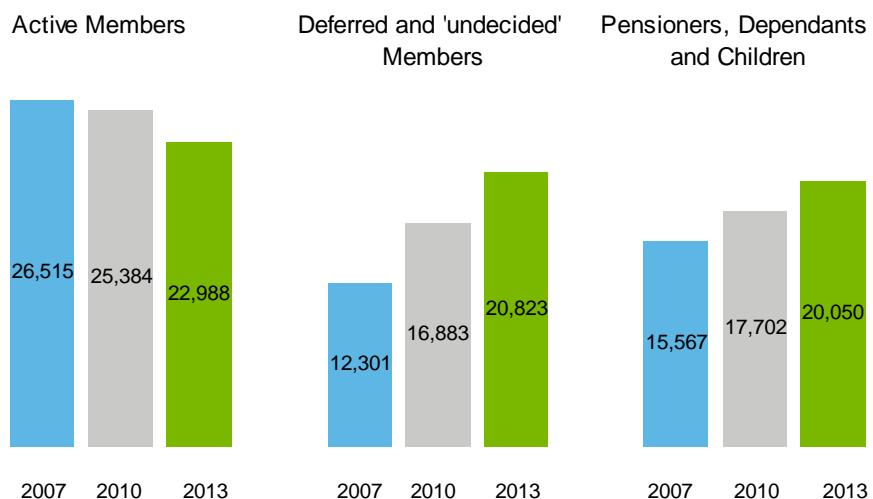
This valuation reflects our current understanding of the benefits to be provided by the new 2014 Scheme.

Membership data

This valuation is based on membership data as at 31 March 2013 supplied to us by Mouchel on behalf of 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. Since the previous valuation the Fund's total membership has grown by around 4,000 and has matured slightly, with the proportion of the membership contributing to the Fund falling from 42% to 36%.



Membership data

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

- The information used for this valuation is comparable 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 can be reconciled to the results of the previous valuation within a reasonable degree of tolerance.

However, the results in this report rely entirely on the accuracy of the information supplied. The Administering Authority should notify us if the data provided for the valuation is incomplete or inaccurate.

Pensionable Pay in the 2014 Scheme

We have been provided with Pensionable Pay for the year ended 31 March 2013, as required 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 benefit build up as a percentage of Pensionable Pay, although the payroll to which the percentage is applied will be higher, increasing the cost in monetary terms.
- We do not expect it to affect past service liabilities prior to 31 March 2014 which will continue to be based on the current definition.
- Any shortfall contributions expressed as a percentage of pay 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 payment of certain benefits and it is not practical to allow for the policies of each Employer. Most discretionary benefits are financed as they occur, so the financial impact on this valuation is minimal. No specific allowance has therefore been made for 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 that State Pension Age might be linked to future increases in longevity. We comment further 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.

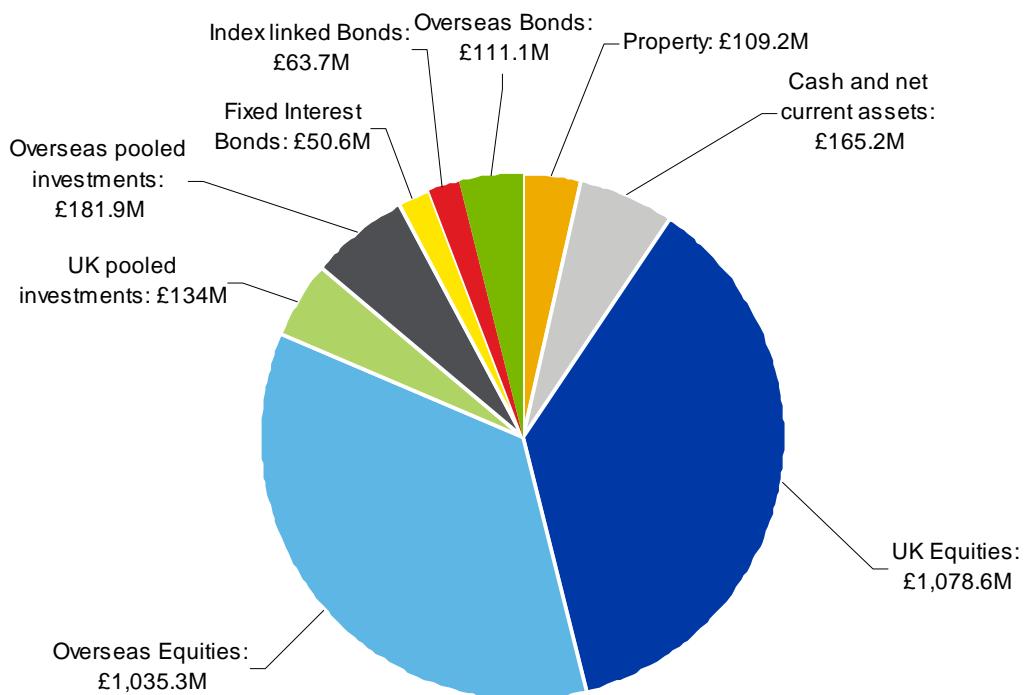
Our valuation reflects our understanding of the Regulations currently available. Any future changes may affect the conclusions in this report. However we do not anticipate any significant changes at this time.

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 assets were £2,929.6M.

The assets of £2,929.6M 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 £26.7M in respect of an estimate, at the valuation date, of the outstanding bulk transfer of assets from the Durham Pension Fund in relation to the Probation Trust. This amount is not reflected in the Fund's audited accounts.
- We have therefore used an asset figure of £2,956.3M for the purpose of our valuation calculations.
- The adjustment is consistent with the valuation of the liabilities. Readers should note that the assets reported in the 2010 valuation report did not include an allowance for the outstanding bulk transfer of assets relating to the Probation Trust, but the liabilities relating to that transfer were included in the Fund balance sheet. Please refer to the section of this report titled 'Reasons for change in Past Service Deficit'.

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

"The LGPS Regulations require that administering authorities should "have regard to the need for diversification of investments" in order to reduce the risk of over concentration in one class of investment, which performs badly.

The Asset / Liability Study, carried out every 3 years, establishes a Benchmark asset mix against which actual Fund performance can be measured. It is recognised that the Teesside Fund is a UK based Fund with the majority of its liabilities in the UK. As part of this process a maximum / minimum range of % of the Fund to be held in the various categories of investment is determined and will be reviewed as part of the Asset/Liability Study process. The range of permitted investment in each asset class, expressed as a % of the Fund, currently agreed is as follows:

| | <i>Max %</i> | <i>Min %</i> |
|--------------------------|--------------|--------------|
| <i>GROWTH ASSETS</i> | | |
| <i>Global Equities</i> | 90 | 50 |
| <i>Property</i> | 15 | 5 |
| <i>Alternatives</i> | 10 | 0 |
| <i>PROTECTION ASSETS</i> | | |
| <i>Bonds</i> | 25 | 2 |
| <i>Cash</i> | 15 | 0 |

As a result of the Asset / Liability Study the Investment Adviser and the Fund's Actuary recommend an asset mix designed to produce the long-term returns which the Fund requires to meet its future liabilities. On a quarterly basis the Advisor recommends a short-term strategy to suit current Market conditions. Once accepted by the Investment Panel implementation of that strategy is delegated to the Head of Investments & Treasury Management, or, in his absence, the Fund Manager."*

Our valuation assumptions and calculations are consistent with these principles.

* Aon Hewitt has not undertaken an asset liability study since our appointment as Fund Actuary in January 2013.

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.

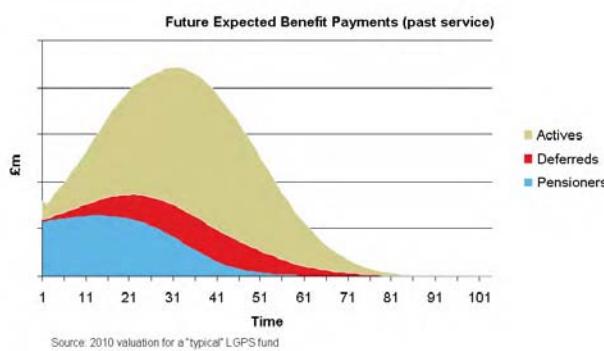
Funding strategy statement

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 interest known as the discount rate.

The benefit payments from the Fund are expected to be made for a very long period – the chart below shows the cashflow pattern for the 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 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 even chance of delivering investment returns in excess of the discount rate.
- The Funding strategy statement requires Employers' ongoing funding commitments to be determined using a common funding target across all Employers.
- For certain types of Employer, however, the Funding strategy statement also provides for a more prudent approach to be taken in a valuation of the Employer's liabilities upon their departure from the Fund. It is common in these circumstances to use a discount rate that anticipates a move to a low risk investment portfolio made up of long dated gilts (of appropriate nature and term) at cessation.
- Readers should be aware that the results contained in this valuation report are on an Ongoing basis, assuming that all employers will continue to participate in the Fund indefinitely. Where appropriate the contributions certified for Employers which are expected to leave the Fund before the next valuation may be set taking into account the expected approach to valuing the liabilities on cessation.

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 |
|--|---|---|--|
| Discount rate | 5.4% pa | 6.7% pa | Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013, and the move to an unsmoothed approach. |
| Rate of revaluation of pension accounts | 2.4% pa | n/a | Not required in the 2010 valuation |
| Pensionable Pay Increases | 3.9% pa | 5.0% pa * | Updated to reflect the outlook at 31 March 2013, and the move to an unsmoothed approach. |
| Pension Increases (on pension in excess of GMPs) | 2.4% pa | 3.0% pa | Updated to reflect the outlook for CPI inflation at 31 March 2013, and the move to an unsmoothed approach. |
| Post-retirement mortality assumption (normal health retirements) – base table | SAPS Normal Health tables with scaling factors of: Men 100% Women: 100% | SAPS Heavy tables with scaling factors of: Men 100% 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 | Medium cohort with a minimum improvement rate of 1% pa | Updated to reflect our current views and the latest research |

* In the previous valuation, allowance was made for a short term pay freeze for 2 years for those earning over £21,000 per annum.

| Life expectancies at age 65 resulting from the post retirement mortality assumptions: | | | |
|---|--------------|--------------|--|
| Member currently age 65 Men Women | 22.8 25.3 | 19.2 23.2 | |
| Member currently age 45 Men Women | 25.0 27.6 | 21.1 25.1 | |

The previous valuation was based on a smoothed approach. The financial assumptions adopted in the previous valuation were based on average market conditions over the period 1 January 2010 to 30 June 2010 to be consistent with a smoothed value of assets. The results of this valuation, and the assumptions shown above, are based on market values at the valuation date.

We believe these assumptions are appropriate for the purposes of this valuation, and setting Employer contributions to the Fund from 1 April 2014 on an Ongoing basis.

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 described in the previous section.

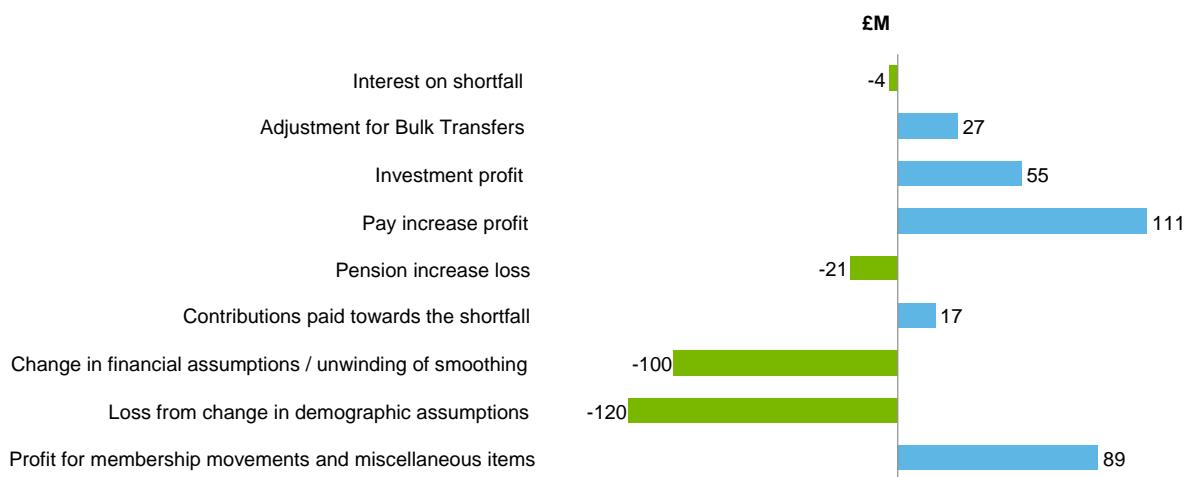
| | £M |
|---|----------------|
| Value of past service benefits for | |
| Actives | 1,206.6 |
| Deferred members | 433.3 |
| Pensioners | 1,279.4 |
| Total past service liabilities | 2,919.3 |
| Value of assets | 2,956.3 |
| Past service surplus (shortfall) | 37.0 |
| Funding ratio | 101.3% |

This surplus can be used to support the payment of aggregate Employer contributions to the Fund at a rate below the future service contribution rate. In practice, some Employers have a shortfall at the valuation date and will be required to make shortfall contributions to remove their shortfall over an appropriate recovery period. We comment further on this later in this report.

Reasons for change in past service position

At the previous valuation, the Fund had a shortfall of £17.6M which has become a surplus of £37.0M at this valuation. The funding position has therefore improved by £54.6M 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:

- An adjustment to the asset value to allow for the estimated bulk transfer payment due from the Durham Fund in relation to the Probation Trust transfer for consistency with the inclusion of the transferred liabilities. This figure is based on an estimate notified by the Durham Fund Actuary which is subject to review and agreement by us
- Investment returns on the Fund's assets above the discount rate of 6.7% p.a. assumed in the 2010 valuation
- Pay increases below those previously assumed
- Contributions above the cost of accrual, part of the 2010 funding plan which included additional contributions to eliminate the shortfall disclosed in that valuation over a 14 year period
- A profit due to membership movements and other miscellaneous items over the period since the previous valuation, including the effect of redundancies and fewer than expected ill health early retirements

which have all improved the position; and

- A loss from changes in the financial assumptions used, mainly from a reduction in the future assumed returns, partially offset by a reduction in the pay and pensions increase assumptions and the unwinding of the smoothing adjustment applied in 2010 (where assets were taken into account at 94% of their market value)
- a loss due to changes to the demographic assumptions adopted, in particular the mortality assumptions and allowance for future longevity improvements, partially offset by other changes to the demographic assumptions

which have worsened the position.

Addressing the shortfall / surplus

Employer contributions may need to be adjusted in light of any surplus or shortfall

There is an aggregate surplus in the Fund at the valuation date.

If this surplus were to be run off through a reduction to the contribution rates, expressed as a percentage of the total Pensionable Payroll of the Employers in the Fund, the aggregate percentage reduction would be 0.9% of Pensionable Payroll over 11 years from 1 April 2014.

Any Employers in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum recovery period. We have only reduced employer rates below the cost of accruing benefits where instructed to do so by the Administering Authority.

Employers with a shortfall will need to pay additional contributions to remove their shortfall over an appropriate period.

We have agreed with the Administering Authority that Employers' shortfalls will be removed by payment of additional contributions by the Employers over a range of different recovery periods not exceeding 11 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 period of 3 years. 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 past service liabilities.

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.

More details are given in Appendix 6.

Cost to the Employers of future benefits

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

This has been calculated using the same assumptions as for the past service liabilities.

| | % of Pensionable Pay |
|----------------------------------|----------------------|
| Value of benefits building up | 20.0 |
| Death in service cash sum | 0.4 |
| Administration expenses | 0.4 |
| Less member contributions | (6.4) |
| Net cost to the Employers | 14.4 |

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

- The introduction of the 2014 Scheme
- The reduction in the pension increase assumption

which have all reduced the cost, and have been partially offset by:

- A reduction to the future assumed level of investment returns (i.e. the discount rate assumption)
- Changes in the demographic assumptions in particular a change to the mortality assumptions and the allowances for longevity improvements

which have all increased the cost.

Employers with a shortfall will also pay additional contributions to remove the shortfall in respect of their past service liabilities.

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 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 | 2,053.6 |
| Deferred members | 729.3 |
| Pensioners | 1,666.2 |
| Low risk value of liabilities | 4,449.1 |
| Value of assets | 2,956.3 |
| Low risk surplus/ (shortfall) | (1,492.8) |
| Low risk funding ratio | 66.4% |

Risks and uncertainties

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

These risks include:

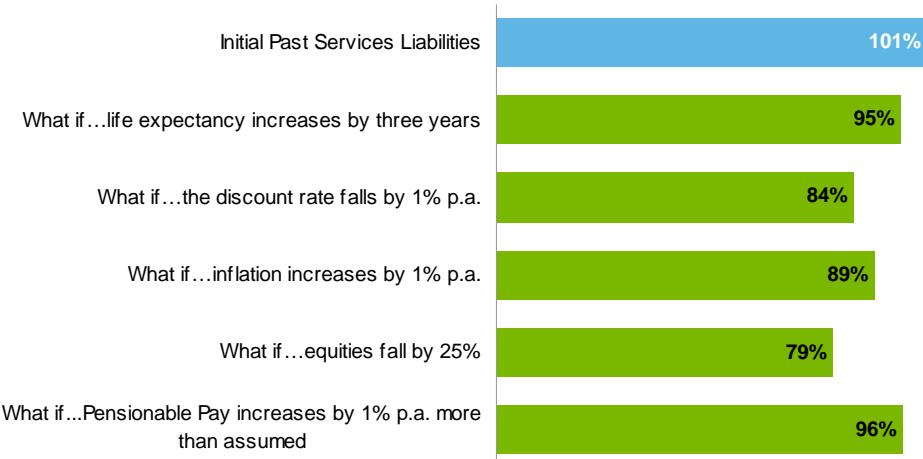
- Funding risk – the risk that the value placed on the past service liabilities is set too low and proves insufficient to meet the payments as they fall due.
- Employer risk – the risk that an Employer is no longer able to meet its liabilities in the Fund.
- Investment risks – the risk that investment 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 on the past service liabilities (with all other elements of the valuation being unchanged):

- Life expectancy is three years longer than anticipated.
- A 1% fall in long term expected investment returns (the discount rate) with no change in asset values.
- A 1% p.a. increase in expected price inflation, measured by increases in the Consumer Prices Index.
- A 25% fall in the market value of equities (with no change in bond values).
- A 1% p.a. increase in expected Pensionable Pay increases.

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 Employers' particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to their circumstances.

The Actuary and the Administering Authority have agreed that increases in contribution rates for some Employers can be phased in over periods not exceeding 3 years.

For certain Employers who 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.

Details are given in Appendix 6.

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

| Year from 1 April | % of Pensionable Pay | Aggregate monetary contribution (£M) |
|-------------------|----------------------|--------------------------------------|
| 2014 | 14.6 | 1.94 |
| 2015 | 14.5 | 1.93 |
| 2016 | 14.5 | 1.80 |

- 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 continue at their existing rate until the end of the relevant recovery period. Thereafter, contributions are anticipated to be in line with the future service contribution rate of 14.4% 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 £2,956.3M and the past service liabilities were £2,919.3M which correspond to

- a surplus of £37.0M and
- a funding ratio of 101%

The cost of future benefits building up is 14.4% of Pensionable Pay after 1 April 2014.

If the surplus is removed over a 11 year period, the aggregate Employer contributions needed would be equivalent to 13.5%* of Pensionable Pay until 31 March 2025, reverting to 14.4% of Pensionable Pay thereafter.

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

Developments since the valuation date

▪ State Pension Age changes

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

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

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

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

▪ Market movements since 31 March 2013

Since 31 March 2013, markets and yields on UK government bonds have risen slightly. In light of the increase in equity markets since 31 March 2013, the discount rate (expected investment return) assumption would have fallen if the valuation had been carried out at a recent date. As a result, the funding level would be slightly lower than set out in this report.

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 from the valuation date to the next actuarial valuation is in line with the assumptions in this report, we expect the Fund's funding ratio to increase slightly. This is mainly due to the payment of contributions by Employers over the period ending 31 March 2017 which will, in aggregate, be in excess of the cost of future accrual on the Ongoing basis.

Appendix 1: Legal framework

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

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

It is produced in compliance with:

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

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

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

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

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

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

Appendix 2: Membership data

Membership data was provided by Mouchel on behalf of the Administering Authority.

| Active members | | Number | Average age | Total Pensionable Pay (£000 p.a.) | Average Pensionable Pay (£ p.a.) | Average service (years) |
|----------------|-------------|---------------|-------------|-----------------------------------|----------------------------------|-------------------------|
| Men | 2013 | 6,044 | 45.5 | 142,113 | 23,513 | 12.8 |
| | 2010 | 6,898 | n/k | 165,378 | 23,975 | n/k |
| Women | 2013 | 16,944 | 45.3 | 256,924 | 15,163 | 8.1 |
| | 2010 | 18,486 | n/k | 296,092 | 16,017 | n/k |
| Total | 2013 | 22,988 | 45.4 | 399,036 | 17,358 | 9.4 |
| | 2010 | 25,384 | n/k | 461,470 | 18,180 | n/k |

Note: Pensionable Pay is the actual Pensionable Pay 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. The average ages shown in the tables are unweighted.

| Deferred members | | Number | Average age | Total pension (£000 p.a.) | Average pension (£ p.a.) |
|------------------|-------------|---------------|-------------|---------------------------|--------------------------|
| Men | 2013 | 5,115 | 44.4 | 11,477 | 2,244 |
| | 2010 | 4,513 | n/k | 8,887 | 1,969 |
| Women | 2013 | 14,519 | 45.0 | 17,852 | 1,230 |
| | 2010 | 12,370 | n/k | 12,788 | 1,034 |
| Total | 2013 | 19,634 | 44.8 | 29,329 | 1,494 |
| | 2010 | 16,883 | n/k | 21,675 | 1,284 |

Note: The deferred pension amounts shown above include increases up to and including April 2013 (2010: April 2010).

There were also 1,189 members who had yet to decide whether to take a transfer payment. Suitable allowance has been made for these in our calculations.

| Pensioners | | Number | Average age | Total pension (£000 p.a.) | Average pension (£ p.a.) |
|-------------------|-------------|---------------|--------------------|----------------------------------|---------------------------------|
| Men | 2013 | 6,123 | 69.4 | 42,512 | 6,943 |
| | 2010 | 5,473 | n/k | 34,187 | 6,246 |
| Women | 2013 | 11,340 | 69.6 | 36,797 | 3,245 |
| | 2010 | 9,820 | n/k | 28,471 | 2,899 |
| Dependants | 2013 | 2,587 | 71.4 | 6,126 | 2,368 |
| | 2010 | 2,409 | n/k | 5,243 | 2,176 |
| Total | 2013 | 20,050 | 69.8 | 85,435 | 4,261 |
| | 2010 | 17,702 | n/k | 67,901 | 3,836 |

Note: The pension amounts shown above include the increase awarded in April 2013 (2010: April 2010).

The 2013 figures include 144 children 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 as at 31 March 2013, as indicated by the data, is shown below.

| Employer | Code | Number of active members | Total Pay (£ p.a.) | Number of deferred members | Number of pensioner / dependant members |
|---|------|--------------------------|--------------------|----------------------------|---|
| 4Children | 223 | 3 | * | 0 | 0 |
| Acklam 6th Form College | 31 | 0 | 0 | 0 | 2 |
| Ayresome Industries | 8 | 0 | 0 | 0 | 12 |
| Beamish Museum Limited | 193 | 101 | 1,795 | 41 | 10 |
| Beamish: The North of England Open Air Museum | 11 | 0 | 0 | 73 | 86 |
| Bede College | 32 | 0 | 0 | 11 | 8 |
| Billingham Town Council | 215 | 2 | * | 0 | 0 |
| Brambles Primary Academy | 225 | 13 | 143 | 0 | 0 |
| Business and Enterprise North East | 199 | 2 | * | 31 | 20 |
| Business Link North East | 188 | 0 | 0 | 22 | 11 |
| Business Link Tees Valley Limited | 153 | 0 | 0 | 23 | 9 |
| Capita Managed IT Solutions | 219 | 4 | 87 | 0 | 0 |
| Care Quality Commission | 201 | 624 | 23,666 | 91 | 104 |
| Carillion AM Government Services | 198 | 14 | 396 | 2 | 2 |
| Carillion JM Ltd | 182 | 26 | 239 | 12 | 6 |
| Chandlers Ridge Academy | 227 | 15 | 138 | 2 | 0 |
| Cleveland College of Art and Design | 38 | 85 | 1,382 | 77 | 49 |
| Cleveland College of FE | 39 | 0 | 0 | 0 | 1 |
| Cleveland County Council | 1 | 1 | * | 968 | 4,896 |
| Cleveland Fire Brigade | 48 | 131 | 3,283 | 64 | 54 |
| Cleveland Fire Support | 202 | 1 | * | 0 | 0 |
| Cleveland Innovation | 45 | 0 | 0 | 1 | 0 |
| Cleveland Magistrates Court Service | 47 | 0 | 0 | 136 | 48 |
| Cleveland Police | 49 | 0 | 0 | 299 | 225 |
| Cleveland Transit | 9 | 0 | 0 | 30 | 261 |
| Cleveland Transit Holdings Limited | 71 | 0 | 0 | 7 | 36 |
| Cleveland Transit Limited | 70 | 0 | 0 | 27 | 192 |
| CMSL Ryehills Catering | 197 | 3 | * | 1 | 1 |
| Coast and Country Housing | 163 | 333 | 8,142 | 202 | 149 |
| Community Integrated Care | 151 | 8 | 75 | 35 | 51 |
| Connexions Tees Valley | 53 | 0 | 0 | 160 | 49 |

| Employer | Code | Number of active members | Total Pay (£ p.a.) | Number of deferred members | Number of pensioner / dependant members |
|---|------|--------------------------|--------------------|----------------------------|---|
| Conyers School | 238 | 82 | 871 | 1 | 0 |
| Crime Commissioner Cleveland | 235 | 363 | 9,507 | 3 | 2 |
| Crime Reduction Initiative | 183 | 0 | 0 | 3 | 0 |
| CSCI | 174 | 0 | 0 | 484 | 412 |
| Dial a Ride (Middlesbrough) | 24 | 0 | 0 | 2 | 8 |
| Dimensions (UK) Ltd | 168 | 1 | * | 0 | 0 |
| Durham and Tees Valley Probation | 203 | 510 | 13,773 | 101 | 88 |
| Durham Tees Valley Airport | 171 | 44 | 1,426 | 44 | 25 |
| Erimus Housing | 179 | 214 | 4,964 | 80 | 111 |
| Eston Park Academy | 224 | 30 | 413 | 0 | 0 |
| Fabrick Housing Group | 195 | 50 | 1,402 | 7 | 8 |
| Five Lamps Organisation | 186 | 0 | 0 | 1 | 0 |
| Five Rivers Holdings | 160 | 9 | 198 | 9 | 2 |
| Fleet Factors (MBC) | 216 | 1 | * | 0 | 0 |
| Forward Swindon Limited | 212 | 4 | 142 | 1 | 0 |
| Freebrough Academy | 206 | 47 | 772 | 7 | 2 |
| Future Regeneration of Grangetown | 60 | 1 | * | 4 | 1 |
| Gillbrook Academy | 232 | 20 | 293 | 2 | 0 |
| Guisborough Town Council | 6 | 4 | 68 | 1 | 4 |
| Hartlepool 6th Form College | 33 | 24 | 489 | 21 | 12 |
| Hartlepool Borough Council | 102 | 3,101 | 47,721 | 2,433 | 1,440 |
| Hartlepool Borough Council 2 | 2 | 0 | 0 | 126 | 396 |
| Hartlepool College of Further Education | 27 | 199 | 2,944 | 137 | 77 |
| Hartlepool Transport | 44 | 0 | 0 | 13 | 61 |
| Hartlepool Transport (1993) Limited | 75 | 0 | 0 | 3 | 12 |
| HBS | 150 | 0 | 0 | 68 | 94 |
| Housing Hartlepool | 176 | 230 | 6,294 | 64 | 54 |
| Impasse | 19 | 0 | 0 | 1 | 2 |
| Ingleby Barwick Town Council | 191 | 1 | * | 0 | 0 |
| Jarvis FM Workspace Limited | 169 | 0 | 0 | 48 | 48 |
| John Flowers Ltd | 213 | 0 | 0 | 2 | 0 |
| Kings Academy | 64 | 67 | 1,034 | 35 | 14 |
| Kirby College of FE | 40 | 0 | 0 | 0 | 6 |
| Know How North East | 220 | 0 | 0 | 1 | 0 |
| KTS Academy | 230 | 49 | 618 | 0 | 1 |
| Langbaugh | 3 | 0 | 0 | 141 | 639 |
| Liberata | 170 | 39 | 754 | 51 | 53 |
| Loftus Town Council | 20 | 3 | * | 0 | 0 |
| Longlands College of FE | 29 | 0 | 0 | 2 | 3 |
| Macmillan Academy | 181 | 85 | 1,291 | 43 | 10 |

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| Employer | Code | Number of active members | Total Pay (£ p.a.) | Number of deferred members | Number of pensioner / dependant members |
|---|------|--------------------------|--------------------|----------------------------|---|
| Marton 6th Form College | 41 | 0 | 0 | 1 | 3 |
| McAlpine Government Services | 175 | 0 | 0 | 21 | 7 |
| Middlesbrough Borough Council | 4 | 0 | 0 | 202 | 776 |
| Middlesbrough College 54 | 54 | 0 | 0 | 21 | 24 |
| Middlesbrough College 61 | 61 | 296 | 5,001 | 207 | 77 |
| Middlesbrough Council | 104 | 3,862 | 61,469 | 3,968 | 2,317 |
| Middlesbrough Law Centre | 42 | 0 | 0 | 4 | 3 |
| Middlesbrough Refuge | 16 | 0 | 0 | 8 | 5 |
| Middleton Grange Shopping Centre | 43 | 0 | 0 | 8 | 13 |
| Milbury Community Service - South Highnam | 156 | 0 | 0 | 1 | 0 |
| Mouchel | 192 | 277 | 5,536 | 81 | 119 |
| National Care Standards Commission | 159 | 0 | 0 | 48 | 86 |
| National Probation Service - Teesside | 46 | 3 | * | 116 | 122 |
| Newtown Community Resource Centre | 180 | 0 | 0 | 1 | 0 |
| Newtown Stockton Online | 185 | 0 | 0 | 1 | 0 |
| Nextiraone UK Ltd (HBS) | 161 | 0 | 0 | 1 | 1 |
| Nextiraone UK Ltd (SBC) | 173 | 0 | 0 | 1 | 0 |
| North East Community Forest (Trading) Limited | 157 | 0 | 0 | 19 | 6 |
| North East Museums | 15 | 0 | 0 | 1 | 3 |
| North Ormesby Primary Academy | 233 | 17 | 165 | 0 | 0 |
| North Shore Academy | 207 | 41 | 676 | 35 | 4 |
| Nunthorpe Academy Limited | 228 | 62 | 1,022 | 0 | 0 |
| Oakfields Community College | 205 | 73 | 1,212 | 19 | 2 |
| OCS | 178 | 2 | * | 2 | 6 |
| Ofsted | 189 | 1 | * | 3 | 6 |
| Open College Network North East Region | 155 | 19 | 522 | 15 | 10 |
| Ormesby School | 229 | 52 | 815 | 1 | 0 |
| Pennyman Primary Academy | 226 | 34 | 346 | 0 | 0 |
| Prior Pursglove 6th Form College | 34 | 0 | 0 | 0 | 1 |
| Prior Pursglove College | 57 | 56 | 1,009 | 26 | 21 |
| Racial Equality Council | 52 | 0 | 0 | 1 | 0 |
| Redcar Academy | 234 | 32 | 480 | 0 | 0 |
| Redcar and Cleveland Borough Council | 103 | 3,768 | 53,742 | 3,228 | 2,131 |
| Redcar and Cleveland College | 51 | 68 | 1,139 | 81 | 51 |

| Employer | Code | Number of active members | Total Pay (£ p.a.) | Number of deferred members | Number of pensioner / dependant members |
|--|------|--------------------------|--------------------|----------------------------|---|
| Reliance Secure Task Management Services | 187 | 0 | 0 | 1 | 1 |
| Ring and Ride Cleveland Limited | 23 | 0 | 0 | 30 | 29 |
| RM Education Limited | 210 | 5 | 89 | 5 | 1 |
| RSTM - Custody Services | 190 | 0 | 0 | 17 | 3 |
| RSTM (Estates) | 218 | 0 | 0 | 2 | 3 |
| Saltburn, Marske and New Marske Parish Council | 7 | 2 | * | 2 | 1 |
| Sir William Turner's 6th Form College | 35 | 0 | 0 | 0 | 1 |
| Skelton and Brotton Parish Council | 214 | 2 | * | 1 | 0 |
| South Bank Community Forum | 59 | 0 | 0 | 1 | 1 |
| South Park 6th Form College | 36 | 0 | 0 | 0 | 1 |
| St Hilda's Partnership Limited | 58 | 0 | 0 | 3 | 1 |
| St Mary's College | 28 | 1 | * | 20 | 13 |
| Stagecoach Hartlepool | 76 | 0 | 0 | 21 | 51 |
| Steria Limited | 211 | 394 | 9,280 | 21 | 54 |
| Stockton 6th Form College | 37 | 21 | 356 | 11 | 9 |
| Stockton and Hartlepool Law Centre | 26 | 0 | 0 | 4 | 3 |
| Stockton International Family Centre | 184 | 0 | 0 | 0 | 1 |
| Stockton on Tees Borough Council | 105 | 5,622 | 83,880 | 4,794 | 2,630 |
| Stockton on Tees Borough Council 5 | 5 | 0 | 0 | 158 | 664 |
| Stockton Riverside College | 30 | 1 | * | 65 | 49 |
| Stockton Riverside College | 194 | 127 | 2,297 | 92 | 22 |
| TAD Centre Limited | 154 | 0 | 0 | 2 | 1 |
| Tascor Services Ltd - Custody | 248 | 14 | 328 | 0 | 0 |
| Tascor Services Ltd - PFI | 247 | 3 | * | 0 | 0 |
| Taylor Shaw | 209 | 6 | 13 | 0 | 0 |
| Tees & Hartlepool Authority | 13 | 0 | 0 | 0 | 2 |
| Tees Active Limited | 177 | 143 | 2,323 | 52 | 21 |
| Tees Valley Development Company | 56 | 0 | 0 | 1 | 3 |
| Tees Valley Leisure Limited | 152 | 85 | 1,048 | 87 | 22 |
| Tees Valley Urban Regeneration Company | 164 | 0 | 0 | 9 | 0 |
| Teesside Development Corporation | 21 | 0 | 0 | 9 | 7 |
| Teesside International Airport Limited | 10 | 0 | 0 | 32 | 92 |
| Teesside Tertiary College | 55 | 0 | 0 | 50 | 28 |
| Teesside University | 25 | 950 | 22,641 | 744 | 437 |
| The Big Life Company | 222 | 9 | 75 | 1 | 0 |
| The New Swindon Company | 172 | 0 | 0 | 5 | 1 |
| Thornaby Academy | 208 | 44 | 601 | 11 | 6 |

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| Employer | Code | Number of active members | Total Pay (£ p.a.) | Number of deferred members | Number of pensioner / dependant members |
|-----------------------|------|--------------------------|--------------------|----------------------------|---|
| Transit Stagecoach | 72 | 23 | 525 | 18 | 139 |
| Tristar Homes Ltd | 162 | 269 | 6,479 | 108 | 76 |
| Unity City Academy | 63 | 56 | 911 | 70 | 15 |
| Wolseley UK Limited | 221 | 3 | * | 1 | 0 |
| Woman's Skills Centre | 22 | 0 | 0 | 0 | 1 |
| Yarm Town Council | 200 | 1 | * | 0 | 0 |

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.*

The numbers of deferred members includes 1,189 members who had yet to decide whether to take a transfer payment at the valuation date.

The number of pensioner/dependant members includes 144 children in receipt of childrens' pensions.

Appendix 4: Benefits

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

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

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

| | 2008 (and Pre 2008) Scheme | 2014 Scheme |
|-----------------------------|--|--|
| Type of scheme | Final salary | Career average revalued earnings (CARE) |
| Normal 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 all LGPS Funds) 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 all LGPS Funds) |
| 50:50 option | Not applicable | Members can opt to pay 50% contributions for 50% of member's pension benefit (dependants' benefits not affected) |
| 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 |

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| | 2008 (and Pre 2008) Scheme | 2014 Scheme |
|----------------------------------|--|---|
| 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.</p> <p>Conversion rate is £12 for each £1 pa of pension given up according to HMRC rules.</p> | <p>Pension can be surrendered for cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up according to HMRC rules.</p> |

| | 2008 (and Pre 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> |
| Inc 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 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 (and Pre 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 (and Pre 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 for the purposes of calculating the rule of 85 age includes the period between date of exit and date pension commences.</p> | Pension payable on retirement at Normal Pension Age calculated as for normal retirement based on revalued Pensionable Pay during period of membership. |
| 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 |

| | 2008 (and Pre 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 | The Scheme is contracted out of the State Second Pension Scheme. | <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 | A refund of member contributions is paid for members leaving membership with qualifying service of less than 3 months. | A refund of member contributions is paid for members leaving membership with qualifying service of less than 2 years. |

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 | | 2,371,622 |
| Income | | |
| Contributions | Employer normal | 196,990 |
| | Employer additional | 653 |
| | Employer special | 19,045 |
| | Employee | 81,131 |
| Transfers-in | | 29,016 |
| Investment income | | 223,418 |
| Other | | 218 |
| Total income | | 550,471 |
| Outgo | | |
| Pensions paid | | 231,731 |
| Retirement cash sums | | 70,512 |
| Transfers-out | | 20,601 |
| Refunds of contributions on leaving | | 14 |
| Expenses | Investment | 3,842 |
| | Administration | 4,871 |
| Death benefit paid | | 6,556 |
| State scheme premiums | | 23 |
| Total outgo | | 338,150 |
| Change in market value | | 345,658 |
| Fund as at 31 March 2013 | | 2,929,601 |

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 | Pool | Recovery period (years) |
|-------------------------------------|---|-------------------------|
| 4Children | 4Children | 3.2 |
| Beamish Museum Limited | Beamish Museum Pool | 11 |
| Billingham Town Council | Other Scheduled Bodies Pool | 11 |
| Brambles Primary Academy | Academy Pool | 11 |
| Business and Enterprise North East | Business and Enterprise North East Pool | 11 |
| Capita Managed IT Solutions Limited | Capita Managed IT Solutions Limited | 2.4 |
| Care Quality Commission | CQC Pool | 11 |
| Carillion AM Government Services | Carillion Pool | 1 |
| Carillion JM Ltd | Carillion JM Ltd | 11 |
| Chandlers Ridge Academy | Academy Pool | 11 |
| Cleveland College of Art and Design | College Pool | 11 |
| Cleveland Fire Brigade | Cleveland Fire Brigade | 11 |
| Cleveland Fire Support | Cleveland Fire Brigade | 11 |
| Coast and Country Housing | Coast and Country Housing | FWL |
| Community Integrated Care | Community Integrated Care | FWL |
| Conyers School | Academy Pool | 11 |
| Crime Commissioner Cleveland | Cleveland Police | 11 |
| Dimensions (UK) Ltd | Dimensions (UK) Ltd | 11 |
| Durham and Tees Valley Probation | Durham and Tees Valley Probation Pool | 11 |
| Durham Tees Valley Airport | Durham Tees Valley Airport Pool | 11 |
| Erimus Housing | Erimus Housing | 11 |
| Eston Park Academy | Academy Pool | 11 |
| Fabrick Housing Group | Fabrick Housing Group | 11 |

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| Employer | Pool | Recovery period (years) |
|---|--|-------------------------|
| Fleet Factors (MBC) | Fleet Factors (MBC) | 2.2 |
| Forward Swindon Limited | Forward Swindon Pool | FWL |
| Freebrough Academy | Academy Pool | 11 |
| Future Regeneration of Grangetown | Future Regeneration of Grangetown | 11 |
| Gillbrook Academy | Academy Pool | 11 |
| Guisborough Town Council | Other Scheduled Bodies Pool | 11 |
| Hartlepool 6th Form College | College Pool | 11 |
| Hartlepool Borough Council | Hartlepool Borough Council Pool | 11 |
| Hartlepool College of Further Education | College Pool | 11 |
| Housing Hartlepool | Housing Hartlepool | 11 |
| Ingleby Barwick Town Council | Other Scheduled Bodies Pool | 11 |
| Kings Academy | Academy Pool | 11 |
| KTS Academy | Academy Pool | 11 |
| Liberata | Liberata | 3.1 |
| Loftus Town Council | Other Scheduled Bodies Pool | 11 |
| Macmillan Academy | Academy Pool | 11 |
| Middlesbrough College 61 | College Pool | 11 |
| Middlesbrough Council | Middlesbrough Borough Council Pool | 11 |
| Mouchel | Middlesbrough Borough Council Pool | 11 |
| North Ormesby Primary Academy | Academy Pool | 11 |
| North Shore Academy | Academy Pool | 11 |
| Nunthorpe Academy Limited | Academy Pool | 11 |
| Oakfields Community College | Middlesbrough Borough Council Pool | 11 |
| OCS | Cleveland Fire Brigade | 11 |
| Ofsted | Ofsted | FWL |
| Open College Network North East Region | Open College Network North East Region | 11 |
| Ormesby School | Academy Pool | 11 |
| Pennyman Primary Academy | Academy Pool | 11 |
| Prior Pursglove College | College Pool | 11 |
| Redcar Academy | Academy Pool | 11 |

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| Employer | Pool | Recovery period (years) |
|--|---|-------------------------|
| Redcar and Cleveland College | College Pool | 11 |
| Redcar and Cleveland Borough Council | Redcar and Cleveland Borough Council Pool | 11 |
| RM Education Limited | RM Education Limited | 1.4 |
| Saltburn, Marske and New Marske Parish Council | Other Scheduled Bodies Pool | 11 |
| Skelton and Brotton Parish Council | Other Scheduled Bodies Pool | 11 |
| Steria Limited | Cleveland Police | 11 |
| Stockton 6th Form College | College Pool | 11 |
| Stockton on Tees Borough Council | Stockton on Tees Borough Council Pool | 11 |
| Stockton Riverside College | College Pool | 11 |
| Tascor Services Ltd - Custody | Tascor Services Pool | FWL |
| Tascor Services Ltd - PFI | Tascor Services Pool | FWL |
| Tees Active Limited | Tees Active Limited | 11 |
| Teesside University | Teesside University | 11 |
| The Big Life Company | The Big Life Company | 3.2 |
| Thornaby Academy | Academy Pool | 11 |
| Transit Stagecoach | Stagecoach Transit Pool | FWL |
| Tristar Homes Ltd | Tristar Homes Ltd | 11 |
| Unity City Academy | Academy Pool | 11 |
| Wolseley UK Limited | Wolseley UK Limited | 1 |
| Yarm Town Council | Other Scheduled Bodies Pool | 11 |

Where the Recovery period is listed as 'FWL' the Employer's contribution rate will be adjusted over a period that takes in to account the expected future working lifetime of the active members.

For certain Employers whose future service contribution rate has increased since the previous valuation, the Administering Authority has agreed to phase in (or step) the increase to their contribution rates over a period of three years. This stepping period only applies to that part of an Employer's contributions that is expressed as a percentage of pay.

Appendix 7: Assumptions used to value the liabilities

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

Financial assumptions

| | |
|--|----------------------------------|
| Discount rate | 5.4% pa |
| Rate of Pensionable Pay increases (service up to 31 March 2014 only) (in addition to promotional increases) | 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 on post 88 GMPs | 2.4% pa 2.0% pa |
| Rate of deferred pension increases | 2.4% pa |
| Administration expenses | 0.4% of Pensionable Pay |

Demographic assumptions

| | | |
|---|--|---|
| Pre-retirement base mortality | Males: 75% of Standard SAPS Normal Health tables (all amounts) Females: 75% of Standard SAPS Normal Health tables (all amounts) | |
| Post-retirement base mortality (normal health) | Males: 100% of Standard SAPS Normal Health tables (all amounts) Females: 100% of Standard SAPS Normal Health tables (all amounts) | |
| Post-retirement base mortality (ill health) | Males: 100% of Standard SAPS III Health tables Females: 100% of Standard SAPS III Health tables | |
| Improvements to base mortality | An allowance for future improvements from 2002 in line with the CMI 2012 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% p.a. for men and women. | |
| Promotional salary increases | Allowance has been 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 Fund before 1 April 2013 with protected Rule of 85 age | Rule of 85 age (or age 60 if higher). Any part of their pension which is not protected is assumed to be reduced in respect of early payment. |
| | Deferred members who left 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 total cash received, including the statutory 3N/80 lump sum, is 80% of the permitted maximum. | |

| | |
|-------------------------------------|---|
| Family details | Each man is assumed to be three years older than his wife/partner. 90% of non-pensioners are assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death. 90% of pensioners are assumed to be married or have a partner at age 65 or younger. Dependants/partners are assumed to exhibit mortality rates based on Normal Health base tables for pensioners of the equivalent gender. No allowance for children's pensions. |
| Retirement due to ill-health | Allowance has been made for retirements due to ill-health (see below). Proportions assumed to fall into the different benefit tiers are: Tier 1 70% Tier 2 20% Tier 3 10% |
| 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 |

Sample rates

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

| Current age | Percentage leaving the Fund each year as a result of ill-health retirement | | Percentage leaving the Fund each year as a result of withdrawal from service | | Percentage promotional pay increase over year | |
|-------------|--|-------|--|-------|---|-------|
| | Men | Women | Men | Women | Men | Women |
| 20 | 0.00 | 0.00 | 13.9 | 13.2 | 4.6 | 2.9 |
| 25 | 0.00 | 0.00 | 9.2 | 8.9 | 3.7 | 2.0 |
| 30 | 0.04 | 0.03 | 6.5 | 7.4 | 2.9 | 1.2 |
| 35 | 0.05 | 0.03 | 5.1 | 6.4 | 2.0 | 0.5 |
| 40 | 0.09 | 0.06 | 4.1 | 5.3 | 1.3 | 0.0 |
| 45 | 0.13 | 0.11 | 3.3 | 4.4 | 0.5 | 0.0 |
| 50 | 0.29 | 0.22 | 2.6 | 3.3 | 0.0 | 0.0 |
| 55 | 0.61 | 0.43 | 2.3 | 2.6 | 0.0 | 0.0 |
| 60 | 1.28 | 0.93 | 1.4 | 1.2 | 0.0 | 0.0 |
| 64 | 1.54 | 1.12 | 1.4 | 1.2 | 0.0 | 0.0 |

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

| | |
|---------------|---------|
| 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 | 28 | 34 |
| Expected | 29 | 63 |
| Withdrawals (excluding refunds) | | |
| Actual | 1,233 | 3,821 |
| Expected | 779 | 2,455 |
| Normal and voluntary retirements | | |
| Actual | 729 | 1,628 |
| Expected | 562 | 742 |
| Ill-health retirements | | |
| Actual | 29 | 55 |
| Expected | 65 | 109 |
| Severance and redundancy retirements | | |
| Actual | 414 | 500 |
| Expected | Nil | Nil |

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 £ |
|-------------------------------------|----------------------|---------------------------------|
| 4Children | 15.0 | - |
| Beamish Museum Limited | 15.9 | - |
| Billingham Town Council | 18.2 | - |
| Brambles Primary Academy | 14.7 | - |
| Business and Enterprise North East | 17.4 | - |
| Capita Managed IT Solutions Limited | 18.5 | - |
| Care Quality Commission | 15.8 | - |
| Carillion AM Government Services | 20.0 | - |
| Carillion JM Ltd | 16.3 | - |
| Chandlers Ridge Academy | 14.7 | - |
| Cleveland College of Art and Design | 15.0 | - |
| Cleveland Fire Brigade | 15.7 | - |
| Cleveland Fire Support | 15.7 | - |
| Coast and Country Housing | 15.5 | - |
| Community Integrated Care | 20.0 | - |
| Conyers School | 14.7 | - |
| Crime Commissioner Cleveland | 14.3 | - |
| Dimensions (UK) Ltd | 20.6 | - |
| Durham and Tees Valley Probation | 19.2 | - |
| Durham Tees Valley Airport | 21.2 | - |
| Erimus Housing | 18.5 | - |
| Eston Park Academy | 14.7 | - |
| Fabrick Housing Group | 16.7 | - |
| Fleet Factors (MBC) | 15.0 | - |
| Forward Swindon Limited | 18.7 | - |
| Freebrough Academy | 14.7 | - |
| Future Regeneration of Grangetown | 17.6 | - |

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| Employer | Pensionable Pay % | Additional monetary amount £ |
|--|------------------------------------|---|
| Gillbrook Academy | 14.7 | - |
| Guisborough Town Council | 18.2 | - |
| Hartlepool 6th Form College | 15.0 | - |
| Hartlepool Borough Council | 14.9 | 604,200 |
| Hartlepool College of Further Education | 15.0 | - |
| Housing Hartlepool | 15.8 | - |
| Ingleby Barwick Town Council | 18.2 | - |
| Kings Academy | 14.7 | - |
| KTS Academy | 14.7 | - |
| Liberata | 0.0 | - |
| Loftus Town Council | 18.2 | - |
| Macmillan Academy | 14.7 | - |
| Middlesbrough College 61 | 15.0 | - |
| Middlesbrough Council | 15.4 | - |
| Mouchel | 15.4 | - |
| North Ormesby Primary Academy | 14.7 | - |
| North Shore Academy | 14.7 | - |
| Nunthorpe Academy Limited | 14.7 | - |
| Oakfields Community College | 15.4 | - |
| OCS | 15.7 | - |
| Ofsted | 24.0 | 550,200 |
| Open College Network North East Region | 16.7 | - |
| Ormesby School | 14.7 | - |
| Pennyman Primary Academy | 14.7 | - |
| Prior Pursglove College | 15.0 | - |
| Redcar Academy | 14.7 | - |
| Redcar and Cleveland College | 15.0 | - |
| Redcar and Cleveland Borough Council | 15.1 | 1,310,050 |
| RM Education Limited | 14.5 | - |
| Saltburn, Marske and New Marske Parish Council | 18.2 | - |
| Skelton and Brotton Parish Council | 18.2 | - |
| Steria Limited | 14.3 | - |
| Stockton 6th Form College | 15.0 | - |
| Stockton on Tees Borough Council | 14.9 | 461,550 |

| Employer | Pensionable Pay % | Additional monetary amount £ |
|-------------------------------|----------------------|---------------------------------|
| Stockton Riverside College | 15.0 | - |
| Tascor Services Ltd - Custody | 15.8 | - |
| Tascor Services Ltd - PFI | 15.8 | - |
| Tees Active Limited | 14.7 | - |
| Teesside University | 15.1 | - |
| The Big Life Company | 15.0 | - |
| Thornaby Academy | 14.7 | - |
| Transit Stagecoach | 21.1 | - |
| Tristar Homes Ltd | 13.4 | - |
| Unity City Academy | 14.7 | - |
| Wolseley UK Limited | 18.5 | - |
| Yarm Town Council | 18.2 | - |

Notes

The table excludes Employers which joined the Fund after the valuation date.

The table excludes Employers which ceased after the valuation date.

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 (as defined in the Administering Authority's Funding Strategy Statement) of 13.5% 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 | £ p.a. | % Pay | £ p.a. | % Pay | £ p.a. |
| 4Children | 13.40 | 1,000 | 13.40 | 1,000 | 13.40 | 1,000 |
| Beamish Museum Limited | 13.30 | | 13.30 | | 13.30 | |
| Billingham Town Council | 14.10 | | 14.10 | | 14.10 | |
| Brambles Primary Academy | 14.60 | | 14.60 | | 14.60 | |
| Business and Enterprise North East | 9.70 | 55,000 | 9.70 | 55,000 | 9.70 | 55,000 |
| Capita Managed IT Solutions Limited | 13.00 | 1,000 | 13.00 | 1,000 | 13.00 | 1,000 |
| Care Quality Commission | 17.00 | | 17.00 | | 17.00 | |
| Carillion AM Government Services | 19.10 | | 19.10 | | 19.10 | |
| Carillion JM Ltd | 16.60 | | 16.60 | | 16.60 | |
| Chandlers Ridge Academy | 14.60 | | 14.60 | | 14.60 | |
| Cleveland College of Art and Design | 13.60 | | 13.60 | | 13.60 | |
| Cleveland Fire Brigade | 14.90 | | 14.90 | | 14.90 | |
| Cleveland Fire Support | 14.90 | | 14.90 | | 14.90 | |
| Coast and Country Housing | 16.40 | | 16.40 | | 16.40 | |
| Community Integrated Care | 21.00 | | 22.00 | | 23.00 | |
| Conyers School | 14.60 | | 14.60 | | 14.60 | |
| Crime Commissioner Cleveland | 12.60 | | 12.60 | | 12.60 | |
| Dimensions (UK) Ltd | 22.60 | | 24.60 | | 26.40 | |
| Durham and Tees Valley Probation | 19.20 | | 19.20 | | 19.20 | |
| Durham Tees Valley Airport | 21.20 | | 21.20 | | 21.20 | |

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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 | £ p.a. | % Pay | £ p.a. | % Pay | £ p.a. |
| Erimus Housing | 17.90 | | 17.90 | | 17.90 | |
| Eston Park Academy | 14.60 | | 14.60 | | 14.60 | |
| Fabrick Housing Group | 15.30 | | 15.30 | | 15.30 | |
| Fleet Factors (MBC) | 17.00 | | 19.00 | | 20.40 | |
| Forward Swindon Limited | 19.20 | 13,000 | 19.20 | 13,000 | 19.20 | 13,000 |
| Freebrough Academy | 14.60 | | 14.60 | | 14.60 | |
| Future Regeneration of Grangetown | 18.30 | | 18.30 | | 18.30 | |
| Gillbrook Academy | 14.60 | | 14.60 | | 14.60 | |
| Guisborough Town Council | 14.10 | | 14.10 | | 14.10 | |
| Hartlepool 6th Form College | 13.60 | | 13.60 | | 13.60 | |
| Hartlepool Borough Council | 14.20 | | 14.20 | | 14.20 | |
| Hartlepool College of Further Education | 13.60 | | 13.60 | | 13.60 | |
| Housing Hartlepool | 14.80 | 16,000 | 14.80 | 16,000 | 14.80 | 16,000 |
| Ingleby Barwick Town Council | 14.10 | | 14.10 | | 14.10 | |
| Kings Academy | 14.60 | | 14.60 | | 14.60 | |
| KTS Academy | 14.60 | | 14.60 | | 14.60 | |
| Liberata | Nil | | Nil | | Nil | |
| Loftus Town Council | 14.10 | | 14.10 | | 14.10 | |
| Macmillan Academy | 14.60 | | 14.60 | | 14.60 | |
| Middlesbrough College 61 | 13.60 | | 13.60 | | 13.60 | |
| Middlesbrough Council | 14.40 | | 14.40 | | 14.40 | |
| Mouchel | 14.40 | | 14.40 | | 14.40 | |
| North Ormesby Primary Academy | 14.60 | | 14.60 | | 14.60 | |
| North Shore Academy | 14.60 | | 14.60 | | 14.60 | |
| Nunthorpe Academy Limited | 14.60 | | 14.60 | | 14.60 | |
| OCS | 14.90 | | 14.90 | | 14.90 | |
| Ofsted | 26.70 | 133,700 | 26.70 | 122,600 | 26.70 | 0 |
| Open College Network North East Region | 13.60 | 9,000 | 13.60 | 9,000 | 13.60 | 9,000 |
| Ormesby School | 14.60 | | 14.60 | | 14.60 | |
| Pennyman Primary Academy | 14.60 | | 14.60 | | 14.60 | |
| Prior Pursglove College | 13.60 | | 13.60 | | 13.60 | |
| Redcar Academy | 14.60 | | 14.60 | | 14.60 | |
| Redcar and Cleveland Borough Council | 15.10 | 680,000 | 15.10 | 680,000 | 15.10 | 680,000 |

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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 | £ p.a. | % Pay | £ p.a. | % Pay | £ p.a. |
| Redcar and Cleveland College | 13.60 | | 13.60 | | 13.60 | |
| RM Education Limited | 11.50 | | 11.50 | | 11.50 | |
| Saltburn, Marske and New Marske Parish Council | 14.10 | | 14.10 | | 14.10 | |
| Skelton and Brotton Parish Council | 14.10 | | 14.10 | | 14.10 | |
| Steria Limited | 12.60 | | 12.60 | | 12.60 | |
| Stockton 6th Form College | 13.60 | | 13.60 | | 13.60 | |
| Stockton on Tees Borough Council | 14.30 | | 14.30 | | 14.30 | |
| Stockton Riverside College | 13.60 | | 13.60 | | 13.60 | |
| Tascor Services Ltd - Custody | 16.40 | | 16.40 | | 16.40 | |
| Tascor Services Ltd - PFI | 16.40 | | 16.40 | | 16.40 | |
| Tees Active Limited | 13.10 | | 13.10 | | 13.10 | |
| Teesside University | 13.30 | 268,000 | 13.30 | 268,000 | 13.30 | 268,000 |
| The Big Life Company | 14.50 | 2,000 | 14.50 | 2,000 | 14.50 | 2,000 |
| Thornaby Academy | 14.60 | | 14.60 | | 14.60 | |
| Transit Stagecoach | 23.20 | 440,000 | 25.20 | 440,000 | 27.20 | 440,000 |
| Tristar Homes Ltd | 14.80 | 267,000 | 14.80 | 267,000 | 14.80 | 267,000 |
| Unity City Academy | 14.60 | | 14.60 | | 14.60 | |
| Wolseley UK Limited | 20.00 | 52,000 | 21.00 | 52,000 | 22.00 | 52,000 |
| Yarm Town Council | 14.10 | | 14.10 | | 14.10 | |

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

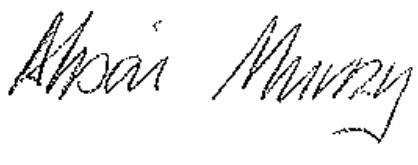
Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38, payable over a period of up to 5 years. Employers will be notified of such contributions separately by the Administering Authority.

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

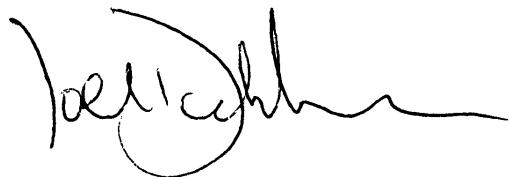
Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

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

Signed on behalf of Aon Hewitt Limited



Alison Murray FFA
Fellow of the Institute and Faculty of Actuaries



Joel Duckham FIA
Fellow of the Institute and Faculty of Actuaries

31 March 2014

Aon Hewitt Limited
25 Marsh Street
Bristol
BS1 4AQ

Notes to Actuary's certificate

The contribution rates certified 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 retirement under Regulations 30(1), 30(3) and 30(5) of the 2013 Regulations or Regulation 16 or 30 of the Benefits Regulations | 2,293 | 16,856 |
| 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> | |
| Ill-health retirement under Regulation 35 of the 2013 Regulations or Regulation 20 of the Benefits Regulations | 238 | 1,623 |
| Comments on Funding | <p>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.</p> <p>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.</p> | |

| Type of Retirement | Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017 | |
|--|--|----------------------|
| | Number | New Pension £'000 |
| Severance and redundancy retirement 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, eg due to family leave or sickness).

Admission body

An Employer admitted to the Fund under an admission agreement.

Attained age method

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

Best estimate

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

Consumer Price 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.

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. 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 underestimate 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 3 years from the 1 April following the valuation date.

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 include 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 be the relevant sets of regulations describing 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

A body which participates in the Fund under Schedule 2 of the Administration Regulations.

Shortfall

This is the funding target less the value of the assets. If the value of the 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.

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.