

13 December 2011

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Monday, 19th December, 2011

Please find attached the financial comments to agenda item 5, Pensions Reform DCLG, Consultation paper, which were omitted in error .

Yours sincerely

Ayshe Simsek  
Principal Committee Co-ordinator  
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**8 Chief Financial Officer Comments**

- 8.1** The Fund Actuary has confirmed that given the underperformance of the Fund's investments relative to the assumption made in the last actuarial valuation, it will not be possible to reduce the employer contribution rate paid to the Fund. Therefore there will be no short term saving to the employers in the Fund if employee contributions are increased.
- 8.2** If an increase in employee contributions results in significant opt-outs, this will have an impact on the Pension Fund's cashflow. Currently contributions coming in are sufficient to cover benefit payments going out, but significant opt-outs would result in a reduction in contributions and therefore a negative cashflow. This would mean an investment strategy would need to be set which enables the withdrawal of cash every month to cover the Fund's benefit payments. Such a strategy is likely to lead to a lower rate of return and so more of the deficit would need to be funded by employers.

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