Helen Chapman

020 8489 2615

020 8489 2660

helen.chapman@haringey.gov.uk

17 February 2011

To: All Members of the Pensions Committee

Dear Member,

Pensions Committee - Tuesday, 22nd February, 2011

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

5. 2010 VALUATION AND FUNDING STRATEGY STATEMENT (PAGES 1 - 76)

Report of the Director of Corporate Resources to:

i) Present the actuary's final report on the actuarial valuation undertaken as at 31st March 2010;

ii) To present the draft Funding Strategy Statement for the Committee's approval.

12. INVESTMENT STRATEGY UPDATE (PAGES 77 - 100)

Report of the Director of Corporate Resources to set out proposals for the asset allocation and management style elements of the Pension Fund's investment strategy.

Yours sincerely

Helen Chapman
Principal Committee Co-Ordinator

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Haringey Council

Agenda Item 5

Agenda item:

Pensions Committee **On 22 February 2011**

Report Title. **2010 Actuarial Valuation & Funding Strategy Statement**	
Report of **Director of Corporate Resources** Signed : J. Parker 17/2/11	
Contact Officer : **Nicola Webb – Corporate Finance** **Telephone 020 8489 3726**	
Wards(s) affected: **All**	Report for: Non Key Decision

1. Purpose of the report

1.1. To present the actuary's formal report on the actuarial valuation undertaken as at 31st March 2010.

1.2. To present the draft Funding Strategy Statement for the Committee's approval.

2. Introduction by Cabinet Member

2.1 Not applicable.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. Not applicable.

4. Recommendations

4.1 That the valuation report from the Fund Actuary on the 2010 valuation be agreed, with the exception of the employer contribution rate for Age Concern.

4.2 That the Committee delegate responsibility for agreeing the employer contribution rate for Age Concern to the Chair of Pensions Committee in consultation with the Fund Actuary and officers by the statutory deadline of 31st March 2011.

4.3 That the updated Funding Strategy Statement is approved.

5. Reason for recommendations

5.1 It is a statutory requirement that the 2010 valuation report is agreed by 31st March 2011.

5.2 Discussions are on-going with Age Concern meaning it is not possible to include their final rate in this report, however this will need to be agreed by 31st March 2011 to meet the statutory deadline and the Committee does not meet again before this.

5.3 The Pension Fund is required to review the Funding Strategy Statement in the light of the 2010 valuation.

6. Other options considered

6.1. Not applicable.

7. Summary

7.1 The 2010 valuation has been completed and the Fund Actuary has issued a draft of the valuation report as required by the Local Government Pension Scheme regulations. This incorporates the Rates and Adjustments Certificate which sets out the employer contribution rates for the coming three financial years. This report is subject to finalising the employer contribution rate for Age Concern with whom discussions are on-going.

7.2 The Funding Strategy Statement has been updated to reflect the 2010 valuation and sets out the policies applied by the Fund Actuary in calculating the employer contribution rates.

8. Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted on the content of this report. The recommendations are in compliance with the duties on the administering authority arising from Regulations 35 and 36 of the LGPS (Administration) Regulations 2008 (as amended).

9. Equalities & Community Cohesion Comments 9.1. There are no equalities issues arising from this report.
10. Consultation 10.1. Not applicable.
11. Service Financial Comments 11.1 The Fund Actuary has calculated the employer contribution rates to be paid in accordance with his professional standards and the principles set out in the draft Funding Strategy Statement to ensure that the Fund meets the objective of achieving full funding.
12. Use of appendices 12.1 Appendix 1: Hymans Robertson – Draft 2010 Actuarial Valuation report 12.2 Appendix 2: Draft Funding Strategy Statement
13. Local Government (Access to Information) Act 1985 Actuarial Valuation as at 31st March 2007 2010 Valuation report to Pensions Committee on 20th December 2010

14. Background

14.1 The Local Government Pension Scheme regulations require the Pension Fund to undertake a valuation of the Fund every three years. This has to be carried out by a qualified actuary. The valuation shows the funding level, which is the proportion of the liabilities for which the Fund has assets and sets employer contribution rates.

14.2 The whole fund level results were reported to Pensions Committee by the Fund Actuary on 20th December 2010. This showed the funding level had reduced from 77.7% at the valuation in 2007 to 69.2% at 31st March 2010.

15. Valuation report

15.1 The draft valuation report issued by the Fund Actuary, Bryan Chalmers of Hymans Robertson, is attached at Appendix 1 and is in a form to meet the statutory requirement to have a formal valuation report issued by 31st March 2011.

15.2 The report includes the information reported to the Committee in December 2010 in terms of the calculation process, data and the assumptions used. The whole fund results presented in the report to Committee in December are included.

15.3 In addition the report includes information about the calculation of the employer contribution rates for each of the employers in the Pension Fund. Appendix H of the report is the Rates and Adjustments Certificate which sets out the minimum employer contributions the Fund Actuary certifies are required to be paid into the Pension Fund over the next three financial years. The Local Government Pension Scheme (Administration) Regulations 2008 require employers to comply with this certificate. The rate for Age Concern is subject to change as discussions with this employer are continuing.

16. Funding Strategy Statement

16.1 The Local Government Pension Scheme (Administration) Regulations 2008 require all Pension Funds to publish a Funding Strategy Statement and keep it under review. The existing strategy has been reviewed in the light of the 2010 valuation and a consultation has taken place with employers as required by the regulations on the draft.

16.2 The aim of the Funding Strategy Statement is to set out how the Pension Fund will seek to achieve full funding of the liabilities. The policies set out in the document determine the basis on which the employer contribution rates are calculated for the Rates and Adjustments Certificate. The document is made up as follows:

Section 1 & 2	Introduction & purpose
Section 3	This section sets out the how employer contribution rates are calculated. It also sets out the policies on stabilisation, deficit recovery periods and phasing of increases which are the tools that enable the Pension Fund to balance affordability with ensuring that the required contributions are received.
Section 4	This section describes how the funding strategy links to the investment strategy.
Section 5	The risks to the funding strategy are set out in this section alongside the controls the Fund has in place to mitigate them.
Appendices	These show the Rates & Adjustments Certificate from the valuation report and describe the roles of the various parties involved.

16.3 The key change from the existing strategy is to set out the stabilisation process which the Fund Actuary has recommended to enable the Council to maintain the same employer contribution rate.

17. Liaison with employers

17.1 The results of the valuation and the proposed employer contribution rates have been shared with the employers. On 24th January 2011 an employer forum was held at which the Fund Actuary explained the valuation results to the employers present and the principles which have been used to calculate the employer contribution rates. This forum also gave employers the opportunity to have individual discussions with the Fund Actuary about their own position.

17.2 The Fund Actuary has agreed that the Council can keep their rate at the 2010/11 rate of 22.9% for the next three financial years following the modelling work they have done as this shows that a short term freezing of the contribution rate will not impact on the likelihood of achieving a 100% funded position in the long term. This "stabilisation" is applied on the basis that in later years the contribution rate can only reduce by a maximum of 1%. The Fund Actuary has only recommended this approach for the Council as he can be confident it will exist, in some form, in the long term. It is not possible to provide this assurance for other employers in the Fund.

17.3 For the employers in surplus, an employer contribution rate has been set which ensures that they meet the on-going costs of their membership in the scheme and does not return any of the surplus to them. The surplus amounts are all relatively small and build a cushion against a possible deficit arising in future.

17.4 The majority of employers who have a deficit will pay a rate which is a percentage of payroll for the on-going costs of their membership plus a monetary amount towards the deficit. These employers agreed to this approach with two exceptions.

17.5 CHENEL met with the Fund Actuary and officers to discuss their situation and the Fund Actuary recommended they phase in the increase they need to pay over a three year period, due to the size of the increase and funding issues arising from their merger with Enfield College. CHENEL have agreed to this and so the phasing is shown in the Rates & Adjustments Certificate.

17.6 Discussions are on-going with Age Concern with regard to their contribution rate, due to the level of increase required. Therefore the rate in the report is subject to change.

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HYMANS # ROBERTSON

London Borough of Haringey Pension Fund

ACTUARIAL VALUATION 2010

Valuation Report

PUBLIC | SECTOR

Contents

Executive summary

I have carried out an actuarial valuation of the London Borough of Haringey Pension Fund ('the Fund') as at 31 March 2010. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2010 in respect of benefits earned by members up to this date.

Past Service Position	(£m)
Past Service Liabilities	960
Market Value of Assets	664
Surplus / (Deficit)	(296)
Funding Level	**69.2%**

The results show that the Fund had not met its objective of holding sufficient assets to meet the estimated current cost of past service benefits at 31 March 2010. The funding level has fallen from 78% at the previous valuation at 31 March 2007 to 69% at this valuation. This has resulted in the deficit increasing from £178m at 31 March 2007 to £296m at 31 March 2010.

The deterioration of the funding position reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, investment returns for the three years to 31 March 2010 were significantly poorer than anticipated.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	(% of pay)
Future Service Rate	17.3%
Past Service Adjustment (20 year spread)	11.2%
Total (Common) Contribution Rate	**28.5%**

The common contribution rate for the whole Fund at 31 March 2010 is 28.5% of pay. This comprises the anticipated cost of new benefits being earned by members in future (17.3%) plus the additional contributions required to repay the deficit over a 20 year period (11.2%). These rates are in addition to the contributions that will be made by members.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice, each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. Accordingly, an adjustment to the common rate has been determined for each employer. The minimum contributions to be paid by each employer from 1 April 2011 to 31 March 2014 are shown in the Rates and Adjustments Certificate in **Appendix H**.

Assumptions

The results shown above make a prudent allowance for the expectation that the Fund's equity-type investments will outperform gilts/bonds over the long term – the latter being in theory a closer match to the Fund's liabilities. If we were to make no allowance for this anticipated outperformance, I estimate that the funding level at 31 March 2010 would be 50%, the deficit £662m and the common contribution rate 49.6%.

My calculations explicitly allow for the change in benefit indexation from RPI to CPI, as announced in the Emergency Budget of June 2010. No allowance has been made for the possible effect on the Fund of the outcomes of Lord Hutton's review of public sector pensions as these are still uncertain at the time of writing.

The results of the valuation are highly sensitive to the actuarial assumptions I have made about the future. If actual future demographic and economic experience does not match these assumptions, the financial position of the Fund could improve or deteriorate materially. This is precisely why the position of the Fund is monitored via regular valuations.

Bryan T Chalmers

Fellow of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

16 February 2011

Introduction

I have carried out an actuarial valuation of the London Borough of Haringey Pension Fund as at 31 March 2010. This is my report to Haringey Council ('the Administering Authority') on the results of the valuation.

Purpose

The main purposes of this valuation are:

- to assess the extent to which the Administering Authority's funding objectives were met at 31 March 2010;
- to identify the future contributions payable by the employers that participate in the Fund in order to meet the Administering Authority's funding objectives;
- to enable completion of all relevant certificates and statements in connection with all relevant regulations;
- to comment on the main risks to the Fund that may result in future volatility in the funding position or to employers' contributions.

Scope

This report is provided solely for the purpose of the Administering Authority to consider the management of the Fund and, in particular, to fulfil their and my statutory obligations. It should not be used for any other purpose (e.g. for accounting purposes under FRS17 / IAS19 or termination valuations under Regulation 38 of the Administration Regulations). It should not be released or otherwise disclosed to any third party except as required by law or with my prior written consent, in which case it should be released in its entirety. This report can be passed to the Fund's employers for the purpose of providing information on the funding position at 31 March 2010.

Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

Reliances and limitations

This valuation report complies with all of the relevant regulations and professional standards, as set out in **Appendix A.**

The figures in this report are based on our understanding of the benefit structure of the LGPS as at 31 March 2010. Details of this are provided in **Appendix B**.

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. I am satisfied that the data provided was fit for the purposes of this valuation. This data is summarised in **Appendix C**.

About the Fund

The Fund is part of the Local Government Pension Scheme (LGPS) and is a multi-employer defined benefit pension scheme. It is contracted out of the State Second Pension.

Funding Strategy Statement

The Administering Authority prepares a Funding Strategy Statement (FSS) in respect of the Fund, in collaboration with me (the Fund's actuary) and after consultation with the Fund's employers and investment adviser. The FSS has been reviewed as part of the 2010 triennial valuation exercise and I have taken account of this as part of my valuation of the Fund.

Funding objectives

The objectives of the Fund's funding policy are broadly as follows:

- to ensure the long-term solvency of the Fund as a whole and of the share of the Fund attributable to each individual employer;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund, so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.
- To stabilise the contributions for eligible employers by applying no increases to contributions in the period 1 April 2011 to 31 March 2014 and a maximum change of 1% p.a. thereafter.

What are the Fund's liabilities?

The Fund's liabilities are essentially the benefits promised to Fund members (past and current contributors) and, upon their death, any benefits promised to their dependants. This valuation places a current or present value on these liabilities in order to arrive at an estimated cost at the valuation date.

It is important to realise that the results of this valuation can only ever be an estimate. The actual cost of providing members' benefits is not known in advance, as it will be influenced by future events that cannot be predicted with absolute certainty.

The final cost of members' benefits will depend on three main factors:

(i) The benefits promised to members.

The Fund provides pensions and other benefits to members and their beneficiaries. The benefits in force on the valuation date are set out in the following pieces of legislation:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (the "Benefits Regulations")

- The Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations")
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (the "Transitional Regulations")

These benefits are common to all employers participating in the Fund.

The benefits and member contributions payable by and to the LGPS respectively were amended with effect from 1 April 2008. The results presented in this valuation report make full allowance for these changes.

There are a small number of discretionary powers that may be exercised by the Administering Authority or by individual employers. With the exception of an employer's power to augment a member's benefits or to allow a member to receive their benefits earlier than planned without reduction (e.g. upon early retirement) I would not expect the exercise of these powers to have a material effect on the valuation results. In any event, I would expect additional employer payments, in addition to the employer contributions set out in the rates and adjustments certificate, to be made in respect of such events unless agreed otherwise.

(ii) The profile of the membership.

The profile of the members (e.g. their pensionable pay, age, sex and category) affects how much their future benefits will ultimately cost the Fund.

The cost of the benefits is expressed as a percentage of the pensionable pay of employee members. As the proportion of pensioner and deferred members increases relative to employee members so the contribution rate (as a percentage of pay) becomes more sensitive to the funding position and not simply the cost of new benefits being earned by members in future. A summary of the data at this and the previous valuation is given in **Appendix C**.

(iii) The level of benefits paid, when they will come into payment and how long they will be paid for.

All of these factors depend on future experience, such as when members will retire and how long they will live for after retirement. In assessing the anticipated cost of members' benefits, I need to make assumptions about this future experience. I explain these actuarial assumptions later in this report.

The purpose of the valuation is to assess how much the Fund needs to hold now to pay those benefits, taking account the above factors and its funding objectives.

What are the Fund's assets?

The Fund's assets are invested by the Administering Authority. The market value of assets at 31 March 2010 (excluding money purchase AVC funds) was £664m, as shown in the audited accounts for the Fund for the period ending on 31 March 2010 that have been provided to me by the Administering Authority. No part of the Fund was comprised of insurance policies at 31 March 2010.

Funding method and assumptions

I have used a funding method and set of assumptions for this valuation that are consistent with the Administering Authority's funding objectives set out in its Funding Strategy Statement. The methodology and assumptions are described below, and in more detail in **Appendix D** and **Appendix E** respectively.

Funding method

For this valuation, as for the previous valuation, I have used a funding method which identifies separately the estimated cost of members' benefits in respect of scheme membership completed before 31 March 2010 ('past service') and in respect of scheme membership expected to be completed after 31 March 2010 ('future service').

Past service

The method I have adopted compares the assets (taken at market value) with the value placed on the Fund's past service liabilities (calculated using a market-based approach) at the valuation date. By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. My calculation of the Fund's liabilities also explicitly allows for anticipated future pay and pension increases.

The funding level is the value of the assets divided by the value of the past service liabilities. Where the funding level is greater than 100% there is a surplus in the fund (i.e. where assets are greater than the value of the past service benefits). Where the funding level is less than 100% there is a shortfall (i.e. where the assets are lower than the value of the past service benefits). The funding target is to achieve a funding level of at least 100% over a specific period.

Future service

To determine the contribution rate required to cover the estimated cost of future service benefits, I have adopted the following methods:

- For the Fund as a whole and for employers who will continue to admit new entrants to the Fund: the "Projected Unit Method".
- For employers who no longer admit new entrants to the Fund: the "Attained Age Method".

In both cases, an allowance for the anticipated future expenses of the Fund is added to the calculated contribution rate.

Total contribution rate

The total contribution rate comprises the future service rate plus any "past service adjustment".

The past service adjustment is the additional employer contribution required to bring the funding level back to 100% over an agreed period if there is a deficit (conversely, a contribution reduction can apply if there is a surplus). The past service adjustment can be expressed as a monetary amount or as a percentage of the value of the members' pensionable pay over the period.

Actuarial assumptions

In the actuarial valuation, I must use assumptions about the factors affecting the Fund's finances in the future. Broadly speaking, our assumptions fall into two categories – financial and demographic.

Demographic assumptions typically try to forecast **when** exactly benefits will come into payment and what form these will take, for example when members will retire (e.g. at their normal retirement age or earlier); how long they will then survive and whether they will exchange some of their pension for tax-free cash.

Financial assumptions typically try to predict the **size** of these benefits. For example, how large members' final salaries will be at retirement and how their pensions will increase over time. In addition, the financial assumptions also help us to estimate how much all these benefits will cost the Fund in today's money.

Details of our recommended assumptions for this valuation are set out below.

Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	Description	31 March 2010 Nominal	Real
Price Inflation (CPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index-linked Government bonds at the valuation date, less 0.5% p.a.	3.3%	-
Pay increases*	CPI plus 2.0% p.a.	5.3%	2.0%
"Gilt-based" discount rate	Yield on fixed interest (nominal) and index-linked (real) Government bonds	4.5%	1.2%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	6.1%	2.8%

** 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter. Plus an allowance for promotional pay increases.*

Discount rate

The funding valuation is effectively a budgeting exercise, to assess the funds needed to meet the benefits as they fall due. In order to place a current value on the future benefit payments from the Fund, I need to 'discount' these future cashflows back to the valuation date at a suitable rate.

Different valuations can be categorised by the approach taken to setting the discount rate. For example, under the accounting standard FRS17, the discount rate is determined as the yield on AA-rated corporate bonds. By comparison, a discontinuance valuation will likely use the yield on suitably dated Government bonds. For a funding valuation such as this one, I have set the discount rate by taking into account the Fund's current and expected future investment strategy and, in particular, how this strategy is expected to outperform the returns from Government bonds over the long term. I allow for this by applying an Asset Outperformance Assumption, which is effectively a margin in excess of the yield available on Government bonds.

For the purposes of this valuation, I have adopted an Asset Outperformance Assumption of 1.6% p.a. This results in a discount rate of 6.1% p.a.

The selection of an appropriate Asset Outperformance Assumption is a matter of judgement, based on available evidence. It is one way of measuring the degree of prudence in the funding strategy. I believe that an Asset Outperformance Assumption of 1.6% p.a. is a prudent one for the purposes of this valuation. However, the degree of risk inherent in the Fund's investment strategy should always be considered as fully as possible when setting out a funding strategy.

Price inflation / pension increases

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future increases to public sector pensions in payment and in deferment. I have allowed for this in my valuation calculations as at 31 March 2010.

At the previous valuation, the assumption for RPI was derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, I have adopted a similar approach. However, I have then adjusted this market-derived RPI rate downwards by 0.5% p.a. to derive the assumption for CPI.

Salary increases

My long term assumption for salary increases is RPI plus 1.5% p.a. This translates to CPI plus 2.0% p.a.

However, the Government has announced that pay for public sector employees will be frozen for a period of two years, with a flat increase of £250 being applied to all those earning less than £21,000 pa. Although this "pay freeze" does not officially apply to local government employers, it has been suggested that they will be expected to show similar restraint in respect of pay awards. Based on an analysis of the membership in LGPS funds, I believe that the average expected increase in pensionable pay across all employers should be around 1% p.a. for the next two years. I have set the salary increase assumption at this valuation to 1% p.a. for 2010/11 and 2011/12. After this point, the assumption will revert back to the long-term rate of CPI plus 2.0% p.a.

Note that this assumption is made in respect of the general level of salary increases (e.g. as a result of inflation and other macroeconomic factors). I have also made a separate allowance for expected pay rises granted in the future as a result of members achieving promotion. This assumption takes the form of a set of tables which model the expected promotional pay awards based on each member's age and class.

Longevity

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. For this valuation, I have adopted assumptions which give the following average future life expectancies for members:

	Actives & Deferreds		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2007 valuation longevity	20.7	23.6	19.6	22.5
2010 valuation - baseline	18.9	21.6	18.9	21.6
2010 valuation - improvements	23.3	26.1	21.9	24.7

Further details of the mortality assumptions adopted for this valuation can be found in **Appendix E**.

Assets

I have taken the assets of the Fund into account at their market value as indicated in the audited accounts for the period ended 31 March 2010. I have also included an allowance for the expected future payments in respect of early retirement strain and augmentation costs granted prior to the valuation date in the value of assets, for consistency with the liabilities and with the previous valuation. There are no expected future payments at 31 March 2010.

In my opinion, the basis for placing a value on members' benefits is compatible with that for valuing the assets - both are related to market conditions at the valuation date.

Funding position at 31 March 2010

The Administering Authority has prepared a Funding Strategy Statement which sets out its funding objectives for the Fund. In broad terms, the main 'past service' objective is to hold sufficient assets in the Fund to meet the assessed cost of members' past service benefits and the main 'future service' objective is to maintain a relatively stable employer contribution rate. These objectives are potentially conflicting.

Past service

In assessing the extent to which the past service funding objective was met at the valuation date, I have used the funding method and actuarial assumptions described in the previous section of this report. My results are presented in the form of a 'funding level'. This is the ratio of the value of assets to the assessed cost of members' past service benefits (based on service accrued by members prior to the valuation date). A funding level of 100% would correspond to the objective being met exactly. The table below compares the value of the assets and liabilities at 31 March 2010.

Valuation Date	31 March 2010
Past Service Position	**(£m)**
Past Service Liabilities	
Employees	399
Deferred Pensioners	205
Pensioners	355
Total Liabilities	960
Market Value of Assets	664
Surplus / (Deficit)	**(296)**
Funding Level	**69.2%**

At 31 March 2010 the funding level was 69%.

The main funding objective was not met: there was a shortfall of assets to the assessed cost of members' benefits of £296m.

Future service

I have calculated the average long-term contribution rate that the Fund employers would need to pay to meet the estimated cost of members' benefits that will be earned after 31 March 2010 (the 'future service contribution rate'). Again, I have used the method and assumptions set out in the previous section of this report. The resulting contribution rate is that which should (if the actuarial assumptions about the future are borne out in practice) ensure that the Administering Authority's main future service funding objective is met. The table below details this future service contribution rate:

Valuation Date	31 March 2010
Future service rate	**% of pay**
Cost of new benefits earned in future	23.6%
Expenses	0.5%
Total	24.1%
Employee contribution rate	6.8%
Future service rate (employer)	**17.3%**

Note that this future service contribution rate makes no allowance for the £296m past service shortfall in the Fund described above. The employee contribution rate includes any Additional Voluntary Contributions being paid by employees into the Fund as at 31 March 2010.

The average future service rate for Fund employers is 17.3% of pensionable pay. This rate is calculated at 31 March 2010 and, in theory, forms part of the total contribution rate payable by employers from 1 April 2011. However, in practice, I have calculated a future service rate for each employer which is based on their particular circumstances and their total contribution rates are based on this, rather than the average future service rate for the Fund as a whole.

A comparison of the results of this valuation and the previous one at 31 March 2007 is provided in **Appendix F**.

Funding position: changes since the previous valuation

The previous formal actuarial valuation of the Fund was carried out with an effective date of 31 March 2007. Since then, there have been changes to the Fund and its membership and to the economic environment in which the Fund operates. Many of these changes have affected the valuation results and these are summarised below.

Changes to the funding objective

There have been no major changes to the funding objective although more emphasis has been placed on the stability of employer contribution rates. In particular, a stabilisation mechanism has been put in place for long-term secure employers.

Changes to the Fund's benefit structure

The various changes to the benefit structure of the LGPS that took effect from 1 April 2008 were detailed in the previous valuation report dated March 2008. As I had already made an allowance for these changes in my valuation calculations at 31 March 2007, they are not responsible for the change in the funding position between 31 March 2007 and 31 March 2010.

Changes to the Fund's membership

The Fund membership has changed since the previous valuation, as new employee members have joined the Fund and members have left the Fund, retired and died. Whilst membership changes were anticipated at the previous valuation, the actual changes have inevitably not exactly matched the assumptions made at the previous valuation.

Changes to the Fund's assets

The Fund's assets have been augmented by employer and employee contributions paid in and transfer values received. However, the assets have been depleted by retirement benefit payments, transfer values, refunds paid and payment of administration and other expenses. Most importantly, investment returns for the three years to 31 March 2010 were much lower than anticipated.

Overall, the Fund's assets have grown since the previous valuation but by a much smaller amount than anticipated. This has had an adverse impact on the funding position.

Changes to the estimated cost of the Fund's liabilities

Economic factors

The underlying bond yields that form the foundation of our discount rate assumption were the same at 31 March 2010 as they were at the previous valuation. My Asset Outperformance Assumption has also remained constant. The discount rate I have used to estimate the cost of future benefit payments is therefore unchanged.

Benefit payments themselves are linked to inflation – via pension increases and also salary increases. Market expectations of inflation, as measured by the Retail Prices Index (RPI), have risen since the previous valuation. However, this has been largely offset by the Government's policy to link future pension increases to the Consumer Prices Index (CPI).

Rising price inflation is often accompanied by rising salary inflation. However, salaries in the public sector are under considerable pressure at present and many LGPS employee members are likely to receive much lower pay rises in the short term and I have made an allowance for this in my calculations.

The overall effect of economic factors on the value of the Fund's liabilities at this valuation is broadly neutral.

Demographic factors

The value placed on the Fund's liabilities is also affected by when future benefits are expected to come into payment and how long they are expected to be paid for. A key factor in this is the life expectancy of members.

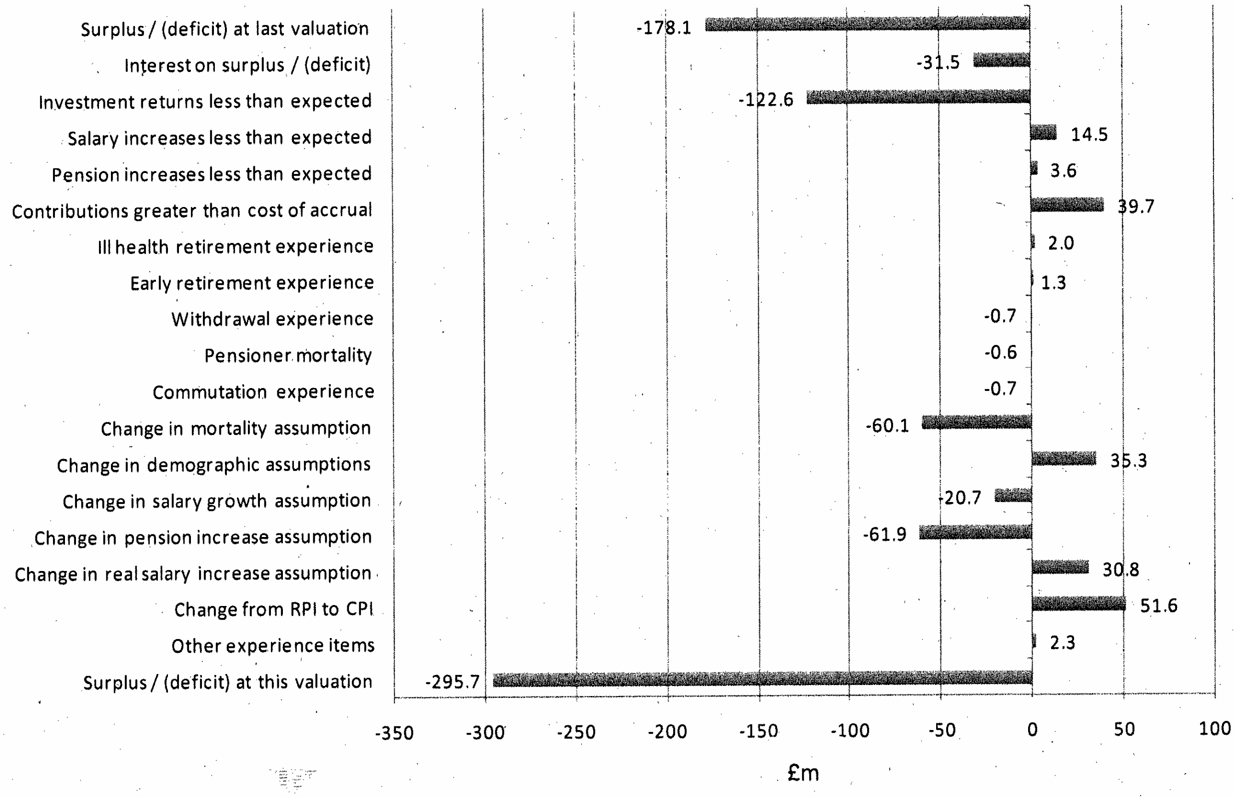
The assumptions relating to the longevity of current and future pensioners have changed since the previous valuation, to reflect the recent experience of the Fund and other evidence published by the Actuarial Profession.

Some of the other demographic assumptions that we use have also changed since the previous valuation in light of recent experience e.g. the predicted nature and amount of early leavers and ill health early retirements.

The overall effect of changes in demographic factors has been to increase the value of the Fund's liabilities.

Summary of changes to the funding position

The chart below illustrates the factors that caused the funding position to deteriorate between 31 March 2007 and 31 March 2010:



Comments on some of the items in this chart:

- There is an interest cost of £32m. This is broadly three years of compound interest at 6.1% p.a. applied to the previous valuation deficit of £178m.
- Investment returns being lower than expected since 2007 lead to a loss of £123m. This is roughly the difference between the actual and expected three-year return applied to the whole fund assets from the previous valuation of £620m, with a further allowance made for cashflows during the period.

- The change in financial conditions between the previous valuation and this one have given rise to a loss of £0.2m (includes change in salary increase assumption, pension increase assumption and change from RPI to CPI). This is principally a result of higher inflation, leading to a lower real discount rate being used, offset by lower than expected salary increases in the first two years and the change from RPI to CPI.
- The change in longevity assumptions has given rise to a loss of £60m.
- Changes to other demographic assumptions (such as withdrawal and ill health retirement) has given rise to a £35m gain.
- The overall impact of actual experience over the last three years has been a gain arising of around £59m (includes salary, pension, contributions, ill-health, early retirement, withdrawal, pensioner and commutation experience over the inter-valuation period). Underlying this figure, withdrawals have had a negative impact and ill health early retirements have had a positive impact, but this has been partly offset by fewer people opting to exchange their pension for tax-free cash.
- Other experience items, such as changes in the membership data, have served to reduce the deficit at this valuation by around £2m.

Employer contributions payable

Whole Fund

The average future service rate for Fund employers is 17.3% of pensionable pay. This is the average future contribution rate payable over the long term by the Fund employers to meet the cost of benefits earned by members after the valuation date. This reflects the Administering Authority's funding objectives and is based on the assumptions set out in this report.

The total (or "common") contribution rate payable is the average future service rate for Fund employers plus an additional amount to recover the deficit and bring the funding level back to 100% over a period of 20 years, as set out in the Funding Strategy Statement. This additional amount is referred to as the past service adjustment.

The common contribution rate based on the funding position as at 31 March 2010 is detailed below:

Valuation Date	31 March 2010
Total contribution rate	**% of pay**
Future service rate	17.3%
Past Service Adjustment (20 year spread)	11.2%
Total contribution rate	**28.5%**

Individual employers

The common contribution rate is very much a theoretical figure for the Fund as a whole. In practice, each employer in the Fund has its own underlying contribution rate based on:

- The future service rate that covers the cost of new benefits being earned by that particular employer's membership after the valuation date.
- The funding position of that particular employer's share of the Fund (i.e. their share of the Fund's surplus or deficit and an assessment of an appropriate period of time over which the employer can eliminate this).
- Any mechanisms employed to promote the stability of that particular employer's contribution rate. These are agreed with the Administering Authority and may involve mechanisms such as phasing in any changes in contribution rates over a number of years or pooling the valuation results of a number of employers.
- Any employers that are eligible and have then opted to implement a stabilised contribution rate, whereby any increases or decreases to the employer's rate over an agreed period are curtailed. This can usually only be justified for long term, secure employers following a rigorous modelling exercise. Those employers that have opted for this approach are listed below the Rates and Adjustments certificate in **Appendix H**.

All of these issues come together in a contribution rate strategy which is set out in general terms in the Funding Strategy Statement. The contribution rates to be paid by individual employers from 1 April 2011 are set out in the Rates and Adjustments Certificate in **Appendix H**. Note that these are the minimum contribution requirements for each employer.

Employers may make voluntary additional contributions to recover any shortfall over a shorter period, subject to agreement with the Administering Authority and after receiving the relevant actuarial advice.

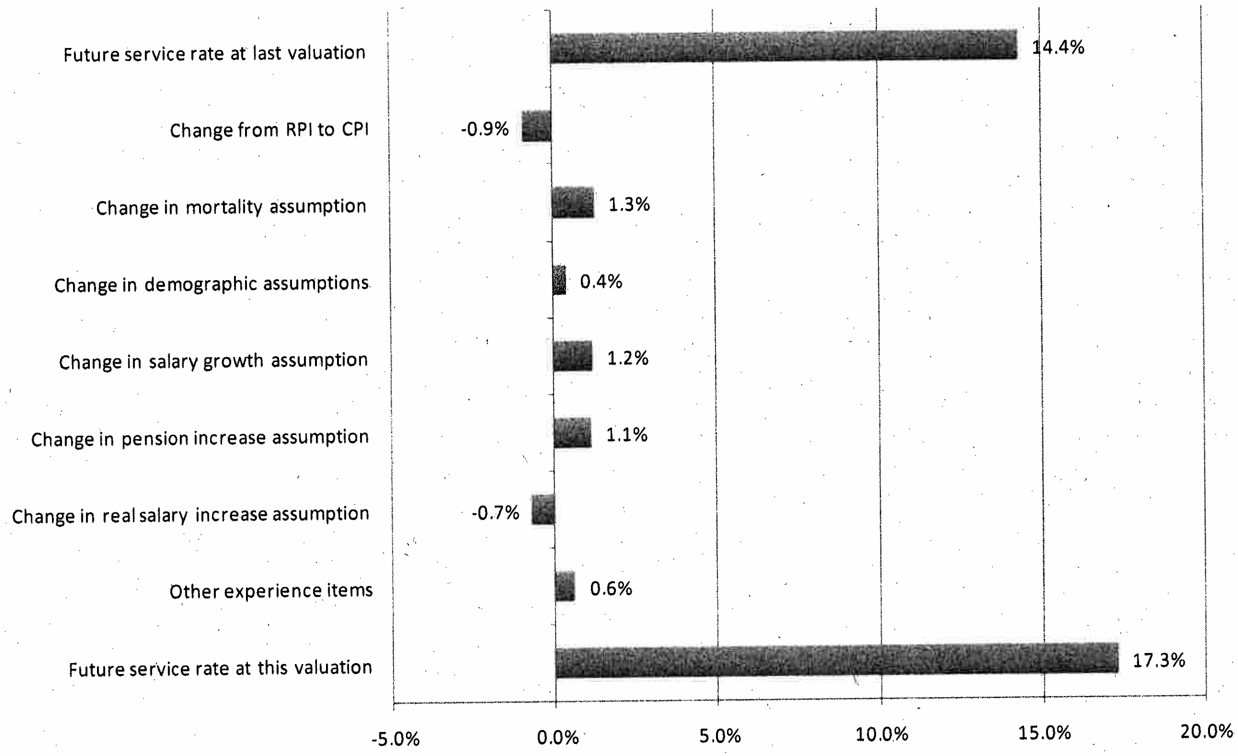
Further sums should be paid to the Fund by employers to meet the capital costs of any unreduced early retirements, reduced early retirements before age 60 and/or augmentation (i.e. additional membership or additional pension) using the methods and factors issued by me from time to time or as otherwise agreed.

In addition, payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within my assumptions.

The contributions shown in the Rates and AdjustmentsCertificate include expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by Fund employers in addition.

Summary of changes to the future service rate

The chart below illustrates the factors that caused the future service rate to increase between 31 March 2007 and 31 March 2010:



Further recommendations

Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2013. In light of the uncertainty of future financial conditions, I recommend that the financial position of the Fund (and for individual employers in some cases) is monitored by means of interim funding reviews in the period up to this next formal valuation. This will give early warning of changes to funding positions and possible contribution rate changes.

Investment strategy and risk management

I recommend that the Administering Authority continues to regularly review its investment strategy and ongoing risk management programme.

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to me as the Fund actuary for individual calculation as to the required level of contribution. They should also agree to pay the capital costs (as a one-off lump sum payment) of any early retirements or augmentation based on my advice and using methods and factors issued by the actuary from time to time, together with any additional contributions that may be required if their ill-health early retirement experience is worse than assumed.

Other matters

Any Admission Body who ceases to participate in the Fund should be referred to me in accordance with Regulation 38 of the Administration Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund, or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to me to consider the impact on the Fund.

Risk assessment

The valuation results depend critically on the actuarial assumptions that are made about the future of the Fund. If all of the assumptions made at this valuation were exactly borne out in practice then the results presented in this document would represent the true cost of the Fund as it currently stands at 31 March 2010.

However, no one can predict the future with certainty and it is unlikely that future experience will exactly match all of our assumptions. The future therefore presents a variety of risks to the Fund and these should be considered as part of the valuation process.

In particular:

- The main risks to the financial health of the Fund should be **identified**.
- Where possible, the financial significance of these risks should be **quantified**.
- Consideration should be given as to how these risks can then be **managed**.
- These risks should then be **monitored** to assess whether any risk management strategy is actually working.

This section investigates the potential implications of the actuarial assumptions not being borne out in practice.

Set out below is a brief assessment of the main risks and their effect on the valuation results, beginning with a look at the effect of changing the main assumptions and then focusing on two of the most significant risks – namely investment risk and longevity risk.

Sensitivity of valuation results to changes in assumptions

The table below gives an indication of the sensitivity of the valuation results to small changes in some of the main assumptions used.

		Impact	
Assumption	Change	Funding level	Deficit
Discount rate	Increases by 0.5%	Rises by 6%	Falls by £88m
Salary increases	Increases by 0.5%	Falls by 2%	Rises by £22m
Price inflation / pension increases	Increases by 0.5%	Falls by 4%	Rises by £54m
Life expectancy	Increases by 1 year	Falls by 1%	Rises by £19m
Exchange of pension for tax-free cash	Increase take-up by 10%	Rises by 1%	Falls by £19m

This is not an exhaustive list of the assumptions used in the valuation. For example, changes to the assumed level of withdrawals and ill health retirements will also have an effect on the valuation results. However, the table contains those assumptions that typically are of most interest and have the biggest impact.

Note that the table shows the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from our assumptions simultaneously and so the precise effect on the funding position is therefore more complex.

Investment risk

Valuation results at 31 March 2010 on a gilts basis

The current investment strategy of the Fund includes a high proportion of equity-type assets (such as equities and property). In the long term, it is expected that such assets will outperform gilts, which are generally considered to be a closer match to the future benefit outflows from the Fund. The scale of this outperformance is a matter of judgement based on available evidence. In deriving the discount rate for the purposes of this valuation, I have assumed that the assets held by the Fund will outperform index-linked gilts by 1.6% per annum. I consider this to be a prudent assumption.

However, this outperformance cannot be guaranteed and the Administering Authority must consider the implications of this on the funding position. The following chart summarises the effect on the valuation results if no advance credit is taken for additional outperformance above gilt returns (i.e. if a 'gilts basis' was used to value the liabilities).

Valuation Date	31 March 2010
Past Service Position	**(£m)**
Total Liabilities	1326
Market Value of Assets	664
Surplus / (Deficit)	**(662)**
Funding Level	**50.1%**
Contribution rates	**% of pay**
Future service rate	29.7%
Past Service Adjustment (20 year spread)	19.9%
Total contribution rate	49.6%

On this basis, the Administering Authority would need assets of some £1,326m to fully fund the liabilities at the valuation date. Given the actual market value of the Fund's assets, this would result in a funding shortfall of £662m.

Sensitivity of valuation results to market conditions and investment performance

As the assets of the Fund are taken at their market value, volatility in investment performance can have an immediate and tangible effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier assets such as equities and equity-type investments (e.g. property). A rise or fall in the level of equity markets has a direct impact on the financial position of the Fund, which may seem obvious.

Less obvious is the effect of anticipated investment performance on the Fund's liabilities (and future service cost). Here it is the returns available on government bonds that are of crucial importance, as the discount rate that we use to place a value on the Fund's liabilities is based on gilt yields at the valuation date plus a margin of 1.6% p.a.

The table below shows how the funding level (top), deficit (middle) and total contribution rate (bottom) would vary if investment conditions at 31 March 2010 had been different. The level of the FTSE 100 Price index is taken as a suitable proxy for asset performance whilst the index-linked gilt yield is taken as a yardstick for the valuation of liabilities.

Index Linked Gilt Yield						
	0.50%	58% (414) 33.9%	63% (372) 32.4%	67% (330) 30.8%	71% (288) 29.2%	75% (246) 27.6%
	0.70%	60% (380) 31.9%	65% (338) 30.2%	69% (296) 28.5%	74% (254) 27.0%	78% (212) 25.4%
	0.90%	63% (347) 29.8%	67% (305) 28.2%	72% (263) 26.5%	76% (221) 24.9%	81% (179) 23.2%
		4680	5180	5680	6180	6680
		FTSE 100 Price Index				

The shaded box contains the results for this valuation. Note that this does not take account of the performance of all asset classes held by the Fund (e.g. overseas equities, property, bonds, cash etc) but it does serve to highlight, in broad terms, the sensitivity of the valuation results to investment conditions at the valuation date.

Note that the scenarios illustrated above are by no means exhaustive. They should not be taken as the limit of how extreme future investment experience could be. The discount rate assumption adopted at this valuation is expected to be appropriate over the long term. Short term volatility of equity markets does not invalidate this assumption.

Longevity risk

The valuation results are also very sensitive to unexpected changes in future longevity. All else being equal, if longevity improves in the future at a faster pace than allowed for in the valuation assumptions, the funding level will decline and the required employer contribution rates will increase.

Recent medical advances, changes in lifestyle and a greater awareness of health-related matters have resulted in life expectancy amongst pension fund members improving in recent years at a faster pace than was originally foreseen. It is unknown whether and to what extent such improvements will continue in the future.

For the purposes of this valuation, we have selected assumptions that we believe make an appropriate allowance for future improvements in longevity, based on the actual experience of the Fund since the previous valuation.

The table below shows how the valuation results at 31 March 2010 are affected by adopting different longevity assumptions.

	Impact		
Longevity assumption	**Funding level**	**Deficit (£m)**	**Future service rate**
2007 valuation longevity	73%	(239)	15.9%
2010 valuation (baseline)	75%	(216)	15.2%
2010 valuation (with improvements)	69%	(296)	17.3%
2010 valuation (further improvements)	67%	(331)	18.1%
1 year extra longevity (further improvements)	65%	(361)	18.8%

The shaded box contains the results for this valuation. This allows for a "cohort effect". The cohort effect allows for a generation of people born between the two world wars whose life expectancy seems to continue to increase i.e. that generation continues to survive in large numbers each year. A key question would be how much longer we will continue to see this. Current evidence suggests people are living 2 years longer every decade and this phenomenon presently shows no signs of slowing. The mortality assumptions adopted for this valuation allow for people living around 0.75 years longer per decade. We have not allowed for the potential full improvements in life expectancy at this valuation and have effectively adopted a "wait and see" approach.

The "further improvements" are a more cautious set of assumptions that make an allowance for the continuation of recently observed high levels of improvement in life expectancy, arising from this "cohort effect". The assumptions adopted here result in people living around 1.5 years longer per decade over the long term.

The last row illustrates the effect of assuming that members live for one year longer than these further improvements imply.

Again, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme future longevity experience could be.

Other risks to consider

The table below summarises the effect that changes in some of the other valuation assumptions and risk factors would have on the funding position. Note that these are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore the analysis is qualitative rather than quantitative.

	Impact	
Risk	**Funding level**	**Future service rate**
Greater level of ill health retirement	Decreases	Increases
Greater level of withdrawals	Increases	Decreases
Rise in average age of employee members	Marginal effect	Increases
Pay and price inflation higher than anticipated	Decreases	Increases
Members convert less pension to cash at retirement than assumed	Decreases	Increases
Changes to Regulations that make benefit package more favourable to members	Decreases (if changes affect past service)	Increases

Managing the risks

Whilst there are certain things, such as the performance of investment markets or the life expectancy of members, that are not directly within the control of the pension fund, that does not mean that nothing can be done to understand the risks further and to mitigate their effect. Although these risks are difficult (or impossible) to eliminate, steps can be taken to manage them.

Ways in which some of these risks can be managed could be:

- Set aside a specific reserve to act as a cushion against adverse future experience (possibly by selecting a set of actuarial assumptions at future valuations that are purposely more prudent).
- Take steps internally to monitor the decisions taken by members and employers (e.g. relating to early / ill health retirements or salary increases) in a bid to curtail any adverse impact on the Fund.
- Pooling certain employers together at the valuation and then setting a single (pooled) contribution rate that they will all pay. This can help to stabilise contribution rates (at the expense of cross-subsidy between the employers in the pool during the period between valuations).
- Carrying out a review of the future security of the Fund's employers (i.e. assessing the strength of employer covenants).
- Carrying out a bespoke analysis of the longevity of Fund members and monitor how this changes over time, so that the longevity assumptions at the valuation match as closely as possible the experience of the Fund.
- Undertake an asset-liability modelling exercise that investigates the effect on the Fund of thousands of possible investment scenarios that may arise in the future. An assessment can then be made as to whether long term, secure employers in the Fund can stabilise their future contribution rates (thus introducing more certainty into their future budgets) without jeopardising the long-term health of the Fund.
- Insuring against adverse experience (e.g. ill-health strain insurance, longevity swaps etc).

Adopting one or more of these measures can assist with the management of risk within the pension fund.

Summary

I have carried out an actuarial valuation of the London Borough of Haringey Pension Fund ('the Fund') as at 31 March 2010. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2010 in respect of benefits earned by members up to this date.

Past Service Position	(£m)
Past Service Liabilities	960
Market Value of Assets	664
Surplus / (Deficit)	(296)
Funding Level	**69.2%**

The deterioration of the funding position reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, investment returns for the three years to 31 March 2010 were significantly poorer than anticipated.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	(% of pay)
Future Service Rate	17.3%
Past Service Adjustment (20 year spread)	11.2%
Total (Common) Contribution Rate	**28.5%**

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice, each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. Accordingly, an adjustment to the common rate has been determined for each employer. The minimum contributions to be paid by each employer from 1 April 2011 to 31 March 2014 are shown in the Rates and Adjustments Certificate in **Appendix H**.

Bryan T Chalmers

Fellow of the Institute and Faculty of Actuaries

16 February 2011

Appendix A: Regulations and professional standards

LGPS regulations

This valuation is carried out in accordance with regulation 36 of the Administration Regulations, which specifies that the Administering Authority must obtain:

- an actuarial valuation of the assets and liabilities of the Fund as at 31 March 2010 and in every third year thereafter;
- a report by an actuary in respect of the valuation; and
- a rates and adjustments certificate prepared by an actuary.

Within the rates and adjustments certificate I am required to specify:

- the employers' common contribution rate which, in my opinion, should be paid by all employers so as to ensure the Fund's solvency, and
- any individual adjustments (increases or decreases) to the common contribution rate which, in my opinion, are required by reason of any circumstances peculiar to a particular employer,

which for this valuation apply for each year of the period of three years beginning with 1 April 2011.

Under the provisions of the Regulations, I am required to have regard to:

- the existing and prospective liabilities of the Fund arising from circumstances common to all those bodies participating in the Fund,
- the desirability of maintaining as nearly constant a common rate as possible, and
- the current version of the Administering Authority's funding strategy statement.

Professional standards

Guidance Note 9 (GN9)

This report has been prepared in accordance with version 8.1 of the guidelines 'GN9: Funding Defined Benefits - Presentation of Actuarial Advice' published by the Board for Actuarial Standards. However the following aspects of GN9 are not relevant to the LGPS and its funds in the current circumstances and I have therefore not reported on them:

- Paragraph 3.4.16 of GN9 requires the actuary to include the certification of technical provision in relation to a valuation under Part 3 of the Pensions Act 2004. As Part 3 of the Pensions Act 2004 does not apply to the LGPS, this report does not comply with paragraph 3.4.16 of GN9; and
- Part 3.5 of GN9 requires the actuary to report on the value of the liabilities that would arise had the Fund wound up on the valuation date (based on the cost of buying out the accrued benefits with insurance policies). As the LGPS is a statutory scheme, there is no regulatory provision for scheme wind up and the scheme members have a statutory right to their accrued benefits. Therefore the concept of solvency on a buy-out basis does not apply to the Fund. Accordingly, this report does not comply with part 3.5 of GN9.

The previous formal actuarial valuation was carried out as at 31 March 2007 by myself and the results were set out in our report dated March 2008.

Technical Actuarial Standards

Technical Actuarial Standards (TASs) are issued by the Board for Actuarial Standards and they set the standard for certain items of actuarial work, in terms of the type of information provided and the way it is communicated. As your actuary, I must comply with these standards when presenting the results of the triennial valuation.

This valuation report complies with the Technical Actuarial Standards on Reporting (TAS R) and Data (TAS D) for the purpose of recording the results of the actuarial valuation at 31 March 2010.

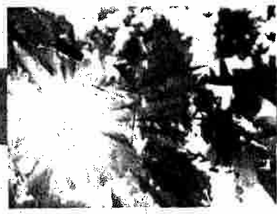
In order to further ensure that the requirements of TAS R are met and in the interests of clarity, I have issued a separate letter summarising the various pieces of advice that I have issued during this valuation process which have allowed you to make the necessary decisions on funding strategy and contribution rates.

Appendix B: Summary of the Fund's benefits

The non-discretionary Fund benefits that I have taken into account in this valuation for active members are summarised below.

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008
Normal retirement age (NRA)	Age 65.	Age 65.
Earliest retirement age (ERA) on which immediate unreduced benefits can be paid on voluntary retirement	As per NRA (age 65). Protections apply to active members in the scheme immediately prior to 1 October 2006 who would have been entitled to immediate payment of unreduced benefits prior to 65, due to: (a) having previously had an NRA of age 60 (or after age 60 on attaining 25 years of scheme membership), due to being a member of the scheme immediately prior to 1 April 1998; or (b) having the potential to satisfy the rule of 85 prior to age 65 (if the sum of age (whole years) and membership (whole years) is 85 or more). The benefits relating to various segments of scheme membership are protected as follows, which means their benefits are calculated based on the above definitions of earliest retirement age in relation to these protected periods of scheme membership. (a) A member born on 31 March 1956 or earlier – membership up to 31 March 2016 protected; (b) A member born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Earliest Retirement Age by 31st March 2020 – Membership prior to 31 March 2008 fully protected and membership between 1 April 2008 and 31 March 2020 subject to some protection (tapered); (c) All other members in the scheme immediately prior to 1 October 2006 – membership up to 31 March 2008 protected.	
Member contributions	Officers - 6% of pensionable pay Manual Workers – 5% of pensionable pay if has protected lower rates rights or 6% for post 31 March 1998 entrants or former entrants with no protected rights.	Banded rates (5.5%-7.5%) depending upon level of full-time equivalent pay. This will apply to all members formerly paying 6%. Protected manual workers will be subject to transitional rates. A mechanism for sharing any increased scheme costs between employers and scheme members may be implemented.
Pensionable pay	All salary, wages, fees and other payments in respect of the employment, excluding non-contractual overtime and some other specified amounts. Some scheme members may be covered by special agreements.	
Final pay	The pensionable pay in the year up to the date of leaving the scheme. Alternative methods used in some cases, e.g. where there has been a break in service or a drop in pensionable pay.	
Period of scheme membership	Total years and days of service during which a member of the Fund. Additional periods may be granted (e.g. transfers from other pension arrangements, augmentation, or from April 2008 the award of additional pension).	

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008
Normal retirement benefits at NRA	Annual Retirement Pension - 1/80th of final pay for each year of scheme membership. Lump Sum Retirement Grant - 3/80th of final pay for each year of scheme membership. Additional lump sum can be provided by commutation of pension (within overriding limits) on a basis of £12 additional lump sum for each £1 of pension surrendered.	Scheme membership to 31 March 2008: Annual Retirement Pension - 1/80th of final pay for each year of scheme membership. Lump Sum Retirement Grant - 3/80th of final pay for each year of scheme membership. Additional lump sum can be provided by commutation of pension (within overriding limits) on a basis of £12 additional lump sum for each £1 of pension surrendered. Scheme membership from 1 April 2008: Annual Retirement Pension - 1/60th of final pay for each year of scheme membership. Lump Sum Retirement Grant – none except by commutation of pension
Option to increase or decrease retirement lump sum benefit	At the time that benefits come into payment, members have the option to exchange ('commute') some of the retirement pension into additional lump sum. The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.	Scheme membership to 31 March 2008: At the time that benefits come into payment, members have the option to exchange ('commute') some of the retirement pension into additional lump sum. The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered. Scheme membership from 1 April 2008: No automatic lump sum. Any lump sum is to be provided by commutation of pension. The terms for the conversion of pension in to lump sum is £12 of lump sum for every £1 of annual pension surrendered.
Voluntary early retirement benefits (non ill-health)	On retirement after age 60 a pension and lump sum based on actual scheme membership completed may be paid, subject to reduction on account of early payment in some circumstances (in accordance with ERA protections).	
Employer's consent early retirement benefits (non ill-health)	On retirement after age 50 with employer's consent a pension and lump sum based on actual scheme membership completed may be paid. Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction. Otherwise, benefits are subject to reduction on account of early payment, unless this is waived by the employer.	On retirement after age 55 with employer's consent a pension and lump sum based on actual scheme membership completed may be paid. Benefits paid on redundancy or efficiency grounds are paid with no actuarial reduction. Otherwise, benefits are subject to reduction on account of early payment, unless this is waived by the employer. Active members in the scheme immediately prior to 1 April 2008 who leave before 31 March 2010 have a protected earliest retirement age of 50.



Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008
Ill-health benefits	In the event of premature retirement due to permanent ill-health or incapacity, an immediate pension and lump sum are paid based on actual scheme membership plus an enhancement period of scheme membership. The enhancement period is dependent on scheme membership at date of leaving and is seldom more than 6 years 243 days. No reduction is applied due to early payment.	In the event of premature retirement due to permanent ill-health or incapacity and a reduced likelihood of obtaining gainful employment (local government or otherwise) before age 65, an immediate pension and lump sum are paid based on actual scheme membership plus an enhancement period of scheme membership. The enhancement period is: 25% of the period to age 65, if there is some likelihood of obtaining gainful employment prior to age 65; or 100% of the period to age 65, if there is no likelihood of obtaining gainful employment prior to age 65. No reduction is applied due to early payment. A third tier, with no enhancement, applies in the event that there is an immediate likelihood of gainful employment.
Flexible retirement	After 5th April 2006, a member who has attained the age of 50, with his employer's consent, reduces the hours he works, or the grade in which he is employed, he may elect in writing to the appropriate administering authority and such benefits may, with his employer's consent, be paid to him notwithstanding that he has not retired from that employment. Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.	A member who has attained the age of 55 and who, with his employer's consent, reduces the hours he works, or the grade in which he is employed, may make a request in writing to the appropriate administering authority to receive **all or part** of his benefits under these Regulations, and the authority may pay those benefits to him notwithstanding that he has not retired from that employment. Benefits are paid immediately and subject to actuarial reduction unless the reduction is waived by the employer.
Pension increases	All pensions in payment, deferred pensions and dependant's pensions other than benefits arising from the payment of additional voluntary contributions are increased annually. Pensions are increased partially under the Pensions (Increases) Act and partially in accordance with statutory requirements (depending on the proportions relating to pre 88 GMP, post 88 GMP and excess over GMP).	

Provision	Benefit Structure To 31 March 2008	Benefit Structure From 1 April 2008
Death after retirement	A spouse's or civil partner's pension of one half of the member's pension (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners) is payable; plus If the member dies within five years of retiring and before age 75 the balance of five years' pension payments will be paid in the form of a lump sum; plus Children's pensions may also be payable.	A spouse's, civil partner's or nominated cohabiting partner's pension payable at a rate of 1/160th of the member's total membership multiplied by final pay (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners) is payable; plus If the member dies within ten years of retiring and before age 75 the balance of ten years' pension payments will be paid in the form of a lump sum; plus Children's pensions may also be payable.
Death in service	A lump sum of two times final pay; plus A spouse's or civil partner's pension of one half of the ill-health retirement pension that would have been paid to the scheme member if he had retired on the day of death (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners); plus Children's pensions may also be payable.	A lump sum of three times final pay; plus A spouse's, civil partner's or cohabiting partner's pension payable at a rate of 1/160th of the member's total (augmented to age 65) membership (generally post 1 April 1972 service for widowers' pension and post 6 April 1988 for civil partners and nominated cohabiting partners), multiplied by final pay; plus Children's pensions may also be payable.
Leaving service options	If the member has completed three months' or more scheme membership, deferred benefits with calculation and payment conditions similar to general retirement provisions ; or A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the deferred pension; or If the member has completed less than three months' scheme membership, a return of the member's contributions with interest, less a State Scheme premium deduction and less tax at the rate of 20%.	
State pension scheme	The Fund is contracted-out of the State Second Pension and the benefits payable to each member are guaranteed to be not less than those required to enable the Fund to be contracted-out.	

Note: Certain categories of members of the Fund are entitled to benefits that differ from those summarised above.

Discretionary benefits

The Regulations give employers a number of discretionary powers, including:

- the awards of periods of augmentation under Regulation 52;
- the payment of benefits on employer's consent prior to age 60 under Regulation 31;
- the payment of benefits due to flexible retirement under Regulation 18;
- the payment of benefits due to early retirement under Regulation 19;

- not applying the suspension of spouses' pensions on remarriage or cohabitation for members who retired before 1 April 1998.

Please note that Regulation 52 ceased to be in effect from 31 March 2008 and was replaced by Regulations 12 and 13.

From 1 April 2008, the employer can award additional pension under Regulation 13 and the employer can award additional service under Regulation 12.

The effect on benefits or contributions as a result of the use of these provisions prior to 1 April 2010 has been allowed for in this valuation to the extent that this is reflected in the membership data provided. No allowance has been made for the future use of discretionary powers. My assumptions do not anticipate any saving from the suspension of spouses' pension; to the extent that this continues, there will be a saving.

Appendix C: Data

This section contains a summary of the membership, investment and accounting data provided to me by the Administering Authority for the purposes of this valuation (the corresponding membership and investment data from the previous valuation is also shown for reference).

Membership data – whole fund

Employee members

Employee membership	31 March 2010		31 March 2007	
	Number	Pensionable Pay* (£000)	Number	Pensionable Pay* (£000)
Full-time employee members				
Male officers	570	19,843	721	22,681
Female officers	679	22,166	845	25,014
Male manuals	76	1,733	95	1,997
Female manuals	4	88	6	104
Post-April 1998 males	1,121	34,586	925	26,168
Post-April 1998 females	1,511	42,899	1,207	33,596
Total full-time employee members	**3,961**	**121,316**	**3,799**	**109,560**
Part-time employee members				
Male officers	29	486	38	601
Female officers	527	8,216	676	10,115
Male manuals	10	75	13	71
Female manuals	62	488	92	640
Post-April 1998 males	261	3,301	281	3,287
Post-April 1998 females	1,774	19,767	1,647	16,477
Total part-time employee members	**2,663**	**32,331**	**2,747**	**31,191**
Total employee membership	**6,624**	**153,647**	**6,546**	**140,751**

*actual pay (not full-time equivalent)

The average age of employee members at 31 March 2010 was 51.4 and the average expected future working lifetime of employee members is 8.3 years. Both of these figures are weighted by liability.

Deferred pensioners

Deferred pensioner membership	31 March 2010		31 March 2007	
	Number	Deferred pension (£000)	Number	Deferred pension (£000)
Male officers	1,760	4,206	1,459	3,550
Female officers	3,954	6,497	3,023	5,041
Male manuals	734	1,332	767	1,309
Female manuals	551	221	611	226
Total deferred pensioner members	**6,999**	**12,255**	**5,860**	**10,127**

The deferred pension shown includes revaluation up to and including that granted by the 2010 Pension Increase Order. The average age of deferred pensioners at 31 March 2010 was 50.8 (this figure is weighted by liability). The figures above also include any "status 2" and "status 9" members at the valuation date.

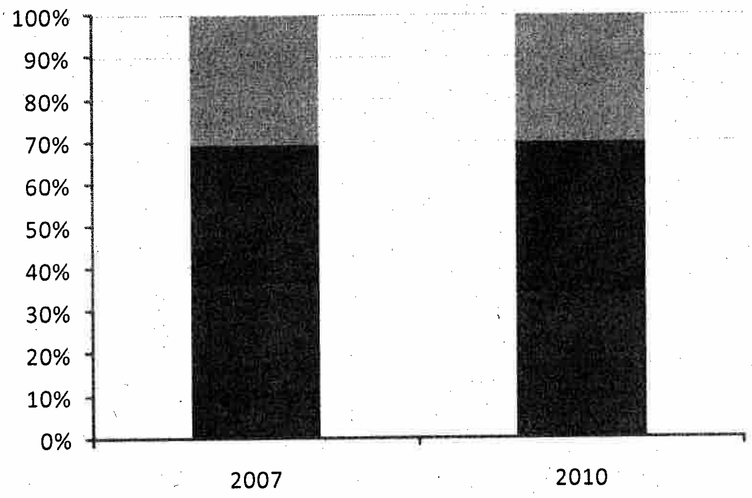
Current pensioners, spouses and children

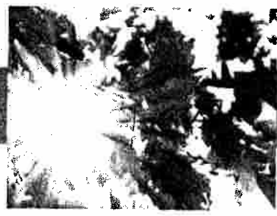
Pensioner membership	31 March 2010 Number	31 March 2010 Pension (£000)	31 March 2007 Number	31 March 2007 Pension (£000)
Normal / early retirement				
Male officers	1,012	8,147	952	7,159
Female officers	1,650	6,532	1,229	4,712
Male manuals	683	2,021	730	2,049
Female manuals	566	750	632	781
Ill health retirement				
Male officers	149	1,220	155	1,197
Female officers	313	1,753	334	1,672
Male manuals	259	1,309	282	1,282
Female manuals	278	549	295	532
Dependants				
Widows	690	1,799	659	1,638
Widowers	209	301	217	368
Male children	39	42	30	27
Female children	62	70	56	55
Total pensioner members	**5,910**	**24,494**	**5,571**	**21,472**

The average age of current pensioner members at 31 March 2010 (weighted by liability and excluding spouses', civil partners' and children's pensions in payment) was 66.

Note that the membership numbers in the table above refer to the number of records provided to us and so will include an element of double-counting in respect of any members who are in receipt (or potentially in receipt of) more than one benefit.

The chart below summarises the membership at this valuation and at the previous one.





Membership data – individual employers

Employer code	Employer name	Employees		Deferreds		Pensioners	
		Number	Actual Pay (£000)	Number	Pension (£000)	Number	Pension (£000)
1	Haringey Council	5,609	125,179	6,611	11,422	5,679	23,214
3	Age Concern Haringey	3	90	6	4	18	70
4	Haringey Magistrates Courts Committee	0	0	23	64	19	105
5	College of Enfield and North East London (CHENEL	208	5,269	189	333	82	378
7	Haringey Citizens Advice Bureaux	11	357	0	0	1	3
8	Alexandra Palace Trading Co Ltd	6	188	9	31	7	43
11	Urban Futures London Ltd	5	227	6	22	0	0
12	Enterprise Haringey Ltd	108	2,556	38	99	38	209
13	Greig City Academy	35	740	17	21	2	2
18	Homes for Haringey	568	17,579	84	249	61	458
19	John Loughborough	11	244	1	0	0	0
20	TLC at Coopercroft	20	336	7	5	1	2
22	Fortismere School	33	727	7	3	2	11
23	RM Education PLC	2	50	1	1	0	0
25	Ontime Parking Solutions	4	79	0	0	0	0
26	ESSL	1	25	0	0	0	0

Assets at 31 March 2010

A summary of the Fund's assets (excluding members' money-purchase Additional Voluntary Contributions) as at 31 March 2010 is as follows:

Asset class	Market Value at 31 March 2010 (£000)	Allocation %
UK equities	193,806	29%
UK fixed interest gilts	32,342	5%
UK corporate bonds	75,755	11%
UK index-linked gilts	40,119	6%
Overseas equities	238,090	36%
Overseas bonds	0	0%
Property	45,895	7%
Cash and net current assets	37,680	6%
Total	**663,686**	**100%**

Note that, for the purposes of determining the funding position at 31 March 2010, the asset value I have used also includes the present value of expected future early retirement strain payments (of which there are none). A brief comparison of the asset allocation of the Fund at this and the previous valuation is shown below:

Asset class	Asset Allocation	
	31 March 2010	31 March 2007
Equities	65%	69%
Bonds	22%	20%
Property	7%	6%
Cash & other assets	6%	5%
Total	**100%**	**100%**

Accounting data – revenue account for the three years to 31 March 2010

Consolidated accounts (£000)	Year to			Total
	31 March 2008	31 March 2009	31 March 2010	
Income				
Employer - normal contributions	32,021	33,081	34,505	99,607
Employer - additional contributions	0	0	0	0
Employer - early retirement and augmentation strain contributions	524	900	760	2,183
Employee - normal contributions	8,588	10,006	10,346	28,940
Employee - additional contributions	200	252	256	708
Transfers In Received (including group and individual)	5,418	2,562	7,003	14,983
Other Income	5	0	0	5
Total Income	**46,755**	**46,802**	**52,869**	**146,426**
Expenditure				
Gross Retirement Pensions	22,143	23,603	24,485	70,231
Lump Sum Retirement Benefits	3,974	4,195	4,243	12,411
Death in Service Lump sum	579	1,048	678	2,304
Death in Deferment Lump Sum	0	0	0	0
Death in Retirement Lump Sum	0	0	0	0
Gross Refund of Contributions	13	9	4	26
Transfers out (including bulk and individual)	4,470	6,603	6,324	17,398
Fees and Expenses	595	673	725	1,993
Total Expenditure	**31,775**	**36,131**	**36,458**	**104,364**
Net Cashflow	**14,980**	**10,671**	**16,411**	**42,062**
Assets at start of year	620,039	605,103	487,513	1,712,654
Net cashflow	14,980	10,671	16,411	42,062
Change in value	-29,916	-128,261	159,762	1,585
Assets at end of year	**605,103**	**487,513**	**663,686**	**1,756,301**
Approximate rate of return on assets	**-4.7%**	**-21.7%**	**34.9%**	**0.7%**

Note that the figures above are based on the Fund accounts provided to me for the purposes of this valuation, which were audited at the time of my valuation calculations.

Appendix D: Funding method

Using the actuarial assumptions described earlier (and summarised in **Appendix E**) I have estimated the payments which will be made from the Fund throughout the future lifetimes of existing employee members, deferred pensioners, pensioners and their dependants. I have then calculated the amount of money which, if invested now, should be sufficient to meet all of these payments in future, assuming that future investment returns are in line with the discount rate. This amount is the estimated cost of members' benefits. I have calculated separately the estimated cost of benefits arising from scheme membership accrued by members before the valuation date ('past service') and from scheme membership after the valuation date ('future service').

Past service funding position

I have compared the value of the assets with the estimated cost of members' past service benefits (i.e. the past service liabilities) at 31 March 2010. My calculation of the liabilities allows for all expected future pay and pension increases. The ratio of the asset value to the past service liabilities is known as the 'funding level'. If the funding level is more than 100% there is a 'surplus'; if it is less than 100% there is a 'shortfall'.

Future service contribution rate

Whole fund and employers admitting new entrants

I have calculated the estimated cost of benefits that will be earned by existing employee members over the year following 31 March 2010, allowing for all expected future pay and pension increases. This amount is expressed as a percentage of the members' pensionable pay over the year following the valuation date and is known as the 'future service contribution rate'.

This method of assessing the future contribution requirement is applied only to the Fund's membership at the valuation date. If new entrants are admitted to the Fund to the extent that the membership profile remains broadly unchanged (and if the actuarial assumptions are unchanged) then the future service contribution rate assessed at future valuations should be reasonably stable. However, if the average age of employee members rises (for example if few or no new entrants are admitted to the Fund), and if the actuarial assumptions are unchanged, then the future service contribution rate will increase.

This funding method is known as the Projected Unit Method.

Employers not admitting new entrants

I have calculated the estimated cost of benefits that will be earned by existing employee members over their expected future working lifetime, allowing for all expected future pay and pension increases. This amount is expressed as a percentage of the members' pensionable salaries over their expected future working life and is known as the 'future service contribution rate'.

This method of assessing the future contribution requirement is applied only to the Fund's membership at the valuation date. If no new entrants are admitted to the Fund, so that the membership profile gradually ages, (and if the actuarial assumptions are unchanged) then the contribution rate assessed at future valuations should be reasonably stable, provided that any surplus or shortfall in the past service position is reflected in the contribution rate.

This funding method is known as the Attained Age Method.

Future service contribution rate: all cases

Under each of the two methods described above to calculate the future service contribution rate, the estimated cost of any lump sum death in service benefits is separately assessed as the amount which is likely to be paid out in an average year, based on the membership structure at the valuation date.

The total 'future service contribution rate' is then the sum of the 'Projected Unit Method' rate or the 'Attained Age Method' rate (whichever is appropriate to the employer) plus the lump sum death benefit cost. It is the rate at which the Fund's employers, together with the employee members, should contribute to the Fund to meet the cost of members' benefits expected to arise from service after the valuation date. Employee members will be contributing at fixed rates (albeit with various tiers). Therefore the employer future service contribution rate is the total future service contribution rate less the member contribution rate. An addition is then made to cover the expected future expenses of administering the Fund.

Appendix E: Assumptions

Financial assumptions

Financial assumptions	31 March 2007 Funding basis (%pa)	31 March 2010 Funding basis (%pa)	31 March 2010 Gilts basis (%pa)
Discount rate	6.1%	6.1%	4.5%
Price inflation	3.2%	3.8%	3.8%
Pay increases*	4.7%	5.3%	5.3%
Pension increases:			
pension in excess of GMP	3.2%	3.3%	3.3%
post-88 GMP	2.8%	2.8%	2.8%
pre-88 GMP	0.0%	0.0%	0.0%
Revaluation of deferred pension	3.2%	3.3%	3.3%
Expenses	0.5%	0.5%	0.5%

*An allowance is also made for promotional pay increases (see table below). Note that the assumption at 31 March 2010 is actually 1% p.a for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

Mortality assumptions

Longevity assumptions	31 March 2010
Longevity - baseline	S1NMA / S1NFA
Longevity - improvements	Medium Cohort with 1% minimum improvements

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants. Full details of these are available on request.

Other demographic valuation assumptions

Retirements in ill health	Allowance has been made for ill-health retirements before Normal Pension Age (see table below).
Withdrawals	Allowance has been made for withdrawals from service (see table below).
Family details	A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.
Commutation	Future retirements are assumed to commute pension into tax-free cash up to 50% of HMRC limits for service to 31 March 2008 and 75% for service thereafter.

The tables below show details of the assumptions actually used for specimen ages. The promotional pay scale is in addition to the allowance for general pay inflation described above. For membership movements, the figures represent the number of members per 1000 that are assumed to leave service within the following twelve months.

Withdrawals for members with less than 2 years service

Age	Incidence for 1000 active members per annum											
	Male Officers Withdrawals		Male Manuals Withdrawals		Female Officers Withdrawals		Female Manuals Withdrawals		Post 98 Males Withdrawals		Post 98 Females Withdrawals	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
20	202.69	337.82	202.69	337.82	192.26	267.03	192.26	267.03	371.61	743.21	256.35	427.25
25	133.89	223.15	133.89	223.15	129.33	179.63	129.33	179.63	245.46	490.92	172.44	287.41
30	94.97	158.29	94.97	158.29	108.39	150.54	108.39	150.54	174.11	348.23	144.51	240.86
35	74.19	123.65	74.19	123.65	93.48	129.84	93.48	129.84	136.01	272.03	124.64	207.74
40	59.70	99.50	59.70	99.50	77.75	107.99	77.75	107.99	109.45	218.90	103.67	172.78
45	48.85	81.42	48.85	81.42	64.00	88.90	64.00	88.90	89.56	179.12	85.34	142.23
50	37.84	63.07	37.84	63.07	48.77	67.74	48.77	67.74	69.37	138.75	65.03	108.38
55	32.79	54.65	32.79	54.65	37.59	52.21	37.59	52.21	60.11	120.23	50.12	83.54
60	19.87	33.12	19.87	33.12	17.47	24.27	17.47	24.27	36.43	72.86	23.29	38.82

Withdrawals for members with more than 2 years service

Age	Incidence for 1000 active members per annum											
	Male Officers Withdrawals		Male Manuals Withdrawals		Female Officers Withdrawals		Female Manuals Withdrawals		Post 98 Males Withdrawals		Post 98 Females Withdrawals	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
20	149.82	249.70	149.82	249.70	142.11	197.37	142.11	197.37	274.67	549.33	189.48	315.79
25	98.96	164.93	98.96	164.93	95.59	132.77	95.59	132.77	181.43	362.85	127.46	212.43
30	70.20	116.99	70.20	116.99	80.11	111.27	80.11	111.27	128.69	257.39	106.81	178.02
35	54.84	91.39	54.84	91.39	69.09	95.97	69.09	95.97	100.53	201.06	92.13	153.54
40	44.13	73.54	44.13	73.54	57.47	79.82	57.47	79.82	80.90	161.79	76.62	127.70
45	36.11	60.18	36.11	60.18	47.31	65.71	47.31	65.71	66.20	132.40	63.08	105.13
50	27.97	46.61	27.97	46.61	36.05	50.07	36.05	50.07	51.28	102.55	48.06	80.10
55	24.24	40.39	24.24	40.39	27.78	38.59	27.78	38.59	44.43	88.86	37.05	61.74
60	14.69	24.48	14.69	24.48	12.91	17.94	12.91	17.94	26.93	53.86	17.22	28.70

Ill health retirements – Tier 1

Age	Incidence per 1000 active members per annum							
	Male Officers & Post 98 Ill Health		Male Manuals Ill Health		Female Officers & Post 98 Ill Health		Female Manuals Ill Health	
	FT	PT	FT	PT	FT	PT	FT	PT
20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	0.00	0.00	0.34	0.27	0.06	0.05	0.39	0.31
30	0.06	0.05	0.55	0.44	0.11	0.08	0.54	0.43
35	0.08	0.07	0.82	0.66	0.21	0.17	0.78	0.62
40	0.15	0.12	1.13	0.91	0.27	0.22	1.08	0.86
45	0.34	0.27	1.64	1.31	0.44	0.35	1.38	1.10
50	0.92	0.74	2.39	1.92	0.86	0.69	2.04	1.63
55	5.10	4.08	10.43	8.35	6.12	4.90	10.37	8.29
60	20.92	16.73	40.67	32.54	24.18	19.35	40.67	32.54

Ill health retirements – Tier 2

Age	Incidence per 1000 active members per annum							
	Male Officers & Post 98		Male Manuals		Female Officers & Post		Female Manuals	
	Ill Health		Ill Health		Ill Health		Ill Health	
	FT	PT	FT	PT	FT	PT	FT	PT
20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	0.00	0.00	1.43	1.14	0.27	0.21	1.66	1.33
30	0.27	0.21	2.32	1.86	0.45	0.36	2.30	1.84
35	0.36	0.29	3.48	2.78	0.89	0.71	3.32	2.65
40	0.62	0.50	4.82	3.86	1.16	0.93	4.59	3.67
45	1.43	1.14	6.96	5.57	1.87	1.50	5.87	4.69
50	4.97	3.98	12.89	10.31	4.64	3.71	10.98	8.79
55	7.12	5.70	14.56	11.65	8.55	6.84	14.47	11.58
60	4.07	3.26	7.91	6.33	4.71	3.76	7.91	6.33

Ill health retirements – Tier 3

Age	Incidence per 1000 active members per annum							
	Male Officers & Post 98		Male Manuals		Female Officers & Post		Female Manuals	
	Ill Health		Ill Health		Ill Health		Ill Health	
	FT	PT	FT	PT	FT	PT	FT	PT
20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	0.00	0.00	0.48	0.38	0.09	0.07	0.55	0.44
30	0.09	0.05	0.77	0.62	0.15	0.12	0.77	0.61
35	0.12	0.07	1.16	0.93	0.30	0.24	1.11	0.88
40	0.21	0.12	1.61	1.29	0.39	0.31	1.53	1.22
45	0.48	0.29	2.32	1.86	0.62	0.50	1.96	1.56
50	0.26	0.16	0.68	0.54	0.24	0.20	0.58	0.46
55	0.37	0.22	0.77	0.61	0.45	0.36	0.76	0.61
60	0.21	0.13	0.42	0.33	0.25	0.20	0.42	0.33

Death in service

Age	Incidence per 1000 active members per annum			
	Male Officers & Post 98	Male Manuals	Female Officers & Post 98	Female Manuals
	Death	Death	Death	Death
20	0.30	0.38	0.16	0.20
25	0.30	0.38	0.16	0.20
30	0.36	0.45	0.24	0.30
35	0.42	0.53	0.40	0.50
40	0.72	0.90	0.64	0.80
45	1.20	1.50	1.04	1.30
50	1.92	2.40	1.52	1.90
55	3.00	3.75	2.00	2.50
60	5.40	6.75	2.56	3.20

Promotional salary scale

Age	Promotional Salary Scales							
	Male Officers & Post 98 Males		Male Manuals		Female Officers & Post 98 Females		Female Manuals	
	FT	PT	FT	PT	FT	PT	FT	PT
20	100	100	100	100	100	100	100	100
25	135	116	100	100	118	105	100	100
30	169	134	100	100	137	111	100	100
35	192	146	100	100	151	116	100	100
40	208	153	100	100	163	121	100	100
45	222	154	100	100	166	122	100	100
50	236	154	100	100	166	122	100	100
55	239	154	100	100	166	122	100	100
60	239	154	100	100	166	122	100	100

Appendix F: Comparison of valuation results with 2007

The tables below summarise the valuation results for the Fund as a whole at this valuation and at the previous valuation.

Valuation Date	31 March 2007	31 March 2010
Past Service Position	*(£m)*	(£m)
Past Service Liabilities		
Employees	*355*	399
Deferred Pensioners	*154*	205
Pensioners	*290*	355
Total Liabilities	*798*	960
Market Value of Assets	*620*	664
Surplus / (Deficit)	***(178)***	**(296)**
Funding Level	*77.7%*	69.2%

Valuation Date	31 March 2007	31 March 2010
Future service rate	*% of pay*	% of pay
Cost of new benefits earned in future	*20.6%*	23.6%
Expenses	*0.5%*	0.5%
Total	*21.1%*	24.1%
Employee contribution rate	*6.7%*	6.8%
Future service rate	***14.4%***	**17.3%**

Appendix G: Post-valuation events

Post-valuation events

These valuation results are effectively a snapshot of the Fund as at 31 March 2010. Since that date, various events have had an effect on the financial position of the Fund. Whilst we have not explicitly altered the valuation results to allow for these events (other than for the switch from RPI to CPI-based pension increases) a short discussion of these "post-valuation events" can still be beneficial in understanding the likelihood of meeting the various funding objectives.

Investment conditions since 31 March 2010

In the period since the valuation date, investment markets moved in the following manner:

- equity markets have risen slightly
- bond yields have fallen slightly
- price inflation has fallen slightly

The table below compares the initial valuation results presented in this report with those that would have applied if our assumptions had been based on current market conditions (i.e. assumptions as at 31 January 2011).

Assumptions as at:	*31 March 2010*	31 January 2011
Past Service Position	***(£m)***	**(£m)**
Total Liabilities	*960*	1001
Market Value of Assets	*664*	684
Surplus / (Deficit)	***(296)***	**(317)**
Funding Level	*69.2%*	**68.3%**
Contribution rates	***% of pay***	**% of pay**
Future service rate	*17.3%*	16.8%
Past service adjustment (20 year spread)	*11.2%*	11.0%
Total contribution rate	*28.5%*	**27.8%**

Lord Hutton review of public sector pensions

As you will be aware, the Government has set up an independent review of public sector pensions including the LGPS, chaired by Lord Hutton. This review will look at issues such as affordability, fairness, impact on mobility and plurality of current public service provision.

Ultimately, this review may or may not recommend changes to the LGPS. These could have far-reaching effects on the Fund. However, at this point in time the possibilities are so wide-ranging that it would be inappropriate to make any allowance for this in the results of this particular valuation. If that situation changes then we will keep you informed of the likely impact of any proposals from Lord Hutton on the Fund's financial position, as and when they arise.

Appendix H: Rates and adjustments certificate

In accordance with regulation 36(1) of the Administration Regulations I have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2011 to 31 March 2014 in order to maintain the solvency of the Fund.

The required minimum contribution rates are set out in the table below.

Signature:	
Date:	16 February 2011
Name:	Bryan T Chalmers
Qualification:	Fellow of the Institute and Faculty of Actuaries
Firm:	Hymans Robertson LLP
	20 Waterloo Street
	Glasgow
	G2 6DB

Statement to the rates and adjustments certificate

The Common Rate of Contribution payable by each employing authority under regulation 36(4)(a) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 is 28.5%of pensionable pay (as defined in **Appendix B**).

Individual Adjustments are required under regulation 36(4)(b) of the Administration Regulations for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below:

Employer code	Employer name	Contributions currently being paid in 2010/11	Minimum Contributions for the Year Ending 31 March 2012	31 March 2013	31 March 2014
1	Haringey Council	22.9%	22.9%	22.9%	22.9%
3	Age Concern Haringey	33.8%	22.6% plus £32,000	22.6% plus £32,000	22.6% plus £34,000
5	College of Enfield and North East London	19.9%	17.2% plus £303,000	17.2% plus £468,000	17.2% plus £662,000
7	Haringey Citizens Advice Bureaux	19.6%	21.7% plus £22,000	21.7% plus £22,000	21.7% plus £23,000
8	Alexandra Palace Trading Co Ltd	18.7%	23.% plus £41,000	23.% plus £41,000	23.% plus £43,000
11	Urban Futures London Ltd	17.4%	19.5% plus £28,000	19.5% plus £29,000	19.5% plus £30,000
13	Greig City Academy	13.0%	16.8% plus £8,000	16.8% plus £8,000	16.8% plus £8,000
18	Homes for Haringey	15.4%	18.3% plus £69,000	18.3% plus £70,000	18.3% plus £74,000
19	John Loughborough	17.2%	18.9%	18.9%	18.9%
20	TLC at Coopercroft	19.0%	25.4%	25.4%	25.4%
22	Fortismere School	18.1%	19.2% plus £25,000	19.2% plus £25,000	19.2% plus £27,000
23	RM Education PLC	12.3%	17.6%	17.6%	17.6%
25	Ontime Parking Solutions	21.4%	22.1%	22.1%	22.1%
26	ESSL	28.0%	24.6%	24.6%	24.6%

Further comments

The monetary amounts in the years ending 31 March 2013 and 31 March 2014 have been increased at the rate of 1% for 2 years from April 2011 and 5.3% p.a. thereafter.

Contributions expressed as a percentage of payroll should be paid into London Borough of Haringey Pension Fund ('the Fund') at a frequency in accordance with the requirements of the Regulations.

Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentation using methods and factors issued by me from time to time.

Further sums may be required to be paid to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those included within my assumptions.

The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

The assets and liabilities of Capita Business Services, CSS (Haringey) Ltd, Haringey Magistrates Courts Committee, Jarvis Workspace FM, Trident Safeguards Ltd, Initial Catering Services Ltd, Harrisons Catering Ltd and OCS Group UK Ltd have been pooled with those of Haringey Council.

Stabilisation

The following employers have had their contribution rates stabilised following a separate modelling exercise that I carried out on their behalf:

Employer code	Employer name
1	Haringey Council

APPENDIX 2
London Borough of Haringey Pension Fund
Funding Strategy Statement

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Haringey Pension Fund, ("the Fund") that is administered by Haringey Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. This revised version replaces the previous Funding Strategy Statement and is effective from 31 March 2011.

1.1 Regulatory Framework

Scheme members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level that covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework that includes:

- the Local Government Pension Scheme Administration Regulations 2008 (regulations 35, 36 and 38 are particularly relevant);
- the Rates and Adjustments Certificate, which can be found appended to this statement in Annex A and the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions, provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

The key requirements relating to the FSS are that:

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS the administering authority must have regard to :
    - FSS guidance produced by CIPFA

  - It's Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

The Fund's actuary must have regard to the FSS as part of the fund valuation process.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years in conjunction with triennial valuations being carried out, with the next full review due to be completed by 31 March 2014. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Nicola Webb in the first instance at Nicola.webb@haringey.gov.uk or on 020-8489-3726.

2. Purpose

2.1 Purpose of FSS

The Department for Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- *"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*
- *to take a prudent longer-term view of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis across a range of employers participating in the Fund.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund (and of the share of the Fund notionally allocated to individual employers);
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate* (see regulation 36(4) of the Local Government Pension Scheme (Administration) Regulations 2008), for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the surplus or deficit under (b) is currently spread over a period of 20 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer (see regulation 36(7) of the Local Government Pension Scheme (Administration) Regulations 2008). It is the adjusted contribution rate which employers are actually required to pay. The sorts of "peculiar" factors which are considered are discussed in Section 3.5.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods. For some employers if may be agreed to pool contributions, see Section 3.7.8.

Annex A contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It also identifies if employers' contributions have been pooled with others.

Any costs of early retirements other than on the grounds of ill-health must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should agree with the Administering Authority before making one-off capital payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's *ongoing funding basis.* This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation for all employers in the Fund. The on-going funding basis assumes employers in the Fund are an on-going concern and is described in the next section. The Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority.

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The time horizon of the funding target may vary by employer depending on the expected duration of their participation in the Fund. Please refer to paragraph 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experiences of LGPS funds advised by the Fund Actuary. It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. Allowance has been made in the ongoing valuation basis for future improvements in line with "medium cohort" and a 1% minimum underpin to future reductions in mortality rates.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profiles of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from the Fund's assets in excess of gilts. There is, however, no guarantee that assets will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

In light of the statutory requirement for the Actuary to consider the stability of employer contributions, it is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2010 valuation, it is assumed that the Fund's investments will deliver an average real additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. The long term in this context would be 20 to 30 years or more. In the opinion of the Fund Actuary, based on the current investment strategy of the Fund, an asset out-performance assumption (AOA) of 1.6% p.a. is within a range that would be considered acceptable for the purposes of the funding valuation.

Pay for public sector employees will be frozen by Government until 2012, with a flat increase of £250 being applied to all those earning less than £21,000 p.a. Although this "pay freeze" does not officially apply to local government employers, it has been suggested that they are expected to show similar restraint in respect of pay awards. Based on an analysis of the membership in LGPS funds, the average expected increase in pensionable pay across all employees should be around 1% p.a. for the next two years. Therefore the salary increase assumption at the 2010 valuation has been set to 1% p.a. for 2010/11 and 2011/12 for all employers. After this point, the assumption will revert back to RPI plus 1.5% p.a, as adopted for the previous valuation, although this will be subject to monitoring by the actuary to the Fund.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index (CPI) rather than the retail prices index (RPI) will be the basis for future increases to public sector pensions in payment and in deferment. This proposed change has been allowed for in the valuation calculations as at 31 March 2010.

At the 2007 valuation, the assumption for RPI was derived from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. At this valuation, we propose to adjust this market-derived rate downwards by 0.5% p.a. to allow for the "formula effect" of the difference between RPI and CPI. Basing pension increases on CPI rather than RPI will serve to reduce the value placed on the Fund's liabilities.

The demographic assumptions vary by type of member and so reflect the different membership profiles of employers. The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The future service rate has been calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable as a whole.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* with a one year control period. This method calculates the contribution rate which meets the cost of benefits accruing in the year after the valuation date.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is normally adopted. This method anticipates the ageing of the membership and, for a closed employer, would lead to a stable total contribution rate if the assumptions are borne out in practice. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, part-time/full-time, manual/non manual);
- the effect of any changes to the valuation basis from the one used in the previous valuation, on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death;
- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between the 2007 and 2010 valuations and each subsequent triennial valuation period.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, including, but not limited to:

- the actual timing of employer contributions within any financial year; and
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole Fund between the employers (or pool of employers) at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer or pool of employers. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Solvency issues and target funding levels

In setting employer contribution rates, the Administering Authority must balance the aims of stability and affordability with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. The more secure the employer, the more emphasis can be placed on stability of employer contributions without jeopardising the Administering Authority's commitment to prudent stewardship of the Fund. For the most secure, long term employers an explicit stabilisation overlay based on a risk-based, stochastic valuation approach is used (see para 3.7.2).

For less secure and shorter term employers (principally, but not exclusively, the admission bodies) it is generally not possible to achieve the same degree of stability in employer contribution rates without compromising on prudent stewardship. However, other measures such as re-lengthening deficits recovery periods, phasing in of employer contribution increases or pooling help achieve a greater degree of stability of employer contributions than would otherwise be the case. Further, in cases where employers provide additional security to the Fund, the Administering Authority may, at its discretion, be prepared to agree to employer contributions below the theoretical rate derived from the valuation results.

The Administering Authority's policies in respect of the use of these approaches are set out in the remainder of 3.7 and in 3.8 below.

3.7.2 *Stabilisation*

For the most secure, long term employers there is an explicit stabilisation overlay. The stabilisation mechanism analyses a number of metrics over the long-term including the evolution of the funding level to check the likelihood of achieving the solvency of the Fund over the longer-term under a variety of contribution strategies. This analysis enables the Administering Authority to reduce the effect of short term investment market volatility on the contribution rates of eligible employers.

Stabilisation overlay rules and eligibility

Under the stabilisation overlay, variations in the employer contribution rate from year to year are kept within a pre-determined range so that eligible employers' contribution rates can remain relatively stable. Only precepting employers are eligible for stabilisation.

The stabilisation overlay rules for eligible employers are

- No increases for the period 1 April 2011 to 31 March 2014; and
- Maximum change of 1% p.a. thereafter.

Notes:

1) Increases and reductions apply over the three year period between valuations;
2) Increases and reductions are relative to rates certified at the previous valuation.

Circumstances in which eligibility for stabilisation will be reviewed

- The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

- Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact (such as the change with effect from April 2011 from RPI to CPI for increases to pensions in payment).

- The stabilisation rules and eligibility criteria will be reviewed no later than at the 31 March 2013 valuation, with any changes in contribution strategy taking effect from 1 April 2014. The review will take into account factors including, but not necessarily restricted to, market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2013), the

Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

Setting the parameters of the stabilisation overlay

The parameters for the stabilisation overlay have been determined by carrying out an asset liability modelling exercise. This allows for the future uncertainty in investment returns, interest rates and inflation using a stochastic modelling technique. The actuary tested the contribution stabilisation rules to ensure that they were compatible with the current investment strategy. He has advised the Administering Authority that the stabilisation overlay for secure long term secure employers satisfies the requirement for the funding strategy to take a prudent longer-term view based on a reasonably prudent ongoing funding basis.

3.7.3 *Deficit Recovery Periods*

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below unless otherwise agreed by the Administering Authority and the Fund's actuary.

Type of Employer	**Maximum Length of Deficit Recovery Period**
Statutory bodies with tax raising powers	A period to be agreed with each employer not exceeding 20 years.
Scheduled Bodies	A period to be agreed with each employer depending on the strength of their covenant, but not exceeding 20 years.
Community Admission Bodies with funding guarantees	A period to be agreed with each employer depending on the terms of the guarantee, but not exceeding 20 years.
Transferee Admission Bodies	The period from the start of the revised contributions to the end of the employer's contract.
All other types of employer	A period to be agreed with each employer depending on the strength of their covenant; this will generally be equivalent to the expected future working lifetime of the remaining scheme members.

This *maximum* period (unless otherwise agreed by the Administering Authority and the Fund's actuary) is used in calculating each employer's *minimum* contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for 2010 valuation).

3.7.4 Deficit Recovery Payments

For employers where stabilisation is not being applied, the deficit recovery payments for each employer covering the three year period until the next valuation will usually be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is an admitted body with a relatively large deficit recovery contribution rate, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

3.7.5 Surplus Spreading Periods

For any employer deemed to be in surplus, the approach is to maintain contributions at no less than the assessed future service level. At the Administering Authority's discretion however, employers may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.

However if they take the full benefit of their surplus re-payments then their ability to withstand future adverse shocks in the 2013 valuation will be diminished. Employers should consider carefully whether or not to take the full benefit of their current surplus.

3.7.6 Phasing in of Contribution Rises

Transferee Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises over a three year period providing they pay a minimum of the future service rate.

3.7.7 Phasing in of Contribution Reductions

Any contribution reductions will be phased in over three years for all employers except Transferee Admission Bodies who can take the reduction with immediate effect.

3.7.8 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2007 valuation, or to phase-in contribution changes, will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Therefore, deferring paying contributions will lead to higher contributions in the long-term (depending on the actual financial and demographic performance of the Fund relative to the valuation assumptions).

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.7.9 Pooled Contributions

The Administering Authority currently allows Haringey Council to pool the legacy liabilities and assets that remain when an employer leaves the Fund. The Administering Authority will consider the arguments for pooling on a case by case basis, but in general does not permit the pooling of contribution rates.

3.7.10 Regular Reviews

The Administering Authority reserves the right to review contribution rates and amounts and the level of security provided, at regular intervals. These intervals may be annual, in the case of Admission Bodies and/or in the last few years of the employer's contract. Such reviews may be triggered by significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions payable (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), an increased level of security or guarantee, or some combination of these.

3.8 Admission Bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point.

The Fund, however, considers any of the following as triggers for the termination of an admission agreement:

- Last active member ceasing participation in the LGPS;

- The insolvency, winding up or liquidation of the admission body;
- Any breach by the Admission Body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the admission body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the admission body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the admission agreement by giving the appropriate period of notice as set out in the admission agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non-Transferee Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. In order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis and could give rise to significant payments being required.

(c) For Admission Bodies with guarantors or a successor body, it is possible that any deficit could be transferred to the guarantor/successor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor/successor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

As an alternative to (b) above where the ceasing Admission Body is continuing in business, the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing Admission Body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond or indemnity or guarantor, then:

a. In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period.

b. In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date.

3.9 <u>Early Retirement Costs</u>

3.9.1 *Non Ill Health retirements*

The actuary's funding basis makes no allowance for premature retirement except on the grounds of ill-health. All employers are required to pay additional contributions wherever an employee retires "early" (see below) with no reduction to their benefit or receives an enhanced pension on retirement.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".

The additional costs of premature retirement are calculated by reference to these ages. Employers must make these additional contributions as a one off payment to the Fund immediately on awarding the early retirement.

3.9.2 Ill health monitoring

The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative number of ill health retirements in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as applies for non ill-health cases.

3.9.3 Ill health insurance

Employers have the ability to insure ill health early retirement strains through a policy that can currently be arranged with Legal & General. Where this insurance is effected:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged;
- there is no need for monitoring of allowances.

3.10 <u>New admitted bodies</u>

The Fund requires the following from any potential Admission Bodies wishing to join the Fund.

Transferee Admission Bodies will be required to have a guarantee from the transferring scheduled body and also provide a bond if requested by the Administering Authority. The bond is required to cover the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the employer's contract
- allowance for the risk of asset underperformance
- allowance for the risk of a fall in gilt yields
- allowance for unpaid contributions

The employer may also be required to include their current deficit within the bond amount. The bond will be reassessed on an annual basis.

When the Administering Authority considers requests from Community Admission Bodies to join the Fund, they will be seeking sponsorship for the Body from a scheduled body with tax raising powers guaranteeing their liabilities and also if appropriate a bond.

This reduces the risk to the Fund of potentially having to pick up any shortfall in respect of Admission Bodies.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property. As at 31 March 2010, the proportion held in equities and property was 72% of the total Fund assets.

The investment strategy of lowest risk would be one which provides cash-flows which replicate the expected benefit cash-flows (i.e. the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply. It is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund, the asset outperformance assumption is within a range that would be considered acceptable for the purposes of the funding valuation and consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities (see para 2.1). The same financial assumptions are adopted for all employers which fund on the ongoing basis. However, low risk financial assumptions are adopted for all employers which fund on the low risk basis.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and asset returns may fall short of this target. The stability measures described in Section 5 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities.

4.4 Inter-valuation monitoring of funding position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of annual interim valuations. If appropriate, investigations will also be made into the individual employer funding positions.

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Regulatory; and
- Governance.

5.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Analyse progress at three yearly valuations for all employers.* *Annual interim valuations.*
Inappropriate long-term investment strategy	*Set a Fund-specific benchmark following receipt of professional investment advice.*
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	*Inter-valuation monitoring, as above.* *Some investment in bonds helps to mitigate this risk.*
Active investment manager under-performance relative to benchmark	*Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark and target.*
Pay and price inflation significantly more than anticipated	*The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.* *Inter-valuation monitoring, as above, gives early warning.* *Some investment in index linked bonds also helps to mitigate this risk.* *Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.*
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	*Seek feedback from employers on scope to absorb short-term contribution rises.* *Mitigate impact through deficit spreading and phasing in of contribution rises.*

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Ill-health retirements significantly more than anticipated.	*Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built in.*
Pensioners living longer.	*Set mortality assumptions with some allowance for future increases in life expectancy.* *Fund actuary monitors combined experience of around 50 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.*
Deteriorating patterns of early retirements.	*Employers are charged the extra capital cost of non ill health retirements following each individual decision.* *Employer ill health retirement experience is monitored.*
Maturing Fund i.e. proportion of actively contributing employees declines relative to retired employees.	*Continue to monitor at each valuation, consider seeking monetary amounts rather than percentage of pay and consider alternative investment strategies.*

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	*The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.* *The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate.* *The Administering Authority will consult employers where it considers that it is appropriate*
Changes to national pension requirements and/or HM Revenue and Customs rules e.g. effect of abolition of earnings cap for post 1989 entrants from April 2006, abolition of 85 year rule and new 2008 scheme	

5.5 Governance

Risk	**Summary of Control Mechanisms**
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	*The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions (under Regulation 38) between triennial valuations* *Deficit contributions are expressed as monetary amounts and percentages (see Annex A).*
Administering Authority not advised of an employer closing to new entrants.	
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	*The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.* *It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.*
An employer ceasing to exist with insufficient funding or adequacy of a bond.	*The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.* *The risk is mitigated by:* • *Seeking a funding guarantee from another scheme employer, or external body, wherever possible.* • *Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.* • *Vetting prospective employers before admission.* • *Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed.*

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2010 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2010 valuation report are based on the deficit recovery periods and phasing periods shown in the table below.

Employer code	Employer name	Contributions currently being paid in 2010/11	Minimum Contributions for the Year Ending		
			31 March 2012	31 March 2013	31 March 2014
1	Haringey Council	22.9%	22.9%	22.9%	22.9%
3	Age Concern Haringey	33.8%	22.6% plus £32,000	22.6% plus £32,000	22.6% plus £34,000
5	College of Enfield and North East London (CHENEL)	19.9%	17.2% plus £303,000	17.2% plus £468,000	17.2% plus £662,000
7	Haringey Citizens Advice Bureaux	19.6%	21.7% plus £22,000	21.7% plus £22,000	21.7% plus £23,000
8	Alexandra Palace Trading Co Ltd	18.7%	23.0% plus £41,000	23.0% plus £41,000	23.0% plus £43,000
11	Urban Futures London Ltd	17.4%	19.5% plus £28,000	19.5% plus £29,000	19.5% plus £30,000
13	Greig City Academy	13.0%	16.8% plus £8,000	16.8% plus £8,000	16.8% plus £8,000
18	Homes for Haringey	15.4%	18.3% plus £69,000	18.3% plus £70,000	18.3% plus £74,000
19	John Loughborough	17.2%	18.9%	18.9%	18.9%
20	TLC at Coopercroft	19.0%	25.4%	25.4%	25.4%
22	Fortismere School	18.1%	19.2% plus £25,000	19.2% plus £25,000	19.2% plus £27,000
23	RM Education PLC	12.3%	17.6%	17.6%	17.6%
25	Ontime Parking Solutions	21.4%	22.1%	22.1%	22.1%
26	ESSL	28.0%	24.6%	24.6%	24.6%

Annex B – Responsibilities of Key Parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a Funding Strategy Statement and Statement of Investment Principles, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend Funding Strategy Statement and Statement of Investment Principles as necessary;
- prepare annual accounts and get these audited, control cash flow and administration costs.

The Individual Employer should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, excess ill-health early retirements if appropriate;
- notify the administering authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

The Pensions Committee should:

- carry out statutory functions relating to local government pensions under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972. Broadly this enables them to oversee the general framework within which the Fund is managed
- monitor investment and administration performance
- carry out regular reviews of investments and investment strategy
- determine and keep under constant review, an overall asset allocation policy for the Fund, including appointment and termination of fund managers
- consider appropriate professional advice on all matters with a material impact on the Scheme
- approve significant internal decisions and documents for the scheme including the valuation, Annual Report and Accounts and the FSS, and
- determine and keep under constant review, all policies and strategies of the Fund.

Document is exempt

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