

Actuarial Valuation at 31 March 2010

Hampshire County Council Pension Fund

30 March 2011



Prepared for

Hampshire County Council
The Administering Authority of the Hampshire County Council Pension Fund

Prepared by

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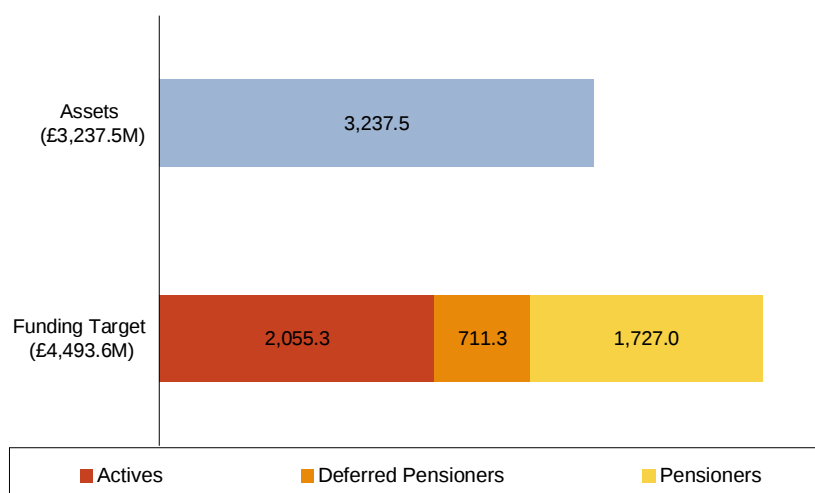
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Executive Summary

Valuation results

The financial position of the Fund was assessed against the **funding target** at 31 March 2010.

There is a **shortfall** of £1,256.1M relative to the **funding target** (i.e. the level of assets agreed by the Authority and the Actuary as being consistent with the **Funding Strategy Statement** appropriate to meet member benefits, assuming the Fund continues as a going concern).



Contribution rates

The aggregate Employer **future service contribution rate** is calculated to be 13.2% of Pensionable Pay.

The aggregate Employer contribution rate required to restore the **funding ratio** to 100%, using a recovery period of 25 years from 1 April 2011 is calculated to be 19.7% of Pensionable Pay. The comparable figure at the previous valuation was 19.2% of Pensionable Pay, as set out on page 26 of the 2007 valuation report.

Rates of contributions payable by each Employer (or group of Employers) may differ, because they take into account their particular membership profiles and **funding ratios** and the assumptions and **recovery periods** are specific to their circumstances.



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1. Introduction

Formal valuation

We have carried out an actuarial valuation of the Hampshire County Council Pension Fund at 31 March 2010, as required by Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

The main purpose of the valuation exercise is to review the financial position of the Fund and to recommend the contribution rates payable to the Fund in the future (which is essentially a **planning exercise**).

The valuation process includes setting assumptions. Such matters were considered before this report was produced and are only discussed briefly in this report.

Defined contribution benefits

Throughout the body of this report we have excluded the assets for defined contribution ('DC') AVC accounts from both the assets and from the liability measures, because in our view this provides a clearer picture. If they were to be included it would make no difference to the absolute level of **shortfall**, but it would increase the percentage **funding ratios** from those shown in the main body of this report. Similarly we have excluded AVCs from the contribution rates given in this report.

A snapshot view

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

Words used

Our report includes some technical pension terms. The words shown in bold print are explained further in the glossary and in section 4.

For brevity, we have also used the following shorthand:

Shorthand	What it means
Authority	Hampshire County Council, in its role as the Administering Authority
Pensionable Pay	Pensionable pay as defined in the Benefit Regulations
Pensionable Service	Periods of membership, as defined in the Benefit Regulations
Benefit Regulations	The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as subsequently amended)
1997 Regulations	The Local Government Pension Scheme Regulations 1997 (as subsequently amended)
Administration Regulations	The Local Government Pension Scheme (Administration) Regulations 2008 (as subsequently amended)
Transitional Regulations	The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as subsequently amended)
Regulations	The 1997 Regulations, Benefit Regulations, Transitional Regulations or Administration Regulations as appropriate
Fund	Hampshire County Council Pension Fund
Employers	All bodies with employees participating in the Fund
Valuation Date	31 March 2010



**Legal and actuarial
framework**

The report was commissioned by and is prepared solely for the Authority. It meets professional guidance requirements. Please see Appendix A "Legal and Actuarial Framework" for further details.

2. What's Happened Since the Previous Valuation

Purpose of section

This section summarises what has happened since the previous valuation.

Headlines from previous valuation

The previous valuation at 31 March 2007 revealed that:

- There was a **shortfall** of £891.0M relative to the **Funding Target** for that valuation. This corresponded to a **funding ratio** of 77%.
- The aggregate Employer **future service contribution rate** was 14.5% of Pensionable Pay.

After allowing for short term assumed additional investment returns for some Employers and additional contributions to restore the **funding ratio** to 100% over a period of 25 years from 1 April 2008, the aggregate Employer contribution rate was calculated to be 19.2% of Pensionable Pay, as set out on page 26 of the 2007 valuation report. (Additional amounts were also payable by Employers where **strains** occurred on early retirement).

Following discussion of these results, the Authority agreed that Employers could phase in the new contribution rates by use of up to three annual steps.

Hampshire County Council has paid the following rates of contribution (expressed as a percentage of Pensionable Pay) since the previous valuation:

Year commencing 1 April 2008 18.1%

Year commencing 1 April 2009 18.6%

Year commencing 1 April 2010 19.1%

The formal report dated 28 March 2008 signed by Tim Lunn FIA and David Marsh FIA of Hewitt Bacon & Woodrow Limited includes further information.

Key developments

The financial health of the Fund depends fundamentally on how much cash is paid in, how well the assets perform and are expected to perform, and on what benefits are paid out and are expected to be paid out. The key developments since the previous valuation therefore include:

- The amount of contributions paid to the Fund.
- The actual returns on the Fund's investments.
- Any changes to future expectations of benefit payments or investment returns.

Contributions

Contributions were paid to the Fund as described above. These contributions exceeded the cost of benefit accrual and so have acted to improve the position. Further details are provided in Section 6.

Investment returns

Investment returns have been lower than anticipated which have worsened the position since the last valuation.

Future expectations of benefit payments and investment returns

Investigations have generally shown faster than anticipated improvements in longevity, which have increased the future expected levels and durations of benefit payments.

Some significant benefit changes were made with effect from 1 April 2008. These were taken into account in the previous valuation.

In the Emergency Budget in June 2010, the Chancellor announced a change to the inflation indexation of pension schemes, including the Local Government Pension Scheme. In future, pensions will be linked to increases in the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as previously. We have allowed for this change in this valuation.

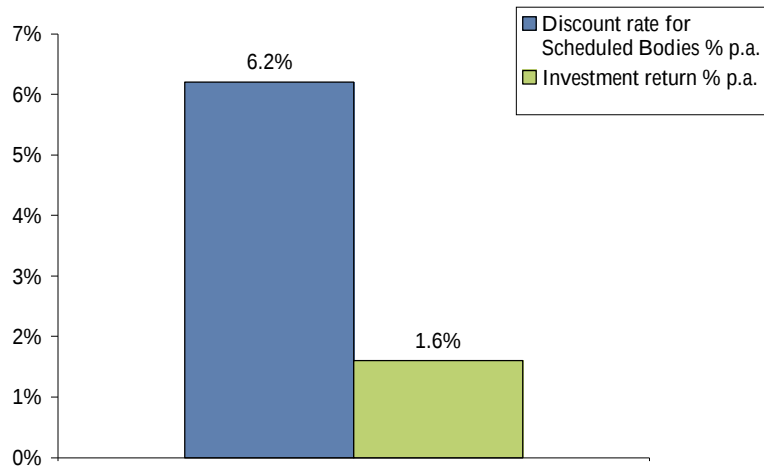
A key aspect over the last three years was the deterioration in the economic environment which has materially affected assumed future investment returns. The impact of this is shown below, and discussed later in this report.

Financial development

A variety of factors affect the financial position of the Fund, including investment returns, changes in the anticipated investment returns as indicated by yields on long dated gilts, pension increases and pay increases. To illustrate the Fund's financial development since the previous valuation, we have compared in the charts below:

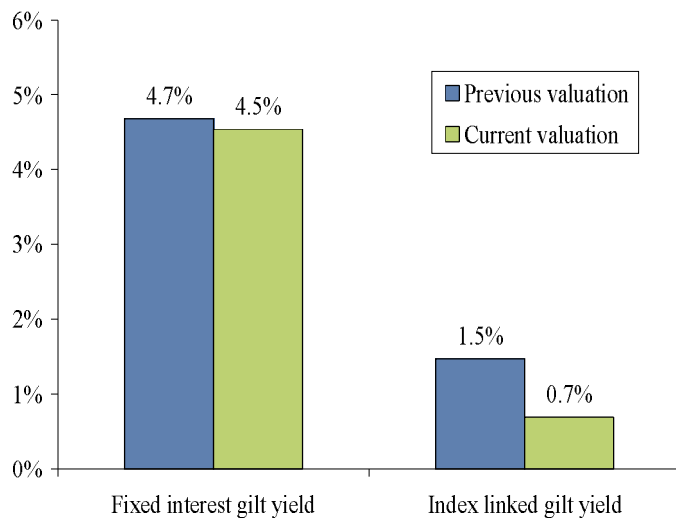
- The investment return achieved on the Fund's assets with the **discount rate** used at the previous valuation to calculate the **funding targets** for Scheduled Bodies (which make up the bulk of the Fund's liabilities).
 - The yield on long dated index linked government stocks (gilts) and fixed interest gilts at the previous valuation with the yields at this valuation.
 - The assumptions made at the previous valuation for pension and pay increases with what actually happened.
-

Key experience items – investment returns



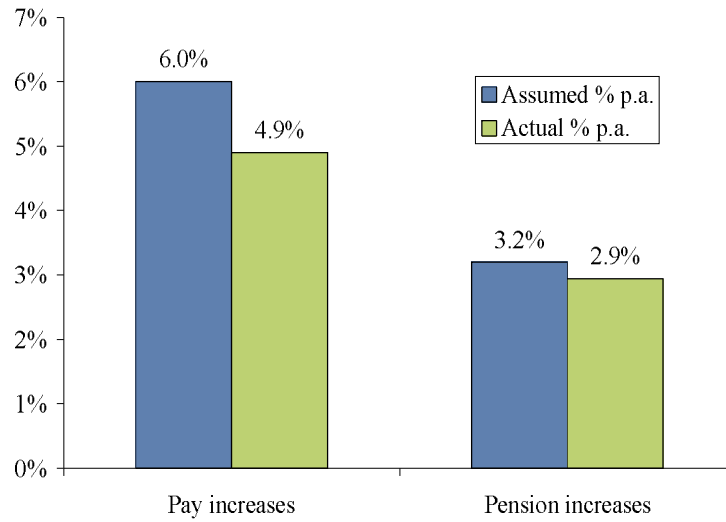
The average investment return has been significantly lower than the **discount rate** assumed due to the poor performance of the investment markets.

Key experience items – gilt yields



The yield on long dated fixed interest gilts at the Valuation Date is broadly the same as at the previous Valuation Date. However the yield on index linked gilts has fallen in absolute terms and relative to fixed interest gilt yields leading to an increase in implied price inflation.

**Key experience items –
pay and pension
increases**



Increases to pay and pensions in payment were slightly lower than assumed. Note that the pay analysis above includes the impact of promotional pay increases.

Impact on results

Where material, the estimated financial impact of the developments described in this section is shown in section 6.

3. Information Used

Key information

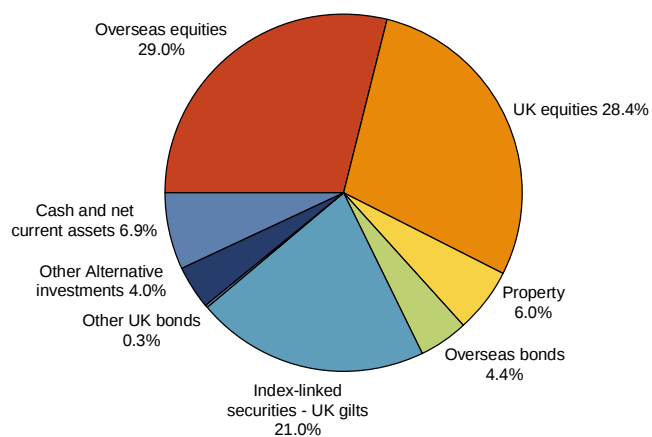
To carry out the valuation, we have obtained information on:

- The assets held by the Fund.
- How benefit entitlements are calculated.
- Member data.

This section sets out a high level summary of the information used. Further details are included in Appendices B, C, D, and E.

Assets

The Fund's assets had an audited market value of £3,237.5M (excluding AVC accounts) at the Valuation Date.



A more detailed breakdown is shown in Appendix B.

Benefits valued

Members are entitled to benefits defined in the Regulations. A summary of the benefits taken into account in this valuation is set out in Appendix C.

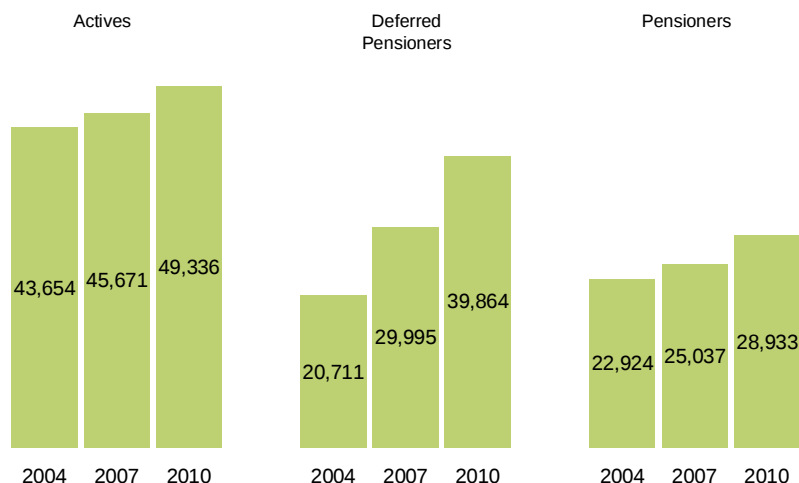
Employers within the Fund have discretion over payment of certain benefits. It is not practical to make allowance for the policies of each Employer in this regard. However, because most of the benefits which are discretionary are financed as they occur, the financial impact on this valuation is minimal. We have therefore made no specific allowance for these discretions.

For the purposes of this valuation, we have assumed that members will remain in the contribution band to which they are currently allocated. Members' current contribution band was supplied to us in the membership data.

Membership data

The valuation calculations use membership data supplied by Hampshire County Council at 31 March 2010.

The following chart illustrates how the membership profile is evolving. Please see Appendices D and E for more comprehensive summaries.



Note: the deferred pensioners figures exclude members who had yet to decide whether to take a transfer payment.

Reliability of information

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

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

However, the results in our report rely entirely on the accuracy of the information supplied. If you believe the data we have used may be incomplete or inaccurate, please let us know.

4. Funding Target — The Principles

Terms used in this report

Here is a summary of the main terms used in this report. Further details are set out in the Glossary:

Summary of Terms

Funding Principle	To hold sufficient and appropriate assets to meet the benefits as they fall due.
Funding Target	The target level of assets that the Actuary and Authority have agreed is appropriate to meet promised benefits.
Funding Objective	To hold sufficient and appropriate assets to meet the funding target .
Funding Strategy Statement	A written statement of the Authority's policy for meeting the funding principle . The Actuary must have regard to the Funding Strategy Statement in carrying out this valuation.
Recovery Plan	A plan of action for correcting a surplus or shortfall over an agreed period.
Rates and Adjustments Certificate	A certificate setting out what contributions are payable by each Employer over the three years from 1 April 2011.

Four principles

The Actuary and the Authority have agreed the following four principles:

Principle 1—What funding target to use

To calculate the **funding target**:

- For each year into the future, the benefits paid out by the Fund are estimated.
- A target level of assets is agreed on, that is appropriate to meet the expected benefit payments. The conventional approach here is to 'discount back' the expected benefit payments to the Valuation Date, using an agreed rate of interest known as the **discount rate**.

These two steps require a method to be chosen and assumptions to be made (e.g. how long members live) in order to arrive at a value for the **funding target**. The method and assumptions used for the **funding target** are shown in section 5.

Principle 2—What contributions to pay for future benefits

There are several funding methods recognised by the actuarial profession. These result in different calculations of the **future service contribution rate**. The funding methods used are set out in section 5 and explained in the Glossary.

Principle 3—How to address any shortfall

As the third principle requiring agreement, a decision must be taken on how any **shortfall** is addressed. Details of the agreed approach are given in section 5.

Principle 4 – How to allow for unanticipated strains on the Fund

As the fourth principle requiring agreement, a decision must be taken on how any **strains** arising as a result of events such as early retirement will be dealt with. Details of the agreed approach are given in section 9 and in Appendix L.

5. Funding Target — Method and Assumptions

Purpose of section Building on the previous section which set out the principles to be agreed, this section fills in some of the key details of the method and assumptions used for the **funding target**, the **future service contribution rate** and the **recovery plan**. These have been agreed by the Authority. The assumptions are expanded further in Appendix F.

We also describe where the approach taken for this valuation differs from that used for the previous valuation.

Key financial assumptions Here is a summary of the key financial assumptions. In our opinion these are compatible with taking the assets at market value.

Key Financial Assumptions

Assumption	This valuation (% p.a.)	Previous valuation (% p.a.)	Comments on assumptions for this valuation
Long dated gilt yields			
▪ Fixed interest gilts	4.5	4.7	For this valuation, derived from Bank of England yield curves at duration appropriate for the Fund's liabilities. For the previous valuation the yields were derived from the gross redemption yield on published indices.
▪ Index linked gilts	0.7	1.5	
Price inflation			
▪ Retail Prices Index (RPI)	3.8	3.2	This has been set using the level of inflation implied by the gilt markets at the Valuation Date (as measured by the above gilt yields).
▪ Consumer Prices Index (CPI)	3.3	n/a	This has been set as 0.5% p.a. lower than the RPI. This deduction has been set having regard to the estimated difference between RPI and CPI (over 20 years as at 31 March 2010) arising from the difference in the calculation approach between the two indices. Note that this estimate will vary from time to time.
Pension increases			
▪ Pensions in excess of GMPs	3.3	3.2	For this valuation this is equal to the CPI price inflation assumption above.
▪ GMPs accrued after 5 April 1988	2.7	2.7	For this valuation, this is based on the CPI price inflation assumption above, an assumption about how much price inflation varies each year, and the interaction of price inflation with the maximum annual increase of 3% p.a.
▪ GMPs accrued before 6 April 1988	0	0	

General pay increases	5.3	4.7	Assumed to average future assumed RPI prices inflation plus 1.5% p.a.
Discount rate – in service			
▪ Scheduled Bodies	6.8	6.2	For this valuation this is equal to the yield on long dated gilts, plus 2.3% p.a.
▪ Admission Bodies	6.25	6.2	For this valuation this is equal to the yield on long dated gilts, plus 1.75% p.a.
Discount rate – left service			
▪ Scheduled Bodies	6.8	6.2	For this valuation this is equal to the yield on long dated gilts, plus 2.3% p.a.
▪ Admission Bodies	4.75	5.2	For this valuation this is equal to the yield on long dated gilts, plus 0.25% p.a.

Note: The liabilities for some Admission Bodies have been valued using Scheduled Bodies assumptions. Please see below for further information.

Rationale for discount rate

The **discount rate** for the Scheduled Bodies Group has been set having regard to the expected return on the Fund assets and the long term financial standing of these bodies. The Fund assets are considered to have a better than evens chance of delivering investment returns in excess of the **discount rate**.

Where a Scheduled Body has agreed to **subsume** the liabilities of an ungrouped Admission Body at cessation, the Actuary and the Authority have agreed to use the more optimistic **discount rate** for that Admission Body. Details of Admission Bodies to which this applies are given in Appendix H.

The **discount rate** for the Admission Bodies Group has been set equal to the **discount rate** for the Scheduled Bodies Group. This approach has been agreed allowing for the following commitments, subject to review, from the Scheduled Bodies Group:

- A commitment to **subsume** any residual liabilities and assets in respect of departing Admission Bodies into the Scheduled Bodies group.
- A commitment to underwrite the risk of Admission Bodies paying a smoothed rate rather than the theoretically correct rate.

Once the funding position of the Admission Bodies Group has improved enough, such that Admission Bodies can afford to pay a rate which targets orphan benefits on cessation, both commitments will be withdrawn.

Key demographic assumptions

The key demographic assumption is member mortality, to which the **funding target** can be particularly sensitive.

Since the previous valuation, research has generally shown that life expectancy is improving much faster than previous research envisaged.

The mortality assumptions have been revised in light of this taking into account the results of a review into the Fund's pensioner mortality experience. A 65 year old male pensioner in normal health is now assumed on average to live to 88.7 (rather than 86.2 at the previous valuation). And a 65 year old female pensioner in normal health is assumed on average to live to 89.7 (rather than 88.3).

In view of the importance of the mortality assumption, this assumption will need to be carefully monitored in future.

What's changed since previous valuation

The assumptions differ from those used for the previous valuation:

- The financial assumptions have been updated to reflect movements in gilt yields.
- An assumption for CPI price inflation has been made (this was not relevant for the previous valuation).
- The **discount rate** used has increased relative to gilt yields. This is to meet the principle set out in the **Funding Strategy Statement** of maintaining as nearly constant an overall contribution rate as possible.
- The in service **discount rate** used for Admission Bodies has increased relative to gilt yields, whilst the left service **discount rate** has reduced slightly. This is to better reflect the anticipated returns resulting from the anticipated move to a low risk investment portfolio on cessation.
- The mortality assumption has been changed to allow for up to date research that suggests people are living longer and also reflects a review of the Fund's pensioner mortality experience over the period since the previous valuation.
- The allowance for future retirements in ill-health has been reduced for females following a review of the experience since the previous valuation. We have also increased the proportion of retirements assumed to fall under Tier 1, in the light of the level experienced since this was introduced in 2008.
- The allowance for future withdrawals from service with deferred pension entitlement has been reduced following a review of the experience.
- The allowance for promotional pay increases has been reduced following a review of the experience.

Overall, these changes result in a lower **funding target**, i.e. they decrease the value placed on the Fund's liabilities compared with the previous valuation. However some Employer specific **funding targets** may be higher.

Where material, the overall financial impact of these changes is shown in section 6.

Funding method

As for the previous valuation, the **Projected Unit Method** with a one year control period has been used for most Employers to calculate the **funding target** and the **future service contribution rate**. The **Attained Age Method** has been used for some Employers who do not permit new employees to join the Fund.

In each case no explicit allowance for new entrants has been made.

The resulting **future service contribution rate** can be expected to be broadly stable if:

- Experience matches the assumptions underlying the **funding target**.
- The Fund remains closed for those Employers for whom the **Attained Age Method** has been used.
- The membership profile remains stable for those Employers for whom the **Projected Unit Method** has been used.
- Everything else remains the same.

However the following additional influences on the **future service contribution rate** are anticipated:

- Assumed chronological improvements within the life expectancy assumptions incorporated in this valuation can be expected to result in a gradual drift upwards.
- The gradual removal of the right to retire early on unreduced pension (if over age 60 and age plus service is greater than or equal to 85 years) can be expected to gradually reduce the **future service contribution rate**, as the proportion of members with these enhanced retirement rights reduces.
- The impact of an ageing workforce for those Employers closed to new members is expected to gradually increase the **future service contribution rate** for these Employers.

Additionally if the **funding target** changes the contribution rates are likely to change.

Addressing the shortfall

The Actuary and the Authority have agreed that the **shortfall** relative to the **funding target** at this valuation will be removed through payment of additional contributions by Employers over a range of different recovery periods of up to 25 years. The recovery period used for each Employer is set out in Appendix H.

For the Scheduled Bodies Group and the Admission Bodies Group, the Actuary and the Administering Authority have agreed to phase in the increase in contribution rate over a period of 9 years (or 'steps'). Details of the agreed repayment structure is shown in Appendix H.

The assumptions used to calculate the additional contributions are the same as those used for calculating the **funding target**.

Changes to funding objectives

The **funding principle** for this valuation is to hold sufficient and appropriate assets to meet the benefits as they fall due. The **funding objective** is to hold sufficient and appropriate assets to meet the **funding target**. The Actuary and the Authority have agreed that the **funding target** is an appropriate level of assets to hold in order to meet this **funding principle**.

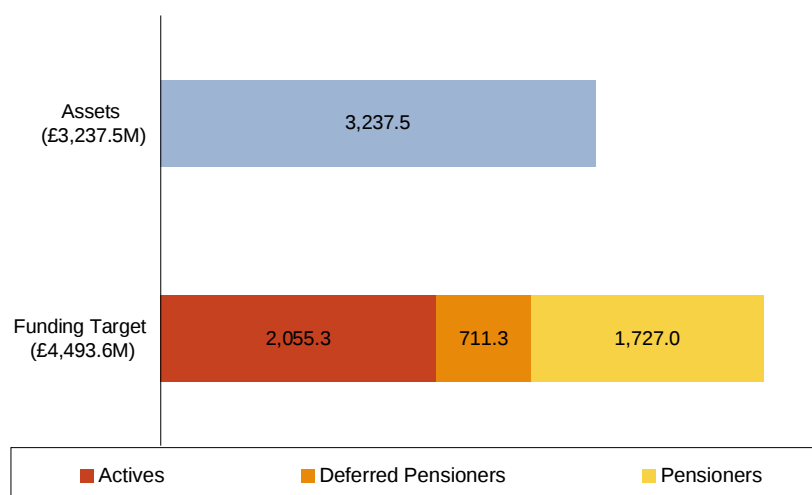
This is a similar approach **to the funding principle** and the **funding objective** in the previous valuation. However, we would draw your attention to the changes to the assumptions used, as summarised in this section (above).

In addition, the stepping period for the Scheduled Bodies and the Admission Bodies Group has been extended from 3 years to 9 years. Please see above and Appendix H for further information.

6. Funding Target — Results

Funding target

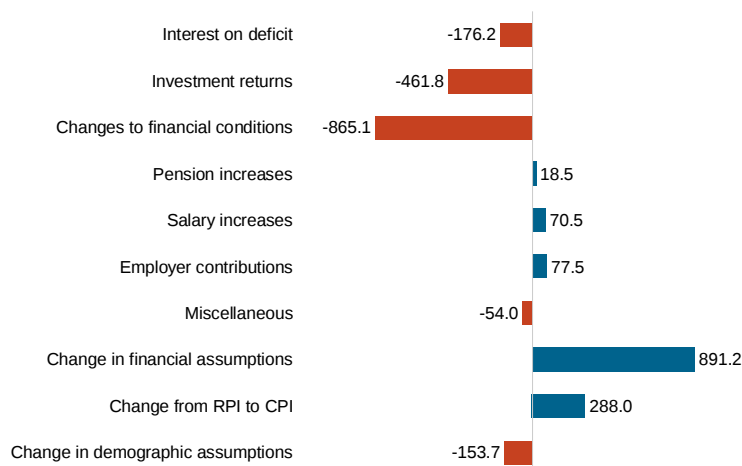
The chart below compares the market value of the assets to our calculation of the **funding target**, using the assumptions agreed with the Authority.



The **shortfall** of the assets relative to the **funding target** is £1,256.1M. This corresponds to a **funding ratio** of 72.0%.

Explanation of change

The funding position has worsened by £365.1M since the previous valuation, explained approximately as follows:



The figures in this chart are in £M. The analysis shows that the main factors affecting the funding position since the previous valuation are:

- The change in pension indexation from RPI to CPI and the change in the **discount rate** relative to gilt yields (included in the 'change in financial assumptions') which have improved the position.

- The actual returns on the Fund assets, the reduction in gilt yields (included in the 'change in financial conditions'), and changes to the demographic assumptions (in particular the post-retirement mortality assumption), which have worsened the position.

Future service contribution rate

We have also calculated the aggregate Employer **future service contribution rate**. This is the rate of Employer contribution that would normally be appropriate if the Fund had no **surplus** or **shortfall** and the assets were exactly equal to the **funding target**.

	% of Pensionable Pay
New final salary benefits	19.0
Death in service lump sum	0.4
Administration expenses	0.3
Less employee contributions	(6.5)
Net Employer cost	13.2

Explanation of change

The future service rate has reduced by 1.3% of Pensionable Pay since the previous valuation.

The main factors affecting the **future service contribution rate** since the previous valuation are:

- The change in financial conditions, as reflected in the gilt yields, and changes to the demographic assumptions, which have increased the **future service contribution rate**. These have been more than offset by
- The change in pension indexation from RPI to CPI and the change in the **discount rate** relative to gilt yields, which have reduced the **future service contribution rate**.

7. Other Funding Measures

Low risk measure

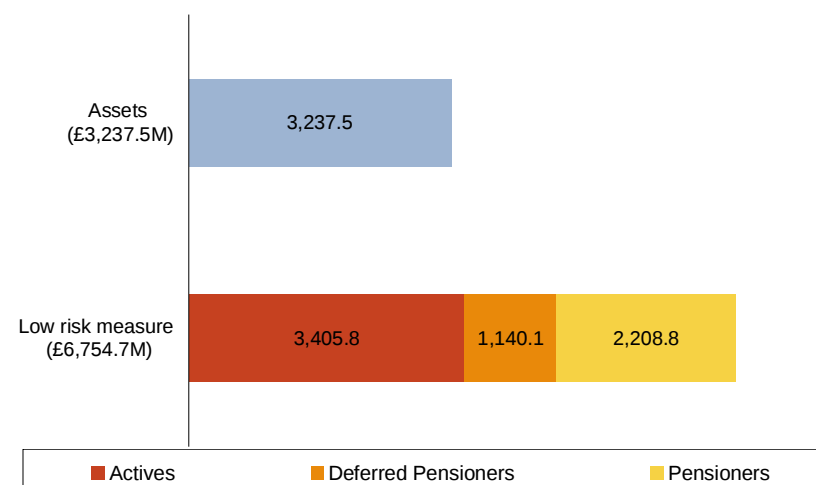
We have also reviewed the low risk position of the Fund, which considers the position if no allowance is made in the **discount rate** for returns on the Fund's assets to exceed gilt yields.

We show this measure for information purposes to give an indication of the level of risk inherent in the funding and investment strategy adopted by the Authority. This is therefore a **planning exercise**.

This measure is generally used for actuarial assessments required under Administration Regulation 38(2), when an Admission Body ceases to participate in the Fund where a move to a notional low risk investment portfolio and funding strategy is appropriate (e.g. if **subsumption** does not apply).

Results

Here is our calculation of the low risk measure in respect of past service.



The **shortfall** of the assets relative to the low risk funding measure is £3,517.2M. This corresponds to a low risk funding ratio of 47.9%.

Previous low risk funding ratio

At the previous valuation, the corresponding low risk funding ratio was 59.0%. The low risk funding ratio has therefore worsened from the previous valuation.

This is largely due to the deterioration in financial conditions since the previous valuation (which resulted in poor returns from investment markets and the change in gilt yields) and the change in the mortality assumptions. The impact of these factors has been partly mitigated by the move to CPI pension indexation.

Position on discontinuance

It is a requirement of Actuarial Guidance Note GN9 that formal valuation reports consider the funding position should the Fund have been discontinued as at the Valuation Date. However, there are no provisions covering discontinuance in the Regulations.

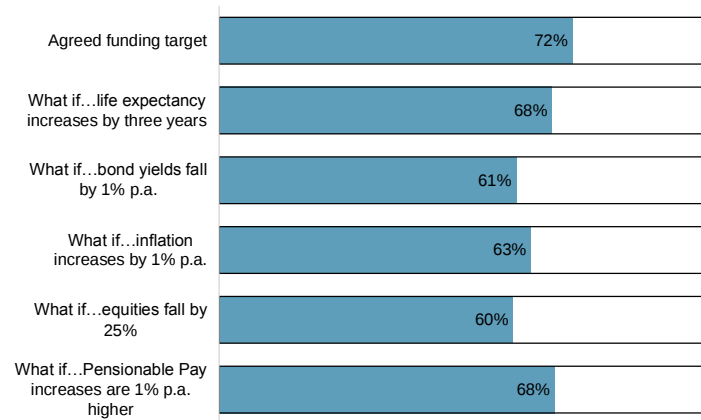
We believe that it is the view of all actuaries who have to report on Funds governed by the Regulations that this requirement does therefore not apply in the case of such valuations. We therefore do not cover this specific eventuality in this report.

Cover for transfer values

Actuarial Guidance Note GN9 requires us to consider whether there is likely to be sufficient assets, if the statutory funding objective were met, for the Fund to pay unreduced **transfer values**. However the statutory funding objective does not apply to the Fund. Furthermore there is no provision under the Regulations for **transfer values** or other benefits to be restricted by the amount of the Fund assets. We do not therefore believe this measure is relevant for the Fund.

8. Risks and Sensitivity Analysis

Purpose of section	This section comments on some of the key risks faced by the Fund.
Key risks	Here is a recap of some of the key factors that could lead to shortfalls: - Investment performance — the return achieved on the Fund's assets may be lower than allowed for in the valuation. - Investment volatility — the assets may move differently to the funding target. The Fund may invest in assets (e.g. equities) that are expected to achieve a greater return than the assets (i.e. gilts and investment grade derivatives) that most closely match the expected benefit payments, in the hope of reducing the contributions required. The more mismatched the investment strategy is, the greater the potential risks. - Mortality — members could live longer than foreseen, for example, as a result of a medical breakthrough. This would mean that benefits are paid for longer, resulting in a higher-cost to the Fund. - Options for members (or others) — members may exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash at retirement than is assumed. - Retrospective changes in the benefits payable by the Local Government Pension Scheme (LGPS).
Quantifying the risks	To help the Authority understand the susceptibility of the financial position measured against the funding target, we have considered the approximate impact of the following one-off step changes. - Life expectancy at age 65 is three years greater than anticipated. - Yields on gilts decrease by 1% per annum (with no change in investment markets). In practice, if yields fell such that the discount rate were reduced, it is possible that there would be some compensating change in asset values, particularly the Fund's bond holdings. This effect is not shown in the chart below. - Real yields on index-linked gilts decrease by 1% per annum (with fixed-interest gilt yields, corporate bond yields, and equity markets unchanged)—this is equivalent to a 1% per annum increase in the assumed rate of RPI and CPI price inflation. Note that the nominal salary increase assumption is unaffected by this change – it is only the pension increase and deferred pension increase assumptions that are assumed to change. - The market values of equities and property fall by 25% (with no change in bond markets). - Pensionable Pay increases are 1% per annum higher than assumed. Please see the chart below for the results. The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation). The low risk funding measure is also highly sensitive to these factors.



Implications

The above analysis highlights that the Fund is highly susceptible to:

- Equity markets falling, or bond yields falling with no change in investment markets. This risk arises because the Fund is not invested in the assets that most closely match the expected future cashflows i.e. UK gilts and investment grade derivatives. Note that only 21% of the Fund is invested in these types of assets.
- Members living longer than expected. This risk arises because pension benefits must be paid as long as the beneficiaries are alive.

9. Summary and Conclusions

Headline results

Here are the headlines at the Valuation Date:

- There is a **shortfall** of £1,256.1M relative to the Fund's **funding target**. This corresponds to a **funding ratio** of 72%.
- The aggregate cost to the Employers of new benefits for members (including lump sums payable on death in service and administration expenses) is 13.2% of Pensionable Pay.
- The low risk funding ratio is 48%.

Developments since the Valuation Date

- As mentioned earlier in this report, in the Emergency Budget in June 2010, the Chancellor announced that Public Sector pensions will be linked to increases in the Consumer Prices Index (CPI). We have allowed for this change in this valuation.
- Since the Valuation Date, equity markets have risen slightly, but gilt and index-linked gilt yields are broadly unchanged. These developments will have had little impact overall on the financial position of the Fund under both the **funding target** and low risk funding measures (calculated with financial assumptions updated in line with market movements).
- The Independent Public Service Pensions Commission, chaired by Lord Hutton, has been established to review all aspects of pension provision in the Public Sector. The Commission's final report was issued on 10 March 2011 and proposes a number of changes for all public services pensions, including an increase in normal retirement age and a move from final salary to a career average revalued earnings framework. However no specific changes to the Local Government Pension Scheme have as yet been announced or incorporated in the Regulations. We have not therefore made explicit allowance for any changes in this valuation. Any changes will be reflected in future valuations once these have been incorporated in the Regulations.
- In the 2010 Spending Review HM Treasury set out the Government's intention to increase employee contributions into public sector pension schemes. The stated aim was to phase in the increases from April 2012, with the objective of collecting an extra £1.8bn by 2014/15. This would, on average, lead to employee contributions increasing by 3% of Pensionable Pay. It is not yet clear how this will be implemented. Any changes will be reflected in future valuations once these have been incorporated in the Regulations.

Addressing the shortfall

Based on the agreed **funding target** set out in section 6, the aggregate additional **shortfall** contributions to the Fund required from 1 April 2011 are £63.26M per annum. This amount will increase each year (on 1 April) at 5.3% p.a., and will be payable for 25 years. These are approximately equivalent to additional contributions of 6.5% p.a. of Pensionable Pay assuming the Fund membership remains broadly stable and pay increases in line with our assumptions. This would give an aggregate contribution rate of 19.7% of Pensionable Pay. These contributions are before any phasing in or 'stepping' of contribution increases.

Individual Employer rates set by the Actuary

As set out in section 5 and Appendix H, for the Scheduled Bodies Group and the Admission Bodies Group, the Actuary and the Administering Authority have agreed to phase in the increase in contribution rate over a period of 9 years (steps).

Contributions paid by individual Employers (or groups of Employers) and their recovery periods will also reflect their own circumstances (see below).

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

- Administration Regulation 36 – which requires the Actuary to have regard to
 - The existing and prospective liabilities
 - The desirability of maintaining as nearly constant a rate as possible and
 - The Authority's **Funding Strategy Statement**.
- The results of the valuation.
- Developments since the Valuation Date.
- Discussions between the Actuary, the Authority and Employers.

Contribution rates for Employers at the valuation date who contribute to the Fund are set out in the **Rates and Adjustments Certificate** in Appendix L.

Rates of contribution payable by individual Employers, or groups of Employers, differ because they take into account their particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to their circumstances. The Actuary and the Authority have also agreed that increases in contribution rates for grouped Employers can be phased in over 'stepping periods' not exceeding 9 years. Repayment schedules have been derived for the Admission Bodies Group and the Scheduled Bodies Group. The Actuary and the Authority have also agreed that the Admission Bodies Group and some ungrouped Admission Bodies can temporarily pay contributions at a level below that required in the long term to meet the **funding target**, subject to the agreement of one or more Scheduled Bodies to underwrite the resulting underpayment in contributions. This temporary arrangement will be revised at the next valuation due as at 31 March 2013

More details are given in section 5 and Appendix H.

Aggregate Employer contribution rate

Based on the agreed approach set out in section 5 and the repayment structure detailed in Appendix H, the aggregate Employer contributions applicable from 1 April 2011 can be summarised as follows:

Aggregate Employer contribution from 1 April 2011

Year	Future service contribution rate (% Pensionable Pay)	Annual shortfall contribution (£Ms)
2011/12	13.2	51.43
2012/13	13.2	51.52
2013/14	13.2	51.62
2014/15	13.2	58.38
2015/16	13.2	65.71
2016/17	13.2	73.65
2017/18	13.2	82.43
2018/19	13.2	91.85
2019/20	13.2	102.10
2020/21	13.2	107.51

Notes:

- The contributions payable by individual Employers are set out in Appendix L. **Strain** payments in respect of early retirements are payable in addition.
- The annual **shortfall** contributions above are the aggregate of the **shortfall** contributions for individual Employers in each year.
- At the end of the period shown above, the aggregate annual **shortfall** contributions are anticipated to increase by approximately 5.3% p.a., and be payable until April 2036. Thereafter contributions are anticipated to be in line with the future service contribution rate. These contributions will be subject to review at future actuarial valuations.
- At the end of each Employer's (or group of Employers') recovery period, if cessation of participation does not occur, contributions are anticipated to be in line with the future service contribution rate. These contributions will be subject to review at future actuarial valuations.
- Member contributions are payable in addition to the Employer rates set out above and in Appendix L, at the rates set out in the Benefits Regulations. AVCs are payable in addition.
- Contributions by active members and Employers should be paid to the Fund at such time and at such frequency as required by the Administration Regulations. Any monetary **shortfall** contributions are assumed to be payable uniformly (monthly) over the relevant year.

Monitoring the Fund

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

The next formal actuarial valuation under Administration Regulation 36 is due to take place as at 31 March 2013.

Signed on behalf of
Aon Hewitt Limited



Chris Darby FIA



David Marsh FIA

Appendix A — Legal and Actuarial Framework

Scope of advice

It is a legal requirement to carry out a full valuation at least once every three years, and this report is produced in compliance with

- Administration Regulation 36.
- The terms of the agreement between us and the Authority on the understanding that it is solely for the use and benefit of the Authority.

Unless prior written consent has been given by Aon Hewitt Limited, this report should not be disclosed to or discussed with anyone else unless they have a statutory right to see it. In particular we permit the Authority to release copies of this report to the following parties only:

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

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

Notwithstanding such consent, neither we nor Aon Hewitt Limited accepts or assumes any responsibility to anyone other than the addressees of this report.

Professional Guidance Note GN9

We confirm that this report has been prepared in accordance with version 9.0 of Guidance Note '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 we have 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.

For the purposes of compliance with Section 4 of GN9 we have treated the Rates and Adjustments Certificate and **shortfall** contributions as analogous to the schedule of contributions and recovery plan referred to in section 4.

Appendix B — Assets

Assets

The audited Fund accounts for the year ended 31 March 2010 show its assets as £3,237.5M, invested as follows:

Asset type	Market value (bid price) (£M)	% of Total
Overseas equities	937.6	29.0
UK equities	919.0	28.4
Other alternative investments	128.3	4.0
Property	194.9	6.0
Overseas bonds – Index-linked gilts	5.2	0.2
Overseas bonds – Fixed-linked gilts	75.7	2.3
Overseas bonds – Corporates	63.0	1.9
UK bonds – Index-linked gilts	681.0	21.0
UK bonds – Fixed-linked gilts	0.3	0.0
UK bonds – Corporates	10.9	0.3
Cash and net current assets	221.6	6.9
Total	3,237.5	100.0

The above excludes assets for defined contribution AVC accounts.

Appendix C — Benefits

Introduction

The benefits of the Local Government Pension Scheme (LGPS) are set out in Regulations, the principal Regulations currently being the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as subsequently amended. A broad summary of the benefits currently payable by the LGPS to contributory members as at the Valuation Date is given below.

Readers should refer to the Regulations for further details.

	Benefits provided as at Valuation Date
Normal retirement age	65
Member contributions	Rate between 5.5% of pay and 7.5% of pay dependent on contribution band in which member is situated. Special provisions apply for certain categories of former manual workers.
Final pay	Generally Pensionable Pay over the 12 months prior to retirement or earlier exit or, if higher, in one of the preceding two years.
Normal retirement pension	1/60 of Final Pay for each year of Pensionable Service on or after 1 April 2008. For each year of Pensionable Service before 1 April 2008: ▪ a pension of 1/80 of Final Pay, plus ▪ a lump sum of 3/80 of Final Pay
Lump sum	Pension can be surrendered for lump sum to a maximum lump sum of one quarter of the total value of benefits. Conversion rate is £12 for each £1 p.a. of pension given up.
Early retirement pension	Reduced pension payable on retirement after age 60, or after age 55 with Employer consent. Pension calculated as for normal retirement but based on Pensionable Service to early retirement date. Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years.
Incapacity and ill-health pensions	Tier 1 ▪ Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and potential Pensionable Service that would have been completed to age 65. ▪ To qualify for this benefit there must be no reasonable prospect of the member being capable of undertaking any gainful employment before Normal Retirement Age.

Tier 2

- Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and service completed to date of exit plus 25% of the period from date of exit to Normal Retirement Age.
- To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before Normal Retirement Age.

Tier 3

- Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and Pensionable Service completed to date of exit
- To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point in the next 3 years
- Payable for 3 years, or until gainful employment obtained, if earlier

In each case members must be permanently incapable of efficiently discharging their current duties to qualify.

Leaving Pensionable Service	Pension payable on retirement at age 65 based on Final Pay at exit and Pensionable Service to date of exit. Certain categories of member can retire early on unreduced pension if age 60 or over and their age plus service is greater than or equal to 85 years. Service in this case includes the period between date of exit and Normal Retirement Age.
Pension increases	▪ Pensions in payment in excess of Guaranteed Minimum Pensions are increased each year in line with price inflation. With effect from the increase in April 2011 this will be measured by the annual increase in the Consumer Prices Index (previous increases had reflected the Retail Prices Index). ▪ Deferred pensions are similarly increased in deferment. ▪ Guaranteed Minimum Pensions (GMPs) increase in deferment in line with State revaluation factors. ▪ GMPs accrued after 6 April 1988 increase in payment each year at the lower of 3% and price inflation, as measured above.
Death in service benefits	▪ A lump sum of 3 x Final Pay at exit. ▪ A cohabitee's pension of 1/160 of Final Pay at exit for each year of Pensionable Service, including a service enhancement that would have applied had retirement due to ill-health under Tier 1 occurred at the date of death.
State pension scheme	The Scheme is contracted out of the State Second Pension Scheme.

Appendix D — Membership Data

Active members at 31 March 2010 (31 March 2007)

		Number	Average age	Total Pensionable Pay (£000 p.a.)	Average Pensionable Pay (£ p.a.)	Average service (years)
Men	2010	12,292	45.9	319,250	25,972	9.9
	2007	11,765	45.4	284,570	24,188	10.2
Women	2010	37,044	45.2	557,697	15,055	5.7
	2007	33,906	44.6	459,198	13,543	5.5
Total	2010	49,336	45.3	876,947	17,775	6.8
	2007	45,671	44.8	743,768	16,285	6.7

Note: Pay is that over the year to the Valuation Date. Annualised pay is included for entrants in the last year. Part time pay is included for part-timers.

Deferred pensioners at 31 March 2010 (31 March 2007)

		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
Men	2010	10,018	45.0	20,484	2,045
	2007	8,273	46.0	18,381	2,222
Women	2010	29,846	44.8	27,524	922
	2007	21,722	44.6	21,513	990
Total	2010	39,864	44.9	48,008	1,204
	2007	29,995	45.0	39,894	1,330

Note: The deferred pensions have been increased to the Valuation Date and include increases granted in April 2010 (2007: April 2007).

In addition to the numbers above there were 7,095 (2007: 7,445) members who had yet to decide whether to take a transfer payment. Suitable allowance has been made for these in our calculations.

Pensioners at 31 March 2010 (31 March 2007)

		Number	Average age	Total pensions (£000 p.a.)	Average pension (£ p.a.)
Men	2010	10,748	71.1	73,747	6,862
	2007	9,814	70.7	58,969	6,009
Women	2010	13,869	69.8	41,961	3,025
	2007	11,211	69.7	29,689	2,648
Dependants	2010	4,316	76.0*	10,919	2,530
	2007	4,012	75.9*	9,603	2,394
Total	2010	28,933	71.2	126,627	4,377
	2007	25,037	71.1	98,261	3,925

Note: The pensions have been increased to the Valuation Date and include increases granted in April 2010 (2007: April 2007).

The 2010 figures include 288 children (2007: 174) who are in receipt of pensions. Suitable allowance has been made for these in our calculations.

** This is the average age of widows/widowers, i.e. excluding children*

Appendix E — Membership Data by Employer

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Scheduled Bodies Group				
Administering Authority				
Hampshire County Council	22,954	341,701	19,214	12,831
City, District and Borough Councils				
Basingstoke & Deane Borough Council	513	15,132	506	686
East Hampshire District Council	272	7,176	268	337
Eastleigh Borough Council	524	12,040	366	394
Fareham Borough Council	417	10,431	359	515
Gosport Borough Council	330	7,843	243	449
Hart District Council	171	4,269	219	294
Havant Borough Council	343	8,630	361	533
New Forest District Council	904	17,884	901	761
Portsmouth City Council	5,221	94,209	3,875	3,206
Rushmoor Borough Council	274	7,537	361	495
Southampton City Council	5,683	105,102	4,423	2,560
Test Valley Borough Council	414	10,167	417	491
Winchester City Council	446	11,310	477	558
Other Councils				
Alton Town Council	13	251	7	10
Baughurst Parish Council	1	-	0	0
Beech Parish Council	1	-	0	0
Bishops Waltham Parish Council	5	96	5	0
Bishopstoke Parish Council	1	-	0	0
Blackwater & Hawley Town Council	5	79	2	8
Botley Parish Council	2	-	1	0
Bramshott & Liphook Parish Council	1	-	2	0
Brockenhurst Parish Council	2	-	0	0
Colden Common Parish Council	3	-	0	0
Crandall Parish Council	1	-	1	0
Curdrige Parish Council	1	-	0	0
Denmead Parish Council	3	-	4	2
Durley Parish Council	1	-	0	0
Fair Oak & Horton Heath Parish Council	5	95	0	0
Fawley Parish Council	15	190	14	7
Four Marks Parish Council	1	-	0	0
Hamble le Rice Parish Council	4	89	1	0
Headley Parish Council	2	-	1	0
Hedge End Town Council	8	191	2	1
Hordle Parish Council	1	-	0	1
Horndean Parish Council	5	85	3	2
Hound Parish Council	3	-	3	0
Hythe & Dibden Parish Council	8	137	2	4
Kingsclere Parish Council	2	-	0	1
Kings Worthy Parish Council	2	-	0	0

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Liss Parish Council	3	-	0	1
Lymington & Pennington Town Council	10	198	5	11
Marchwood Parish Council	5	104	1	0
Milford on Sea Parish Council	2	-	0	0
New Alresford Town Council	1	-	0	1
New Milton Town Council	11	194	2	8
Old Basing Parish Council	4	35	2	0
Overton Parish Council	1	-	0	0
Owlesbury Parish Council	1	-	0	0
Petersfield Town Council	8	167	3	3
Ringwood Town Council	11	180	4	7
Romsey Extra Parish Council	1	-	0	0
Romsey Town Council	3	-	3	3
Shedfield Parish Council	1	-	0	0
South Wonston Parish Council	1	-	0	0
Swanmore Parish Council	2	-	2	0
Tadley Town Council	6	65	2	1
Totton & Eling Town Council	26	389	11	4
Twyford Parish Council	1	-	0	0
Upham Parish Council	1	-	0	0
West End Parish Council	3	-	3	1
Whitchurch Town Council	1	-	0	0
Whitehill Town Council	2	-	1	6
Whiteley Parish Council	1	-	0	0
Wickham Parish Council	1	-	0	0
Yateley Town Council	4	77	3	8
Schools				
Abbotswood Junior School	36	276	33	2
All Hallows RC Secondary	47	666	33	13
Alton College	80	1,294	40	32
Applemore College	33	480	16	10
ARK academies	45	793	0	0
Arnewood School	43	599	21	10
Ashley Junior School	17	152	8	6
Barton Peveril College	65	1,193	32	16
Basingstoke College of Technology	149	2,483	146	57
Bay House School	74	1,034	27	13
Blackfield & Fawley Schools	6	68	2	1
Blackfield Middle School	13	77	9	6
Bohunt Community School	40	582	40	10
Brockenhurst College	200	2,805	144	33
Burgate School & Sixth Form	32	310	18	5
Calmore Junior School	13	169	6	4
Cams Hill School	31	464	21	10
City of Portsmouth Boys School	32	476	25	16
Crofton School	45	609	24	9
Eastleigh College of Further Education	177	3,035	107	45

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Fareham Tertiary College	81	1,446	72	56
Farnborough College of Technology	195	3,328	254	120
Front Lawn Junior School	12	138	2	0
Hardley Secondary School	51	506	44	10
Havant College	63	1,080	48	19
Highbury College	267	4,615	327	115
Hordle Primary School	32	225	21	4
Itchen College	50	665	43	15
Lyndhurst Junior School	26	222	16	13
Mill Rythe Infants School	13	89	11	0
Oaklands RC School	48	597	16	13
Oasis Community Learning	125	1,759	25	8
Osborne School	52	597	81	12
Peter Symonds College	140	1,958	81	34
Petersfield School	43	603	41	17
Portsmouth College	52	775	22	11
Priory Primary School	7	54	1	0
Purbrook Park School	39	500	34	10
Queen Mary's College	79	1,497	59	26
Ringwood School	78	813	36	12
South Downs College	371	5,258	206	52
Southampton City College	159	2,961	240	97
Southampton Solent University	526	14,845	421	269
Sparsholt College	261	4,793	216	58
St Anne's Convent School	39	575	19	15
St Edmunds RC School	48	706	33	12
St George's RC Secondary School	15	245	19	6
St Joseph's RC Primary School	15	108	11	1
St Paul's RC Primary School	39	309	27	6
St Peter's CE Junior School	8	51	7	3
St Peter's RC Primary School	27	209	8	3
St Vincent College	56	904	48	15
Tauntons College	49	707	44	10
Testbourne Community School	35	412	20	6
Testwood School	53	703	38	18
Totton College	146	1,872	94	12
University of Portsmouth	1,174	30,154	796	600
Upper Shirley High School	29	504	1	0
Vith Form College Farnborough	74	1,243	55	15
Other				
Hampshire Fire & Rescue Authority	358	7,670	127	76
Hampshire Police Authority	2,663	61,493	1,258	648
Hampshire Probation Trust	534	13,209	328	311
Langstone Harbour Board	5	134	5	11
Lymington Harbour Commission	6	160	3	4
New Forest National Park Authority	70	1,892	16	4
Portchester Crematorium Joint Committee	13	163	3	22
Southern Seas Fisheries Committee	7	202	3	9

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Admission Bodies Group				
A2 Housing Group Ltd	2	-	1	2
Age Concern Basingstoke	3	-	7	4
Age Concern Hampshire	44	462	24	24
Age Concern Portsmouth	2	-	1	4
Andover Citizens Advice Bureau	5	81	2	0
Atlantic Housing Ltd	3	-	16	18
Basingstoke & District Sports Trust	21	394	9	8
Basingstoke Community Transport	1	-	0	1
Basingstoke Voluntary Services	10	175	10	10
Bedales School	60	1,265	39	39
Bishops Waltham Citizens Advice Bureau	2	-	0	0
Care Quality Commission	9	293	7	12
Churchers College	30	596	13	29
Community Action Fareham	2	-	0	1
Community Action Hampshire	21	551	26	21
Community First New Forest	7	137	6	3
Community First Portsmouth	1	-	9	15
Dibden Allotments Fund	2	-	0	0
Drum Housing Association	19	652	20	24
First Wessex Housing Group	10	342	2	8
Fleet & District Citizens Advice Bureau	2	-	1	0
Gosport Community Association	1	-	0	1
Hampshire Association for the Care of the Blind	3	-	2	7
Hampshire Association of Local Councils	3	-	2	4
Hampshire & Isle of Wight Playfields Association	2	-	1	4
Hart Housing Association Ltd	5	110	7	13
Hart Voluntary Action	2	-	4	5
Havant Council of Community Service	5	81	13	9
Hermitage Housing Association Ltd	8	281	12	31
Horizon Leisure Trust	11	233	19	3
King Edward VI School	46	978	23	33
Kingfisher HVHS Housing Group Ltd	2	-	12	23
Oakfern Housing Association Ltd	5	118	19	32
One Community	6	143	24	10
Options	1	-	1	2
PARCS	2	-	0	1
Portsmouth Citizens Advice Bureau	3	-	21	11
Portsmouth Housing Association Ltd	6	162	20	11
QEII Silver Jubilee Centre	3	-	2	2
Romsey & District Citizens Advice Bureau	2	-	0	0

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
SCA Community Care Services Ltd	5	187	13	12
Sentinel Housing Group Ltd	2	-	1	2
Shopmobility Basingstoke	1	-	0	0
SLM Community Leisure Ltd	18	342	12	0
SLM Fitness & Health Ltd	3	-	6	0
South East Employers	14	478	19	16
Southampton University	7	205	18	9
Southampton Voluntary Services	3	-	5	2
Southampton University (LSU)	8	255	9	7
Sovereign Housing Group	3	-	1	2
St Edward's School	29	705	23	11
St John's College	21	444	15	4
Tadley & District Citizens Advice Bureau	4	51	6	1
Testway Housing Ltd	11	304	57	39
The Hampton Trust	8	127	10	5
The Handy Trust	1	-	0	0
Tourism South East	16	487	36	26
University of Winchester	240	5,183	162	95
Valley Leisure Ltd	26	262	74	7
Wessex Property Ltd	2	-	3	5
Winchester Citizens Advice Bureau	2	-	3	3
Winchester Community Action	12	203	11	6
Yateley & District Citizens Advice Bureau	1	-	0	2
Orphan Employers				
Alpha House Ltd	0	-	9	7
Basingstoke Citizens Advice Bureau	0	-	3	1
Basingstoke Play Council	0	-	0	1
Basingstoke Victim Support	0	-	0	2
Basingstoke Women's Refuge	0	-	1	2
Chineham Parish Council	0	-	3	0
Christchurch Borough Council	0	-	0	5
City of Portsmouth Boys	0	-	2	1
Cricklade College	0	-	72	34
CSCI	0	-	1	5
Drum Housing Group Ltd	0	-	4	0
Eastleigh Southern Water	0	-	0	1
Fernhill Care Ltd	0	-	0	1
Gods Port H S	0	-	0	3
Gosport Housing Association Ltd	0	-	0	1
Grapevine	0	-	0	1
Grayshott Parish Council	0	-	0	1
Hampshire Alcoholism Council	0	-	1	0
Hampshire Ass for Deaf People	0	-	23	11
Hampshire Health	0	-	0	8
Hampshire Motor Tax	0	-	0	3
Hampshire Magistrates Courts Committee	0	-	414	171

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Hampshire Voluntary Housing Association	0	-	0	9
Havant Borough Partnership	0	-	0	1
Havant Health	0	-	0	1
Holy Cross School Waterlooville	0	-	0	1
Interserve (Portsmouth)	0	-	1	4
Kudos Employment Ltd	0	-	22	8
La Sainte Union College	0	-	12	18
Leigh Park Community Association	0	-	0	1
Lindford Parish Council	0	-	0	1
Military & Aero Museums	0	-	0	1
Mountbatten Memorial Trust	0	-	1	4
New Forest Health	0	-	0	1
Odiham Parish Council	0	-	1	0
Pavilion Housing Group Ltd	0	-	16	19
Phoenix Counselling	0	-	1	1
Portsmouth Bus	0	-	19	101
Portsmouth Care & Repair	0	-	0	2
Portsmouth Motor Tax	0	-	0	4
Portsmouth Transport	0	-	16	92
Regional Arts	0	-	1	2
ROCC	0	-	3	4
Rushmoor CCC	0	-	1	1
Shercroft Trust	0	-	0	1
Sherfield on Lodden Parish Council	0	-	1	0
Southampton Bus	0	-	82	221
Southampton Health	0	-	0	3
Southampton Motor Tax	0	-	0	2
Southampton Southern water	0	-	0	2
Southampton Transport	0	-	42	122
Southern Arts Council	0	-	24	13
Southern Focus Trust	0	-	3	1
Southern Region Exam Board	0	-	7	4
Southern Water Authority	0	-	0	1
Southlands Housing Association Ltd	0	-	0	1
St Petroc Community Trust	0	-	0	2
Standford Grange Trust	0	-	0	2
Test Valley Archaeology	0	-	1	0
Valuation Tribunal Services	0	-	8	6
Wessex Slaughter Houses Board	0	-	0	4
Winchester Alliance	0	-	7	2
Winchester Research Unit	0	-	1	5
Winchester School of Art	0	-	4	8
Ungrouped Admission Bodies				
Amey Services	26	600	0	2
Birdsall Services	3	-	0	0
Capita (Hart Central Services)	8	190	9	7
Capita (Hart)	17	402	0	0
Capita (Havant)	15	273	0	0

Employer / Group	Number of active members	Total pensionable pay of active members (£000s)	Number of deferred pensioners	Number of pensioner and dependant members
Capita (SCC)	356	9,775	74	28
Carisway Facilities Management	2	-	0	0
Colas	12	311	0	5
Interserve (Southampton)	2	-	3	1
PNBPT	2	-	0	0
Total	49,336	876,947	39,864	28,933

Note: Pay is that over the year to 31 March 2010. Part time pay is included for part-timers. Annualised pay is included for entrants in the last year.

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

Appendix F — Assumptions for Funding Target

The assumptions used for assessing the **funding target** are summarised below. Different assumptions are used for the low risk funding measure, as explained in Appendix G.

Financial Assumptions

Yields on long dated gilts:	% p.a.
▪ Fixed interest	4.5
▪ Index linked	0.7
In service discount rate	
▪ Scheduled Bodies	6.8
▪ Admission Bodies	6.25
Left service discount rate	
▪ Scheduled Bodies	6.8
▪ Admission Bodies	4.75
Rate of pay increases (in addition to promotional increases)	5.3
Rate of price inflation	
▪ Retail Prices Index	3.8
▪ Consumer Prices Index	3.3
Rate of pension increases (on benefits in excess of GMPs)	3.3
Rate of pension increases on post-5 April 1988 GMPs	2.7
Rate of deferred pension increases	3.3
Rate of GMP increases in deferment	5.3

Demographic Assumptions

Post-retirement mortality	<u>Normal health base rates</u>
	<i>Year of Birth base rates</i>
	Standard SAPS Normal Health (Light) tables
	<i>Scaling factors</i>
	Rates adjusted by scaling factors derived having regard to the Fund's experience:
	Men 100%
	Women 100%
	<u>Ill-health base rates</u>
	<i>Year of Birth base rates</i>
	Standard SAPS Ill-Health tables

Scaling factors

Rates adjusted by scaling factors derived having regard to the Fund's experience:

Men	80%
Women	80%

Improvements to base rates

An allowance for improvements in line with the CMI 2009 improvements (for men or women as appropriate), with a long term rate of improvement of 1.25% p.a.

What does this mean?

A 65 year old male pensioner in normal health is now assumed on average to live to 88.7 (rather than 86.2 at the previous valuation). And a 65 year old female pensioner in normal health is assumed on average to live to 89.7 (rather than 88.3).

Pre-retirement mortality

Base rates

Standard SAPS Normal Health year of birth tables adjusted by a scaling factor of 75% making allowance for improvements in mortality to 2010 (see below).

Future improvements

An allowance for improvements in line with the CMI 2009 improvements (for men or women as appropriate), with a long term rate of improvement of 1.25% p.a.

Early retirements

All members are assumed to retire at the earliest age at which they can retire as of right, with no reduction to benefits accrued prior to 1 April 2008.

Members joining on or after 1 October 2006 are assumed to retire at age 65.

Withdrawals

Allowance made for withdrawals from service (see sample rates below).

On withdrawal, members are assumed to leave a deferred pension in the Fund, and are not assumed to exercise their option to take a **transfer value**.

Retirement due to ill-health

Allowance made for retirements due to ill-health (see sample rates below). Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1	85%
Tier 2	15%
Tier 3	0%

Family details

A man is assumed to be three years older than his spouse, civil partner or cohabitee. A woman is assumed to be three years younger than her spouse, civil partner or cohabitee.

90% of non-pensioners are assumed to be married or cohabiting (with a person eligible for death benefits) at retirement or earlier death.

90% of pensioners are assumed to be/have been married or cohabiting (with a person eligible for death benefits) at the Valuation Date or age 65 if earlier.

Commutation

Each member assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum.

Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.

Promotional salary increases

Allowance made for age-related promotional increases (see sample rates below).

Expenses

0.3% of Pensionable Pay added to the value of future benefit accrual.

Sample rates

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

Current age	Percentage leaving the Fund in the next year as a result of ill-health		Percentage leaving the Fund in the next year as a result of withdrawal from service		Percentage promotional pay increase over year
	Men	Women	Men	Women	Men and women
20	0.0	0.0	15.7	18.3	3.7
25	0.0	0.0	13.9	16.3	3.1
30	0.1	0.0	12.1	14.3	2.9
35	0.1	0.0	10.3	12.3	1.6
40	0.1	0.0	8.6	10.3	1.5
45	0.2	0.1	6.8	8.5	0.8
50	0.3	0.2	5.5	7.0	0.1
55	0.5	0.3	4.3	5.5	-
60	1.1	0.7	0.0	0.0	-

Appendix G — Assumptions for Low Risk Funding Measure

Derivation of assumptions

We have set the **discount rate** for the low risk measure equal to the yield on fixed-interest gilts of appropriate term at the Valuation Date.

All other assumptions are as used for the **funding target** as set out in Appendix F.

Summary of assumptions

Here is a summary of the main assumptions underlying our low risk funding measure, where these are different to the **funding target** basis:

Assumption	What is used for low risk measure % p.a.
In service discount rate	
▪ Scheduled Bodies	4.5
▪ Admission Bodies	4.5
Left service discount rate	
▪ Scheduled Bodies	4.5
▪ Admission Bodies	4.5

Appendix H — Details of Employers' Funding Strategies

Recovery periods

We show below the recovery periods used for Employers in the Fund.

Employer / Group	Recovery period (years from 1 April 2011)
Scheduled Bodies Group	25
Admission Bodies Group	25
Amey Services	4.1
Birdsall Services	0.3
Capita (Hart)	6.6
Capita (Hart Central Services)	6.4
Capita (Havant)	6.5
Capita (SCC)	7.2
Carisway Facilities Management	4.4
Colas Ltd	19
Interserve (Southampton)	24
PNBPT	9.2

Subsumption

We show below details of which ungrouped Admission Bodies will be subsumed by a Scheduled Body at cessation, and the relevant Scheduled Body.

Admission Body	Scheduled Body
Amey Services	Hampshire County Council
Capita (SCC)	Southampton City Council
Capita (Hart)	Hart District Council
Capita (Hart Central Services)	Hart District Council
Capita (Havant)	Havant Borough Council
Admission Bodies Group	Scheduled Bodies Group

Repayment structure

We have agreed with the administering authority that the following structure will apply in the calculation of contributions.

Scheduled Bodies (SB) Group

Starting from its present level of 19.1%, the effective total rate of contribution will be kept constant for the first 3 years and then step up over a period of a further 6 years, thereafter increasing at 5.3% p.a. compound. The stepped increases are such that the overall plan is sufficient to meet the **shortfall** by the end of the recovery period.



Admission Bodies (AB) Group

Starting from its present level of 19.1%, the effective total rate of contribution will increase in steps of 0.5% p.a. over the first 3 years and then step up over a period of a further 6 years, thereafter increasing at 5.3% p.a. compound. The stepped increases are such that the overall plan is sufficient to meet the **shortfall** by the end of the recovery period.

In both cases, our calculations assume that pensionable payroll remains constant over the first 3 years, as specified by the Administering Authority.

Ungrouped Admission Bodies

No stepping has been applied for ungrouped Employers and contribution amounts have been derived based on an increasing pensionable payroll.

Appendix I — Consolidated Revenue Account

		Total £000
Fund at 31 March 2007		2,917,413
Income		
Contributions	Employer normal	343,779
	Employer additional	101,911
	Employer special	15,518
	Employee	160,021
Transfers-in		52,107
Investment income		235,700
Total income		909,036
Outgo		
Pensions paid		342,781
Lump sums		89,040
Death benefits paid		8,359
State Scheme Premiums		(18)
Transfers-out		39,848
Refunds of contributions on leaving		123
Expenses of investment		35,252
Expenses of administration		6,068
Total outgo		521,453
Change in market value		(67,461)
Fund at 31 March 2010		3,237,535

Notes:

- 1) This includes the change from mid-value to bid-value over the period.
- 2) The figures above exclude members' AVCs.

Appendix J — Membership Experience

The table below compares the actual numbers of movements from the Fund over the period 2007 to 2010 with the numbers expected on the basis of the assumptions adopted for the current valuation.

	Males	Females
Death in service:		
Actual	58	75
Expected	63	140
Withdrawals excluding refunds:		
Actual	2,986	10,093
Expected	2,520	9,772
Normal and voluntary retirements:		
Actual	1,617	2,895
Expected	2,446	2,488
Ill-health retirements:		
Actual	110	147
Expected	124	175
Severance and redundancy retirements:		
Actual	103	164
Expected	0	0

Appendix K — Current Contribution Rates

We show below the contributions payable by each Employer / Group in the year ending 31 March 2011.

Employer / Group	% Pensionable Pay
Scheduled Bodies Group	19.1
Admission Bodies Group	19.1
Amey Services	23.0
Birdsall Services	26.6
Capita (Hart)	22.3
Capita (Hart Central Services)	18.1
Capita (Havant)	20.2
Capita (SCC)	19.1
Carisway Facilities Management	19.7
Colas Ltd	16.0
Interserve (Southampton)	20.9
PNBPT	19.4

Appendix L — Rates and Adjustments Certificate

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the 'Administration Regulations'), we certify that contributions should be paid by Employers at the following rates for the period 1 April 2011 to 31 March 2014.

- A common rate of 19.7% of Pensionable Pay.
- Individual adjustments which, when added to or subtracted from the common rate, produce the following Employer contribution rates.

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014	Additional Monetary Amount Year commencing 1 April		
	% pay	2011	2012	2013
Scheduled Bodies Group				
Administering Authority				
Hampshire County Council	13.1	20,502.0	20,502.0	20,502.0
City, District and Borough Councils				
Basingstoke & Deane Borough Council	13.1	907.9	907.9	907.9
East Hampshire District Council	13.1	430.6	430.6	430.6
Eastleigh Borough Council	13.1	722.4	722.4	722.4
Fareham Borough Council	13.1	625.9	625.9	625.9
Gosport Borough Council	13.1	470.6	470.6	470.6
Hart District Council	13.1	256.2	256.2	256.2
Havant Borough Council	13.1	517.8	517.8	517.8
New Forest District Council	13.1	1,073.0	1,073.0	1,073.0
Portsmouth City Council	13.1	5,652.5	5,652.5	5,652.5
Rushmoor Borough Council	13.1	452.2	452.2	452.2
Southampton City Council	13.1	6,089.8	6,089.8	6,089.8
Test Valley Borough Council	13.1	610.0	610.0	610.0
Winchester City Council	13.1	678.6	678.6	678.6
Other Councils				
Alton Town Council	13.1	15.1	15.1	15.1
Baughurst Parish Council	13.1	0.6	0.6	0.6
Beech Parish Council	13.1	0.3	0.3	0.3
Bishops Waltham Parish Council	13.1	5.7	5.7	5.7
Bishopstoke Parish Council	13.1	1.3	1.3	1.3
Blackwater & Hawley Town Council	13.1	4.7	4.7	4.7
Botley Parish Council	13.1	1.2	1.2	1.2
Bramshott & Liphook Parish Council	13.1	2.3	2.3	2.3
Brockenhurst Parish Council	13.1	2.1	2.1	2.1
Colden Common Parish Council	13.1	2.6	2.6	2.6
Denmead Parish Council	13.1	4.0	4.0	4.0

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014 % pay	Additional Monetary Amount Year commencing 1 April £000		
		2011	2012	2013
Durley Parish Council	13.1	0.6	0.6	0.6
Fair Oak & Horton Heath Parish Council	13.1	5.7	5.7	5.7
Fawley Parish Council	13.1	11.4	11.4	11.4
Four Marks Parish Council	13.1	0.7	0.7	0.7
Hamble Le Rice Parish Council	13.1	5.3	5.3	5.3
Headley Parish Council	13.1	1.7	1.7	1.7
Hedge End Town Council	13.1	11.4	11.4	11.4
Hordle Parish Council	13.1	1.5	1.5	1.5
Horndean Parish Council	13.1	5.1	5.1	5.1
Hound Parish Council	13.1	4.1	4.1	4.1
Hythe & Dibden Parish Council	13.1	8.2	8.2	8.2
Kingsclere Parish Council	13.1	1.3	1.3	1.3
Kings Worthy Parish Council	13.1	1.9	1.9	1.9
Liss Parish Council	13.1	3.1	3.1	3.1
Lymington & Pennington Town Council	13.1	11.9	11.9	11.9
Marchwood Parish Council	13.1	6.3	6.3	6.3
Milford on Sea Parish Council	13.1	1.6	1.6	1.6
New Alresford Town Council	13.1	2	2	2
New Milton Town Council	13.1	11.6	11.6	11.6
Old Basing Parish Council	13.1	2.1	2.1	2.1
Overton Parish Council	13.1	0.6	0.6	0.6
Owlesbury Parish Council	13.1	0.3	0.3	0.3
Petersfield Town Council	13.1	10	10	10
Ringwood Town Council	13.1	10.8	10.8	10.8
Romsey Extra Parish Council	13.1	0.5	0.5	0.5
Romsey Town Council	13.1	3.7	3.7	3.7
Shedfield Parish Council	13.1	1.2	1.2	1.2
South Wonston Parish Council	13.1	0.9	0.9	0.9
Swanmore Parish Council	13.1	1.8	1.8	1.8
Tadley Town Council	13.1	3.9	3.9	3.9
Totton & Eling Town Council	13.1	23.3	23.3	23.3
Twyford Parish Council	13.1	0.4	0.4	0.4
Upham Parish Council	13.1	0.2	0.2	0.2
West End Parish Council	13.1	3.6	3.6	3.6
Whitchurch Town Council	13.1	1.8	1.8	1.8
Whitehill Town Council	13.1	3.6	3.6	3.6
Whiteley Parish Council	13.1	0.7	0.7	0.7
Wickham Parish Council	13.1	1.1	1.1	1.1
Yateley Town Council	13.1	4.6	4.6	4.6

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014	Additional Monetary Amount Year commencing 1 April		
	% pay	2011	2012	2013
Schools				
Abbotswood Junior School	13.1	16.5	16.5	16.5
All Hallows RC Secondary	13.1	39.9	39.9	39.9
Alton College	13.1	77.7	77.7	77.7
Applemore College	13.1	28.8	28.8	28.8
ARK Academies	13.1	47.6	47.6	47.6
Arnewood School	13.1	36.0	36.0	36.0
Ashley Junior School	13.1	9.1	9.1	9.1
Barton Peveril College	13.1	71.6	71.6	71.6
Basingstoke College of Technology	13.1	149	149	149
Bay House School	13.1	62.0	62.0	62.0
Blackfield & Fawley Schools	13.1	4.1	4.1	4.1
Bohunt Community School	13.1	34.9	34.9	34.9
Brockenhurst College	13.1	168.3	168.3	168.3
Burgate School & Sixth Form	13.1	18.6	18.6	18.6
Calmore Junior School	13.1	10.2	10.2	10.2
Cams Hill School	13.1	27.8	27.8	27.8
City of Portsmouth Boys School	13.1	28.6	28.6	28.6
Crofton School	13.1	36.6	36.6	36.6
Eastleigh College of Further Education	13.1	182.1	182.1	182.1
Fareham Tertiary College	13.1	86.8	86.8	86.8
Farnborough College of Technology	13.1	199.7	199.7	199.7
Front Lawn Junior School	13.1	8.3	8.3	8.3
Hardley Secondary School	13.1	30.4	30.4	30.4
Havant College	13.1	64.8	64.8	64.8
Highbury College	13.1	276.9	276.9	276.9
Hordle Primary School	13.1	13.5	13.5	13.5
Itchen College	13.1	39.9	39.9	39.9
Lyndhurst Junior School	13.1	13.3	13.3	13.3
Mill Rythe Infants School	13.1	5.3	5.3	5.3
Oaklands RC School	13.1	35.8	35.8	35.8
Oasis Community Learning	13.1	105.5	105.5	105.5
Osborne School	13.1	35.8	35.8	35.8
Peter Symonds College	13.1	117.5	117.5	117.5
Petersfield School	13.1	36.2	36.2	36.2
Portsmouth College	13.1	46.5	46.5	46.5
Priory Primary School	13.1	3.3	3.3	3.3
Purbrook Park School	13.1	30.0	30.0	30.0
Queen Mary's College	13.1	89.8	89.8	89.8
Ringwood School	13.1	48.8	48.8	48.8

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014 % pay	Additional Monetary Amount Year commencing 1 April £000		
		2011	2012	2013
South Downs College	13.1	315.5	315.5	315.5
Southampton City College	13.1	177.7	177.7	177.7
Southampton Solent University	13.1	891.3	891.3	891.3
Sparsholt College	13.1	287.6	287.6	287.6
St Anne's Convent School	13.1	34.5	34.5	34.5
St Edmunds RC School	13.1	42.4	42.4	42.4
St George's RC Secondary School	13.1	14.7	14.7	14.7
St Joseph's RC Primary School	13.1	6.5	6.5	6.5
St Paul's RC Primary School	13.1	18.5	18.5	18.5
St Peter's RC Primary School	13.1	12.5	12.5	12.5
St Vincent College	13.1	54.3	54.3	54.3
Tauntons College	13.1	42.4	42.4	42.4
Testbourne Community School	13.1	24.7	24.7	24.7
Testwood School	13.1	42.2	42.2	42.2
Totton College	13.1	112.3	112.3	112.3
University of Portsmouth	13.1	1,809.2	1,809.2	1,809.2
Upper Shirley High School	13.1	30.2	30.2	30.2
Vith Form College Farnborough	13.1	74.6	74.6	74.6
Other				
Hampshire Fire & Rescue Authority	13.1	460.2	460.2	460.2
Hampshire Police Authority	13.1	3,689.6	3,689.6	3,689.6
Hampshire Probation Trust	13.1	792.5	792.5	792.5
Langstone Harbour Board	13.1	8.0	8.0	8.0
Lymington Harbour Commission	13.1	9.6	9.6	9.6
New Forest National Park Authority	13.1	113.5	113.5	113.5
Portchester Crematorium Joint Committee	13.1	9.8	9.8	9.8
Southern Seas Fisheries Committee	13.1	12.1	12.1	12.1
Admission Bodies Group				
A2 Housing Group Ltd	15.6	0.9	1.1	1.2
Age Concern Basingstoke	15.6	2.9	3.2	3.6
Age Concern Hampshire	15.6	18.5	20.8	23.1
Age Concern Portsmouth	15.6	1.4	1.6	1.7
Andover Citizens Advice Bureau	15.6	3.3	3.7	4.1
Atlantic Housing Ltd	15.6	3.5	3.9	4.4
Basingstoke & District Sports Trust	15.6	15.8	17.7	19.7
Basingstoke Community Transport	15.6	1.4	1.5	1.7
Basingstoke Voluntary Services	15.6	7.0	7.9	8.7
Bedaes School	15.6	50.6	56.9	63.2
Bishops Waltham Citizens Advice Bureau	15.6	0.8	0.9	1.0

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014 % pay	Additional Monetary Amount Year commencing 1 April £000		
		2011	2012	2013
Care Quality Commission	15.6	11.7	13.2	14.6
Churchers College	15.6	23.8	26.8	29.8
Community Action Fareham	15.6	2.4	2.7	3.0
Community Action Hampshire	15.6	22	24.8	27.5
Winchester Community Action	15.6	8.1	9.1	10.2
Community First New Forest	15.6	5.5	6.2	6.8
Community First Portsmouth	15.6	0.8	1.0	1.1
Dibden Allotments Fund	15.6	1.4	1.6	1.7
Drum Housing Association	15.6	26.1	29.3	32.6
First Wessex Housing Group	15.6	13.7	15.4	17.1
Fleet & District Citizens Advice Bureau	15.6	1.2	1.3	1.4
Gosport Community Association	15.6	0.9	1.0	1.1
Hampshire Association for the Care of the Blind	15.6	3.8	4.3	4.8
Hampshire Association of Local Councils	15.6	2.9	3.3	3.6
Hampshire & Isle of Wight Playfields Association	15.6	1.5	1.7	1.9
Hart Voluntary Action	15.6	1.4	1.6	1.8
Havant Council of Community Service	15.6	3.2	3.6	4.1
Hermitage Housing Association Ltd	15.6	11.2	12.6	14
Horizon Leisure Trust	15.6	9.3	10.5	11.7
King Edward VI School	15.6	39.1	44.0	48.9
Kingfisher HVHS Housing Group Ltd	15.6	2.1	2.3	2.6
One Community	15.6	5.7	6.4	7.1
Options	15.6	1.7	1.9	2.1
PARCS	15.6	2.9	3.2	3.6
Portsmouth Citizens Advice Bureau	15.6	1.8	2.1	2.3
Portsmouth Housing Association Ltd	15.6	6.5	7.3	8.1
QEII Silver Jubilee Centre	15.6	2.8	3.1	3.5
Romsey & District Citizens Advice Bureau	15.6	1.1	1.2	1.4
SCA Community Care Services Ltd	15.6	7.5	8.4	9.3
Sentinel Housing Group Ltd	15.6	11.5	12.9	14.3
Shopmobility Basingstoke	15.6	1.0	1.1	1.2
SLM Community Leisure Ltd	15.6	13.7	15.4	17.1
SLM Fitness & Health Ltd	15.6	1.9	2.1	2.3
Tourism South East	15.6	19.5	21.9	24.3
South East Employers	15.6	19.1	21.5	23.9
Southampton University	15.6	8.2	9.2	10.2
Southampton University	15.6	10.2	11.5	12.8

Employer / Group	Contribution rate 1 April 2011 to 31 March 2014 % pay	Additional Monetary Amount Year commencing 1 April £000		
		2011	2012	2013
Southampton Voluntary Services	15.6	3.6	4.1	4.5
St Edward's School	15.6	28.2	31.7	35.3
St John's College	15.6	17.8	20.0	22.2
Tadley & District Citizens Advice Bureau	15.6	2.0	2.3	2.5
Testway Housing Ltd	15.6	12.1	13.7	15.2
The Hampton Trust	15.6	5.1	5.7	6.4
The Handy Trust	15.6	0.9	1.0	1.1
University of Winchester	15.6	207.3	233.2	259.1
Valley Leisure Ltd	15.6	10.5	11.8	13.1
Sovereign Housing Group	15.6	5.0	5.6	6.2
Wessex Property Ltd	15.6	2.7	3.0	3.4
Winchester Citizens Advice Bureau	15.6	1.3	1.4	1.6
Yateley & District Citizens Advice Bureau	15.6	0.8	0.9	1.0
Ungrouped Admission Bodies				
Amey Services	18.4	-	-	-
Birdsall Services	26.0	-	-	-
Capita (Hart Central Services)	15.4	-	-	-
Capita (Hart)	15.3	-	-	-
Capita (Havant)	15.0	-	-	-
Capita (SCC)	14.6	61.2	64.5	67.9
Carisway Facilities Management	20.0	-	-	-
Colas	25.2	28.8	30.3	31.9
Interserve (Southampton)	24.1	4.5	4.7	5.0
PNBPT	20.4	-	-	-

Where payments due from an Employer listed in this Certificate are expressed as capital amounts, the amounts payable by that Employer should be adjusted to take account of any amounts payable, in respect of a surplus or shortfall to which those capital payments relate, by new employers created after the valuation date. Any adjustment should be as advised by the Fund Actuary.

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

In addition, any extra liabilities falling on the Fund in respect of retirements under Regulations 18, 19 or 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 (the 'Benefits Regulations') should be financed by additional Employer contributions, calculated in a manner advised by the Actuary, and payable over a period of up to three years.

In addition, any additional benefits granted under Benefits Regulations 12 or 13 should be financed by additional Employer contributions, under Administration Regulation 40, or as calculated in a manner advised by the Actuary.

Additional contributions may be payable by any Admission Bodies which have ceased to participate in the Fund before the date of this certificate and will be certified separately.

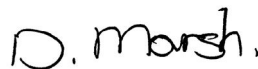
Contribution rates for Employers commencing participation in the Fund after 31 March 2010 will be advised separately.

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

For Aon Hewitt Limited
40 Queen Square
Bristol
BS1 4QP

A handwritten signature in black ink, appearing to read 'C Darby'.

Chris Darby FIA
30 March 2011

A handwritten signature in black ink, appearing to read 'D. Marsh'.

David Marsh FIA
30 March 2011

Notes to Actuary's Certificate

The contribution rates certified overleaf have been assessed using the actuarial methods and assumptions detailed in our report dated 30 March 2011.

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

Type of Retirement	Anticipated retirements over 4 year period from 1 April 2010 to 31 March 2014	
	Number	New Pension £'000
Normal and voluntary under Regulations 16 or 30 of the Benefit Regulations	5,073	35,204
Comments on Funding	Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before age 60 and no reduction for early payment applies. The Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral	
Ill-health under Regulation 20 of the Benefit Regulations	415	2,525
Comments on Funding	Such retirements increase costs due to the early payment of enhanced benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation. In accordance with Regulation 38(5)(b) of the Administration Regulations the Authority should monitor the number of ill-health retirements arising over each Fund year and refer the position to the Actuary if numbers exceed the levels implied above.	
Severance and redundancy under Regulation 19 of the Benefit Regulations	Nil	Nil
Comments on Funding	Such retirements increase costs due to the early payment of benefits. Any enhancement of benefits through the Fund would increase costs further. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation. The Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	
Flexible retirement under Regulation 18 of the Benefit Regulations	Nil	Nil
Comments on Funding	Such retirements may increase costs due to the early payment of benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation. The Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	

Glossary

Additional Voluntary Contributions (AVCs)	Voluntary contributions paid by members under Administration Regulation 25 to secure defined contribution (DC) benefits. AVCs and any associated Share Cost AVCs paid by the employer are excluded from the valuation.
Attained Age Method	One of the common methods used by actuaries to calculate a contribution rate to the scheme. This method calculates the present value of the benefits expected to accrue to members over their expected remaining membership of the scheme expressed as a percentage of their expected future pensionable pay. It allows for projected future increases to pay through to retirement or date of leaving service. The method is based on the current membership takes no account of the possibility of further members joining the scheme. If there are no new members, this method would be expected to result in a stable contribution rate, once surpluses or shortfalls are taken into account, and if all the other assumptions are borne out. However, if more members join the scheme to replace older leavers, the contribution rate can be expected to fall.
Best estimate	This is an estimate of a figure such that the eventual outcome is considered to be equally likely to be higher or lower than the best estimate .
Discount rate	This is used to place a present value on a future payment. A 'low risk' discount rate is usually derived from the investment return achievable by investing in government gilt-edged stock. A discount rate higher than the 'low risk' rate is often used to allow for some of the extra investment return that is expected by investing in assets other than gilts.
Funding objective	To hold sufficient and appropriate assets to meet the funding target .
Funding principle	To hold sufficient and appropriate assets to meet the benefits as they fall due.
Funding ratio	This is the ratio of the value of assets to the funding target .
Funding Strategy Statement	A document produced by the Authority in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997, which sets out the funding strategy adopted for the Fund. The statement is produced and maintained in consultation with the Employers and the Actuary. The Actuary must have regard to this statement in preparing the valuation under Administration Regulation 36.

Funding target	An assessment of the present value of the benefits that will be paid from the scheme in the future, normally based on pensionable service prior to the Valuation Date, and agreed by the Actuary and the Authority to be appropriate to meet the promised benefits.
Future service contribution rate	The contribution rate (expressed as a percentage of pensionable pay) required to meet the cost of benefits which will accrue to members in future.
GMPs	Most schemes that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the scheme not been contracted out. GMPs ceased to build up on 6 April 1997 when the legislation changed.
Planning exercise	A planning exercise involves the estimate of an amount for budgeting or target-setting purposes.
Present value	Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the Valuation Date, the projected amounts are discounted back to the Valuation Date by a discount rate . This value is known as the present value . For example, if the discount rate was 6% a year and if we had to pay a lump sum of £1,060 in one year's time the present value would be £1,000.
Projected Unit Method (PUM)	One of the common methods used by actuaries to calculate a contribution rate to the scheme. This method calculates the present value of the benefits expected to accrue to members over a control period (often one year) following the Valuation Date. The present value is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age will increase and the contribution rate can be expected to rise.
Prudent	Prudent assumptions are assumptions that, if the Fund continues on an ongoing basis, are more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.
Rates and Adjustments Certificate	A certificate required by the Administration Regulations setting out what contributions are payable by each Employer over the three years from 1 April 2011.

Recovery period	The period over which any shortfall is to be eliminated.
Recovery plan	Where a valuation shows a funding shortfall against the funding target , the recovery plan sets out how the funding objective will be met.
Shortfall	This is the funding target less the value of assets. If the value of assets is greater than the funding target , then the difference is called the surplus .
Strain	This represents the increase in the present value of a member's benefits as a result of additional benefits granted in certain circumstances. This includes the provision of enhanced benefits on retirement (for example as a result of waiving an actuarial reduction for early payment) or any discretionary benefits granted.
Subsumption	When an Employer ceases participation in the Fund, such that it will no longer have any contributing members, it is possible that another Employer in the Fund will agree to provide a source of future funding in respect of any emerging deficiencies in respect of the liabilities of the ceding Employer. In this document this is referred to as 'subsumption'. In such circumstances the ceding Employer's liabilities are known as 'subsumed liabilities' (in that responsibility for them is subsumed by the accepting Employer).
Surplus or shortfall	This is the value of assets less the funding target . If the funding target is greater than the value of assets, then the difference is called the shortfall .
Transfer value	Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in the scheme, and a sum of money (called the transfer value) is paid into another approved pension scheme; this is used to provide pension benefits on the terms offered in that scheme.