

# Dorset County Pension Fund

Actuarial Valuation as at 31 March 2010  
Valuation Report

**Barnett Waddingham**  
Public Sector Consulting

12 April 2011

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Dear Paul

## **Actuarial Valuation as at 31 March 2010**

We have carried out an actuarial valuation of the Dorset County Pension Fund (“the Fund”) as at 31 March 2010. The Fund is part of the Local Government Pension Scheme (“LGPS”).

The valuation is being carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 (“the Regulations”) as amended.

The purpose of this report is to set out the results of the actuarial valuation of the Fund.

This report is addressed to Dorset County Council as administering authority to the Fund. It is not intended to assist any user other than Dorset County Council in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.

This report has been written in accordance with “Technical Accounting Standard R: Reporting Actuarial Information” and “Technical Actuarial Standard D: Data” issued by the Board for Actuarial Standards and actuarial guidance note “GN9: Funding Defined Benefits – presentation of actuarial advice”, insofar as they apply to the LGPS.

Our report is set out in the following sections.

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# **1 Introduction**

## **1.1 Purpose of the Valuation**

- 1.1.1 The main purpose of the valuation is to review the financial position of the Fund and to determine the rate at which the employing bodies participating in the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.
- 1.1.2 The figures in this report count as part of a “planning exercise” for the purposes of the Board for Actuarial Standards’ Technical Actuarial Standard R. This means the primary purpose of the figures is for “budgeting” or “target setting” – in this case setting the future levels of employer contributions payable to the Fund.

## **1.2 Previous Valuation**

- 1.2.1 The last formal actuarial valuation of the Fund was carried out as at 31 March 2007 by Barnett Waddingham and the results of that valuation were set out in the formal valuation report dated March 2008.
- 1.2.2 The results of the previous valuation indicated that the assets of the Fund represented 92.5% of the accrued liabilities of the Fund. The Total Required Contribution Rate was certified as 16.1% of payroll which assumed that the past service funding level would be restored over a period of 20 years.

## **1.3 Changes to the LGPS**

- 1.3.1 The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the Consumer Price Index or CPI rather than RPI.
- 1.3.2 Also, it was announced that State Pension Age will be increased to age 66 for both men and women from 2020 which is likely to influence future retirement patterns.
- 1.3.3 A report has recently been issued by an independent pensions commission led by Lord Hutton to investigate pension reform across the public sector. His report contains a number of recommendations which are likely to lead to some changes to the LGPS in future although at this stage it is difficult to assess the detail of what they might be. The Chancellor has also indicated that the level of member contribution should be expected to increase at some point in future. We anticipate that these changes will be closer to being finalised by the date of the next valuation.
- 1.3.4 Full details of the current benefits and contribution structure are set out in Appendix 6.

## 2 Valuation Data

### 2.1 Data Sources

2.1.1 We have used the following items of data as provided by Dorset County Council.

- Membership extract as at 31 March 2010. The membership data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.
- Fund accounts for the 3 years to 31 March 2010.

2.1.2 A summary of the data is set out in Appendix 2.

### 2.2 Assets

2.2.1 The asset allocation of the Fund as at 31 March 2010 was as follows:

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	295,755	21%
Overseas Equities	282,120	20%
Corporate Bonds	587,214	42%
Cash	73,643	5%
UK Gilts	-	-
Overseas Bonds	-	-
Property	59,400	4%
Other assets	-	-
Alternative assets	113,734	8%
<b>Total</b>	<b>1,411,866</b>	<b>100%</b>

2.2.2 We estimate that the annual return on the assets in market value terms for the 3 years to 31 March 2010 was approximately -1.9% per annum.

### 2.3 Benefits

2.3.1 Since the previous valuation changes to the benefits have been introduced with effect from 1 April 2008.

2.3.2 The benefits being valued including these changes are as set out in the Regulations governing the Local Government Pension Scheme ("the LGPS") and are summarised in Appendix 6.

## 3 Actuarial Methods and Assumptions

### 3.1 Valuation Method

- 3.1.1 For the purposes of this valuation we have, as in the past, adopted an approach which separately considers the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach enables us to focus on:-
- 3.1.2 The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; a funding level of less than 100% indicates a deficit.
- 3.1.3 The future service funding rate i.e. the level of contributions required from the employing bodies to support the cost of benefits building up in future.
- 3.1.4 There are various "funding methods" that can be used to determine the cost of providing benefits. The method we have adopted for employers open to new staff at this valuation is known as the "Projected Unit Method". The key feature of this method is that in assessing the future service cost we calculate the contribution rate which meets the cost of one year of benefit accrual.
- 3.1.5 For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.
- 3.1.6 This is the same approach as adopted at the previous valuation.

### 3.2 Valuation Assumptions

- 3.2.1 The next step is to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 3.2.2 Future levels of pay increases will determine the level of benefits to be paid in future in respect of active members as well as the contributions that will be received by the Fund. Once in payment, pension benefits in excess of Guaranteed Minimum Pensions ("GMPs") are linked to the Retail Prices Index through increases granted in line with the Pensions (Increase) Act 1971. Pension benefits will in future be linked to the CPI rather than RPI.
- 3.2.3 The cost of providing for benefits, however, depends not only upon the amount but also the incidence of benefits paid i.e. at what point in the future benefits begin to be paid and, for pension benefits, for how long they continue to be paid.

3.2.4 As money is being set aside now to provide for benefits payable in the future i.e. the benefits are being prefunded, then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets. These assets build up from contributions paid by scheme members and participating employers to the Fund.

3.2.5 The assumptions adopted at the valuation can therefore be considered as:-

- The statistical assumptions which generally provide estimates of the likelihood of benefits and contributions being paid, and,
- The financial assumptions which determine the estimates of the amount of benefits and contributions payable as well as their current or present value.

3.2.6 We examine the assumptions in more detail in the next two sections of our report.

### 3.3 Funding Model

3.3.1 At this valuation we have used a market related funding model. The key features of the model are as follows:

3.3.2 Assumed future levels of retail price inflation are derived by considering the difference between index-linked gilt and fixed-interest gilt yields at the valuation date, as published by the Bank of England. At this valuation we have also included an adjustment known as an inflation premium. This inflation premium is deducted from the market implied inflation assumption to reflect the expectation that market implied inflation tends to overstate actual retail price inflation.

3.3.3 Pay increases are assumed to exceed future retail price inflation based on past experience and expectations of future experience.

3.3.4 Pension increases are assumed to be in line with CPI rather than RPI. It is assumed that CPI will be 0.5% per annum less than RPI, consistent with the historical average.

3.3.5 The expected future return from equities is based on dividend yields at the valuation date in addition to an allowance for real capital growth in asset values.

3.3.6 Rather than take "spot" yields and market values of assets at the valuation date we have used smoothed yields and asset values spanning the 6 month period around the valuation date.

3.3.7 The discount rate used to discount future payments to and from the Fund and so determine the value placed on the liabilities reflects the risk adjusted expected return that will be earned by the actual investment strategy adopted by the Fund.

3.3.8 Under TAS R a "funding model" is referred to as a "measure".

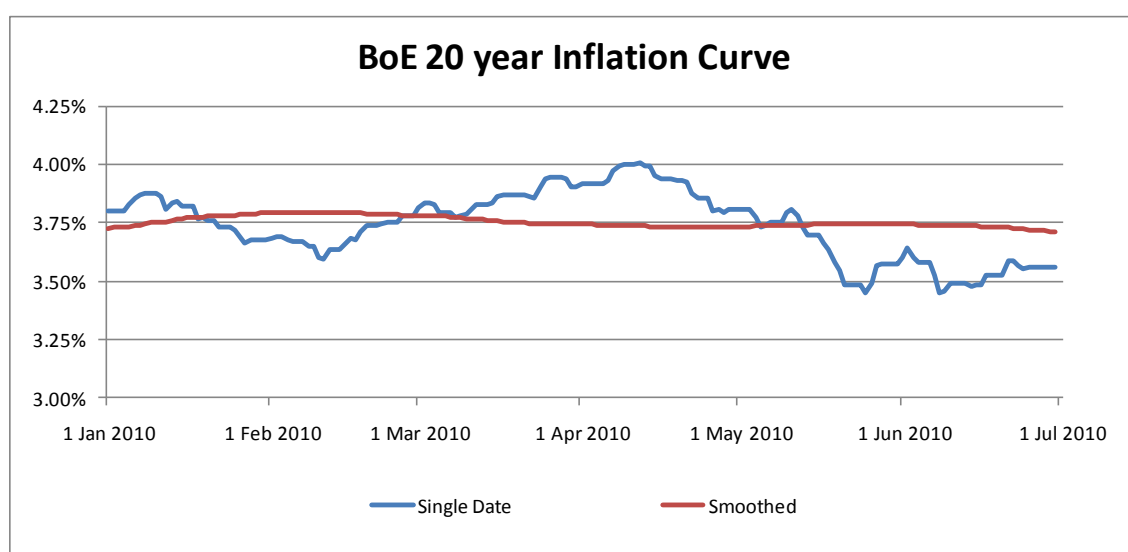
## 4 Financial Assumptions and Experience

4.1.1 The derivation of the key financial assumptions adopted at this valuation and how they compared as at the previous valuation are set out below. Further details are set out in Appendix 3.

### 4.2 Future Retail Price Inflation

4.2.1 The base assumption is the future level of retail price inflation. This is derived by considering the difference in yields from conventional and index linked gilts using the Bank of England Inflation Curve and then adjusting by an inflation premium.

4.2.2 The following chart plots the Inflation Curve over the 6 month period spanning the valuation date.



4.2.3 As at the valuation date the spot inflation projection was 3.90% and the average or smoothed level over the 6 months spanning the valuation date was 3.75%. We have used the smoothed level but then reduced by a 0.25% inflation premium adjustment to end up with an RPI assumption of 3.5% per annum.

### 4.3 Future Pension Increases

4.3.1 Previously, pension increases were assumed to be in line with retail price increases. The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the CPI rather than RPI. We have therefore assumed that pension increases will be 0.5% less than the price inflation assumption. i.e. 3.0% per annum.

### 4.4 Future Pay Inflation

4.4.1 As benefits are currently linked to pay levels at retirement, an assumption has to be made about future levels of pay inflation. Historically there has been a close link between price and pay inflation



with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions.

- 4.4.2 The assumption adopted at this valuation is that in the longer term pay increases, over and above increases due to promotion and other increments (or “salary scales”), will exceed price inflation by 1.25% per annum in the longer term. This compares with an assumption of 1.5% at the previous valuation.
- 4.4.3 However, in anticipation of Government policy we have also assumed a short term “pay freeze” for 2 years for those earning over £21,000 per annum.
- 4.4.4 The salary scales at this valuation are the same as those as adopted at the previous valuation.

## **4.5 Future Investment Returns/Discount Rate**

- 4.5.1 To determine the value of accrued liabilities and future contribution requirements at any given point in time it is necessary to discount future payments to and from the Fund. There are a number of different approaches which can be adopted in deriving the discount rate to be used. FRS 17 for example requires that the discount rate is related only to yields from corporate bonds.
- 4.5.2 In our view the discount rate adopted should depend on the purpose of the valuation and the overall funding objectives. The regulations require the actuary to adopt methods and assumptions which produce stable levels of employer contributions. In our view therefore, to help achieve this objective, the discount rate should reflect the expected investment return to be achieved from the underlying investment strategy.
- 4.5.3 In determining the assumption to be made in relation to future investment returns it is necessary to consider the investment strategy of the Fund and the resulting expected future return earned by the assets held.
- 4.5.4 The investment strategy of the Fund is to invest the assets in a mix of equities, bonds and alternative assets.
- 4.5.5 Redemption yields from gilts give an indication of the future rates of return from these asset classes. Redemption yields from corporate bonds are also readily available. There is however no comparable market indicator to derive the market expected future return from investing in equities, property or other alternative assets.
- 4.5.6 It is however possible to model future returns from equities by considering current dividend yields and making an assumptions regarding future growth in capital values.
- 4.5.7 The following table sets out the derivation of the expected return from equities at the valuation date.

Smoothed Equity Returns	March 2010 % p.a.
-------------------------	----------------------

Net equity yield	3.3%
Inflation	3.5%
plus assumed real capital return	1.0%
Equity Return	7.8%

- 4.5.8 It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities.
- 4.5.9 Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.
- 4.5.10 We then derive the discount rate as firstly, the weighted average of future expected returns from the various asset classes based on the actual asset allocation as at the valuation date.
- 4.5.11 We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with more than 75% in equity type investments the reduction in discount rate is 50% of the extra return expected from the actual strategy compared to one invested 75% in equity type investments.
- 4.5.12 Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4% per annum.
- 4.5.13 In summary therefore we have adopted the following assumptions.

Financial Assumptions	31 March 2010		31 March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.8%	4.3%	7.7%	4.4%
Gilts	4.5%	1.0%	4.7%	1.4%
Bonds & Property	5.6%	2.1%	5.4%	2.1%
Discount Rate	6.9%	3.4%	6.9%	3.6%
Risk Adjusted Discount Rate	6.8%	3.3%		
Pay Increases	4.7%	1.3%	4.8%	1.5%
Price Inflation	3.5%	-	3.3%	-
Pension Increases	3.0%	(0.5%)	3.3%	-

- 4.5.14 Note that the pay increase assumption is zero for 2 years for those earning over £21,000.

## 4.6 Intervaluation Experience - Financial

4.6.1 The following table sets out the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation.

Financial Experience	Actual % p.a.	Assumed % p.a.	Difference % p.a.
Investment Return	(1.9%)	6.9%	(8.8%)
Estimated Pay Increases	4.0%	4.8%	(0.8%)
Price Inflation/Pension Increases	2.9%	3.3%	(0.4%)

4.6.2 The principal conclusions are:

- Investment returns were significantly less than assumed.
- Pay increases were slightly less than expected.
- Pension increases were slightly less than expected.

4.6.3 Overall the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a negative factor.

## 5 Demographic Experience and Assumptions

### 5.1 Statistical Experience – Active Members

- 5.1.1 The following table sets out the actual number of membership movements amongst active members during the intervaluation period compared to the assumptions adopted at the previous valuation.

Active Membership Movemen	Actual	Assumed	Difference %
<b>Early Leavers</b>	8,315	6,489	28%
<b>Deaths in Service</b>	54	100	(46%)
<b>Retirements</b>			
Ill health	135	140	(4%)
Age	1,187		
Voluntary	27		
Redundancy	171		
Efficiency	23		
<b>Total</b>	<b>1,543</b>		

- 5.1.2 There were more early leavers than expected and fewer ill-health retirements than expected.
- 5.1.3 Overall the demographic experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a positive factor during the intervaluation period.
- 5.1.4 We have adjusted our pre retirement assumptions to better reflect recent actual experience.

### 5.2 Pensioner Mortality

- 5.2.1 Mortality investigations over the last few years have concluded that the population across the UK is living longer and that this improvement will continue at a faster rate than seen in the past. Our analysis of LGPS pensioner longevity over the course of the last 20 years or so confirms that pensioners are living longer although experience does vary across the country and from Fund to Fund.

- 5.2.2 The following table sets out the actual and expected mortality of pensioners during the intervaluation period.

Pensioner Deaths By Number	Pensioners	Dependants	Total
Actual	693	181	<b>874</b>
Assumed	595	160	<b>755</b>
% Difference	16%	13%	<b>16%</b>

By Amount of Pension	£(000)	£(000)	£(000)
Actual	2,491	319	<b>2,810</b>
Assumed	2,691	328	<b>3,019</b>
% Difference	(7%)	(3%)	<b>(7%)</b>

- 5.2.3 The number of pensioners dying during the intervaluation period was higher than expected although the amount of pension ceasing was slightly less than expected.
- 5.2.4 We have reviewed the mortality assumptions adopted at this valuation, which bring the assumptions closer to recent experience and also allows for improvements in mortality over the next 20 years.

## 5.3 Retirement Ages – Active Members

- 5.3.1 At the previous valuation it was assumed that active members will retire as soon as they are able to on unreduced benefits without requiring employer consent – typically satisfying the Rule of 85 but no earlier than age 60 or later than age 65.
- 5.3.2 Experience suggests that whilst the Rule of 85 is an influencing factor on when active members choose to retire, State Pension Age is also a major factor for many active members as they need the additional income payable from the State before they can afford to retire.
- 5.3.3 There are existing plans in place to increase State Pension Age, albeit very slowly. The new Government have, however, indicated that State Pension Age will be 66 from 2020.
- 5.3.4 It is difficult to assess what the impact will be but we have completed calculations assuming that active members will retire 1 year later than the date they would be entitled to retire and receive unreduced benefits.

## 6 Valuation Results

### 6.1 Past Service Funding Position and Contribution Rates

6.1.1 The following table sets out the valuation results for the Fund. We show

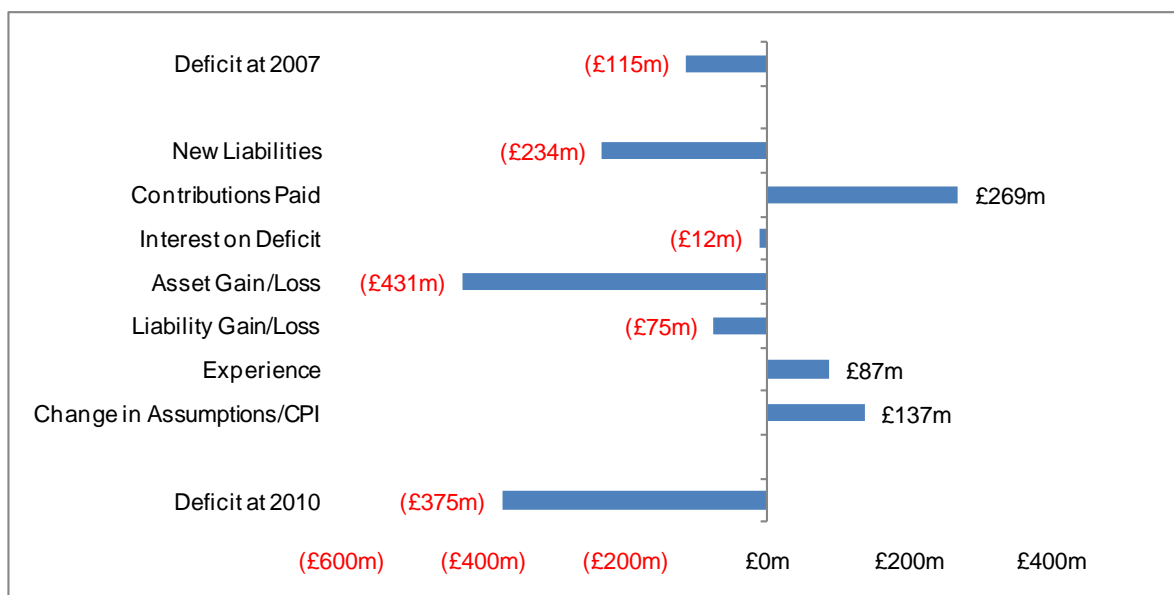
- The past service funding position
- The required average ongoing employer contribution rate for future service benefits
- The required total employer contribution rate to restore the funding position to 100% over the agreed 25 year period following the valuation date.

31 March 2010	
Past Service Funding Position	£(000)
<b>Smoothed Asset Value</b>	1,401,970
<b>Past Service Liabilities</b>	
Active Members	803,844
Deferred Pensioners	228,181
Pensioners	744,999
<b>Value of Scheme Liabilities</b>	1,777,024
<b>Surplus (Deficit)</b>	(375,054)
<b>Funding Level</b>	79%
Employer Contribution Rates	% of Payroll
Future Service Contribution Rate	13.8%
Deficit recovery (25 years)	4.7%
<b>Total Contribution Rate</b>	<b>18.5%</b>

6.1.2 As we see, the funding level was 79% and the average required employer contribution to restore the funding position to 100% over the next 25 years is 18.5% of pensionable pay.

## 6.2 Reconciliation of Past Service Position

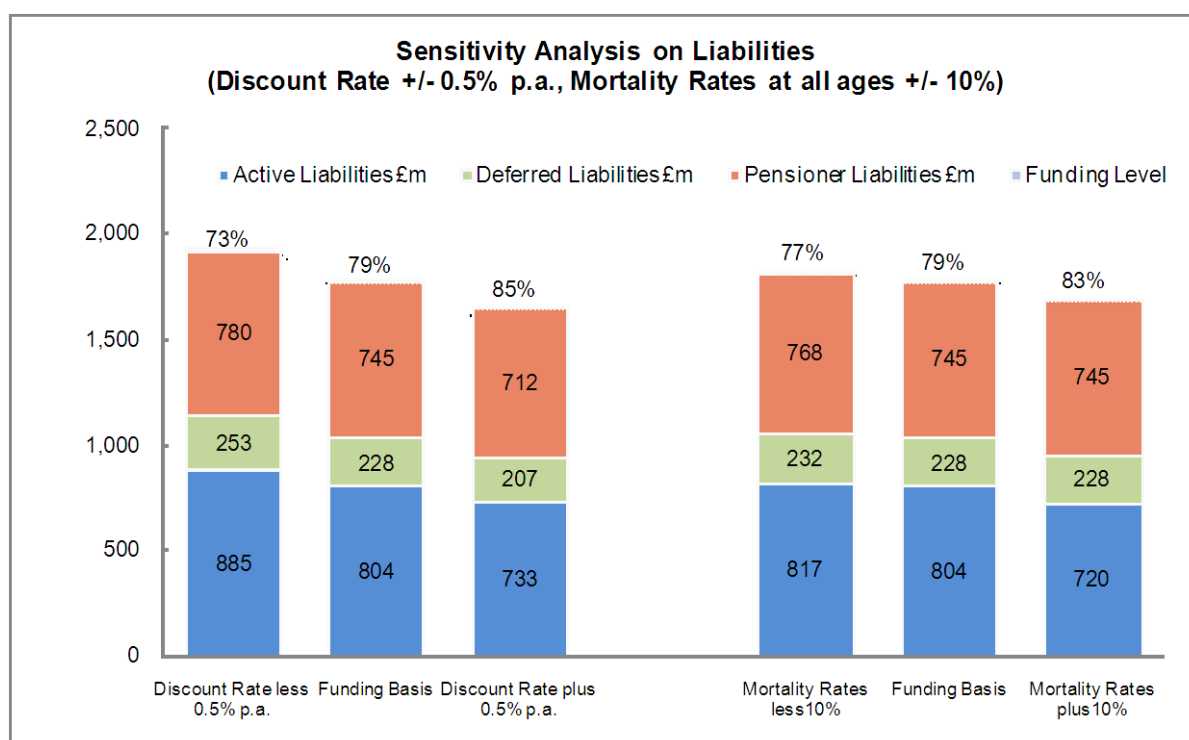
6.2.1 A reconciliation of the intervaluation experience on the past service position in the 3 years to the valuation date is set out in the following chart.



6.2.2 As we can see, overall the deficit increased substantially during the intervaluation period.

## 6.3 Sensitivity Analysis

- 6.3.1 It is important that it is understood that the valuation results for the Fund are based on the assumptions used to determine the liabilities. Changes to the adopted assumptions will affect the funding position of the Fund.
- 6.3.2 In order to illustrate this, a number of calculations have been carried out to highlight the sensitivity of the funding position to the assumptions adopted, focusing on the assumptions to which the funding position is most sensitive.
- 6.3.3 To highlight the sensitivity of the funding position to changes in the discount rate, we have considered the impact of changing this assumption by 0.5% p.a. in either direction. We have also considered the impact of mortality rates at all ages being either 10% higher or lower than assumed. The result of this analysis is shown in the chart below:





## 7 Comments and Conclusions

### 7.1 Financial Position

- 7.1.1 The funding level has shown a decline since the 2007 valuation principally due to poor investment returns net of the change in indexation from RPI to CPI and other assumption changes.

### 7.2 Employer Contribution Rates

- 7.2.1 The contribution rates that we have certified have been set to fund each employer's share of the deficiency in the Fund over the next 25 years.
- 7.2.2 The certified contribution rates for each employer are set out in our certificate in Appendix 5.

### 7.3 New Employers joining the Fund

- 7.3.1 We would recommend that any new small employers or admitted bodies joining the Fund with no previous interest in the Fund should be referred to us for individual calculation as to the required level of contribution.
- 7.3.2 Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 38.
- 7.3.3 We would be pleased to answer any questions arising from this report.



**Graeme D Muir FFA**



**Alison Hamilton FFA**

## **Appendix 1. Valuation Method**

### **Valuation of Liabilities**

Using our assumptions we estimate the payments which will be made from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then calculate the amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called “the present value” (or, more simply, “the value”) of members benefits. Separate calculations are made in respect of benefits arising in relation to service before the valuation date (“past service”) and for service after the valuation date (“future service”).

### **Past Service Funding Level**

A comparison is made of the value of the existing assets with the value of benefits in relation to past service (allowing for future pay and pension increases). If there is an excess of assets over past service liabilities then there is a past service surplus. If the converse applies there is a past service deficiency.

### **Future Service Funding Rate**

The first stage is to calculate the value of benefits accruing to existing active members in the future, by reference to projected pay as at the date of retirement or earlier exit.

For employers that are still open to new staff we have used the Projected Unit Method which considers the benefits accruing in the year following the valuation date. The value of benefits accruing in the year following the valuation date is then expressed as a percentage of payroll over the same period having first deducted the equivalent contribution paid by the active members.

The method described above results in a stable, long term contribution rate over time, if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then the contribution rate calculated at future valuations would be expected to increase.

For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.

### **Valuation of Assets**

Assets have been valued at a 6 month smoothed market value straddling the valuation date.

## Appendix 2. Valuation Data

A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay		Average	
	Number		£ (000)		£	
Full Time	2010	2007	2010	2007	2010	2007
Males	5,126	5,003	138,245	125,922	26,969	25,169
Females	5,451	5,269	135,531	116,904	24,864	22,187
Part Time						
Males	1,414	1,238	14,458	11,958	10,225	9,659
Females	12,565	11,475	112,183	93,600	8,928	8,157
<b>Total</b>	<b>24,556</b>	<b>22,985</b>	<b>400,417</b>	<b>348,384</b>	<b>16,306</b>	<b>15,157</b>

Pensioners			Annual Pensions		Average	
	Number		£ (000)		£	
	2010	2007	2010	2007	2010	2007
Males	5,608	5,134	35,877	30,056	6,397	5,854
Females	6,345	4,934	16,853	12,280	2,656	2,489
Dependants	2,081	1,782	4,156	3,523	1,997	1,977
<b>Total</b>	<b>14,034</b>	<b>11,850</b>	<b>56,886</b>	<b>45,859</b>	<b>4,053</b>	<b>3,870</b>

Deferred Pensioners (incl "undecideds")			Annual Pensions		Average	
	Number		£ (000)		£	
	2010	2007	2010	2007	2010	2007
Males	5,662	4,347	8,012	6,307	1,415	1,451
Females	15,161	10,136	11,672	7,914	770	781
<b>Total</b>	<b>20,823</b>	<b>14,483</b>	<b>19,684</b>	<b>14,221</b>	<b>945</b>	<b>982</b>

### Notes

- The numbers relate to the number of records and so will include members in receipt of or potentially in receipt of more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2010 PI Order.
- Pensionable pay is actual earnings.

A summary of the assets held by the Fund at the valuation date is as shown below.

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	295,755	21%
Overseas Equities	282,120	20%
Corporate Bonds	587,214	42%
Cash	73,643	5%
UK Gilts	-	-
Overseas Bonds	-	-
Property	59,400	4%
Other assets	-	-
Alternative assets	113,734	8%
<b>Total</b>	<b>1,411,866</b>	<b>100%</b>

Revenue Accounts		Year to	March 2010	March 2009	March 2008	TOTAL
			£ (000)	£ (000)	£ (000)	£ (000)
EXPENDITURE	Retirement Pensions		56,329	51,302	47,640	155,271
	Retirement Lump Sum		13,670	12,697	9,468	35,835
	Death Benefits		959	956	1,220	3,135
	Leavers benefits		6,021	4,073	4,404	14,498
	Expenses		1,143	1,323	1,184	3,650
	Other Expenditure		-	-	-	-
TOTAL			78,122	70,351	63,916	212,389
INCOME	Employees Ctbns		26,218	24,825	22,111	73,154
	Employers Ctbns		68,165	65,296	62,673	196,134
	Transfer Values		9,649	6,267	10,264	26,180
	Investment Income		19,279	23,510	26,626	69,415
	Other Income		-	-	-	-
TOTAL			123,311	119,898	121,674	364,883
Fund Value			£ (000)	£ (000)	£ (000)	£ (000)
Assets at Start of Year			999,109	1,343,450	1,397,595	1,397,595
Cashflow			45,189	49,547	57,758	152,494
Change in value			367,568	(393,888)	(111,903)	(138,223)
Assets at End of Year			1,411,866	999,109	1,343,450	1,411,866
Annual Returns						
Approx Rate of Return			38.3%	-27.3%	-6.0%	-1.9%

## Appendix 3. Actuarial Assumptions

The valuation process is essentially a projection of future cashflows into and out of the Fund. The amount of future cashflows out of the Fund i.e. benefits provided will depend on rates of future pay increases and price inflation. The timing or incidence of the cashflows will depend upon future rates of retirement, mortality etc.

As money is being set aside now to provide for benefits payable in the future then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets which then build up. The higher the rate of return achieved by the assets the lower the contribution requirement that has to be paid in future to meet the cost of the benefits.

### Financial Assumptions

The principal financial assumptions adopted in the valuation are therefore as follows:-

#### Price Inflation

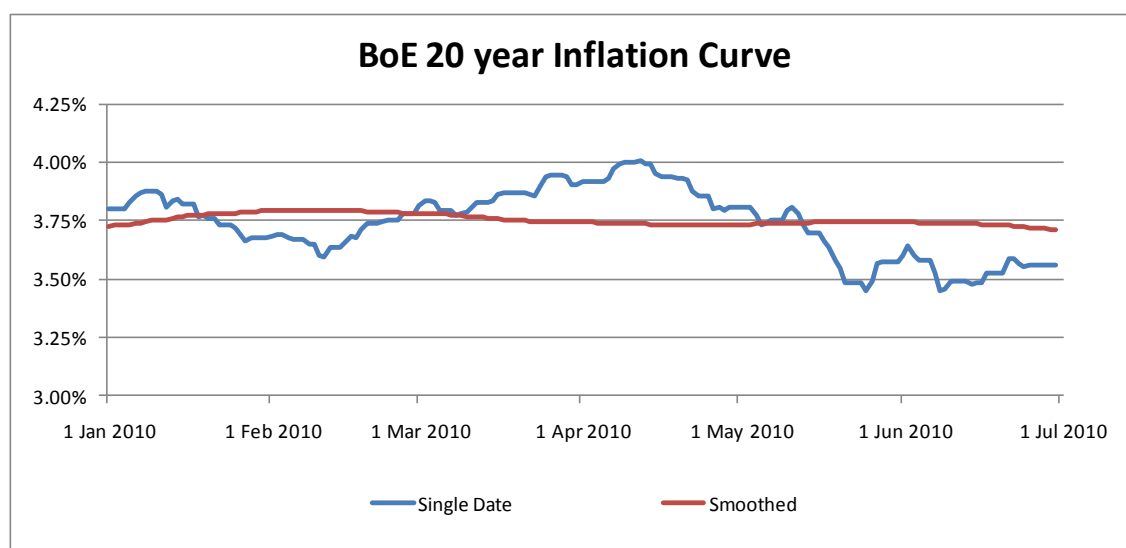
There are number of ways to try to estimate what future levels of inflation might be.

One approach would be to look at the long term trend in the past although much depends on the measurement period.

In these days of "marked to market" valuations, the usual approach is to look at the difference between yields from fixed-interest and index-linked gilts.

At this valuation we have looked at 20 year Bank of England Inflation curve which is the level of future RPI over the next 20 years as implied by the gilt market.

The following chart shows this on a daily basis during the 6 month period straddling the valuation date. We have also shown the smoothed or rolling average observation over that period.

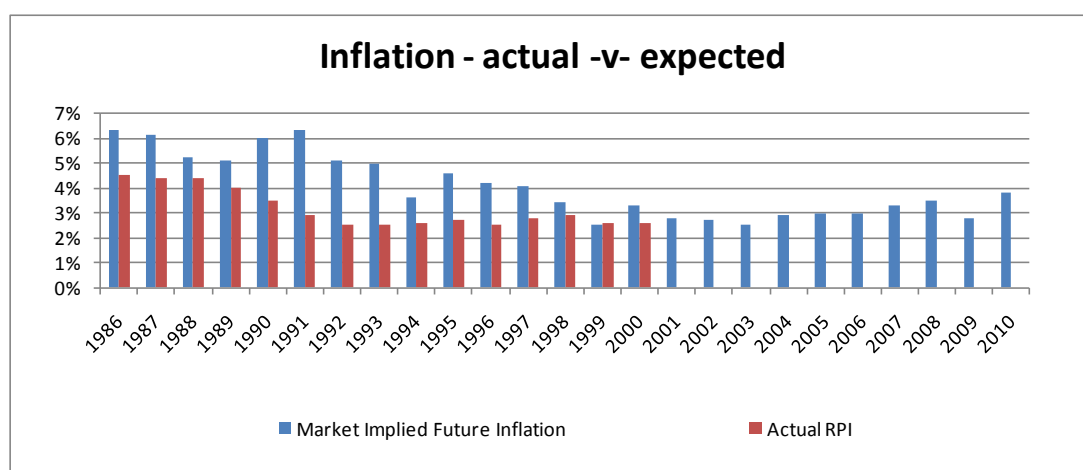


However, one of the issues in adopting such an approach is the arguably imperfect nature of the gilt market. The supplier of gilts (the Government) is a reluctant supplier, especially for long-dated gilts (which are the ones which are most useful for estimating future inflation for pension schemes).

On the demand side, there are certain institutions (insurance companies for example) who are essentially “forced holders” of gilts to meet various solvency requirements. Accordingly, the pricing of gilts is not perfect.

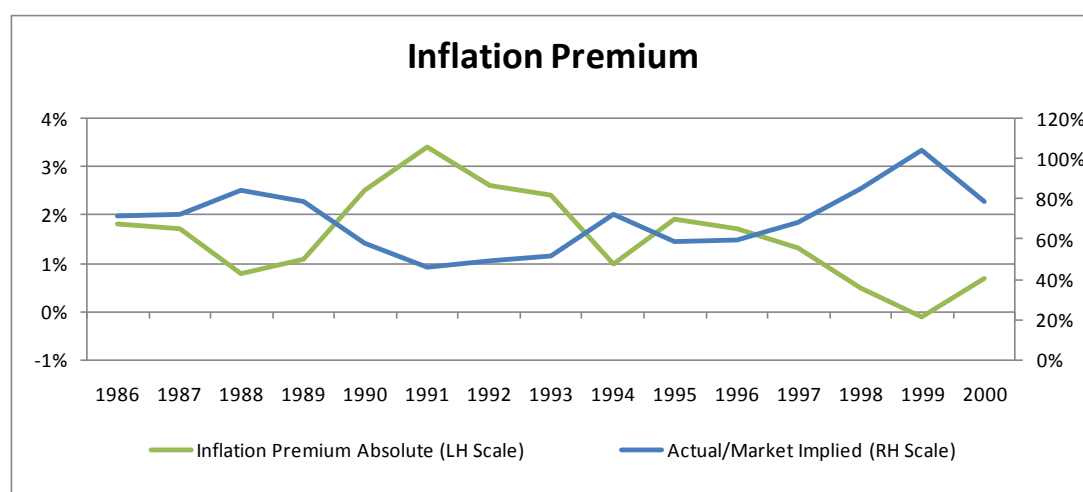
There is also the issue of what is known as the “inflation premium”. The argument is that investors will pay a premium for inflation protection and so arguably index-linked gilts are “more expensive” than fixed-interest gilts or equivalently index-linked gilt yields are lower than they might otherwise be.

The following chart shows how the gilt market implied 10 year inflation level at the beginning of each year has compared with the resulting 10 year actual level of inflation.



As we see the market implied level of inflation has consistently over-estimated the actual level of inflation.

The following chart shows the inflation premium both at an absolute level – the difference between actual and expected inflation and in relative terms (actual/expected).



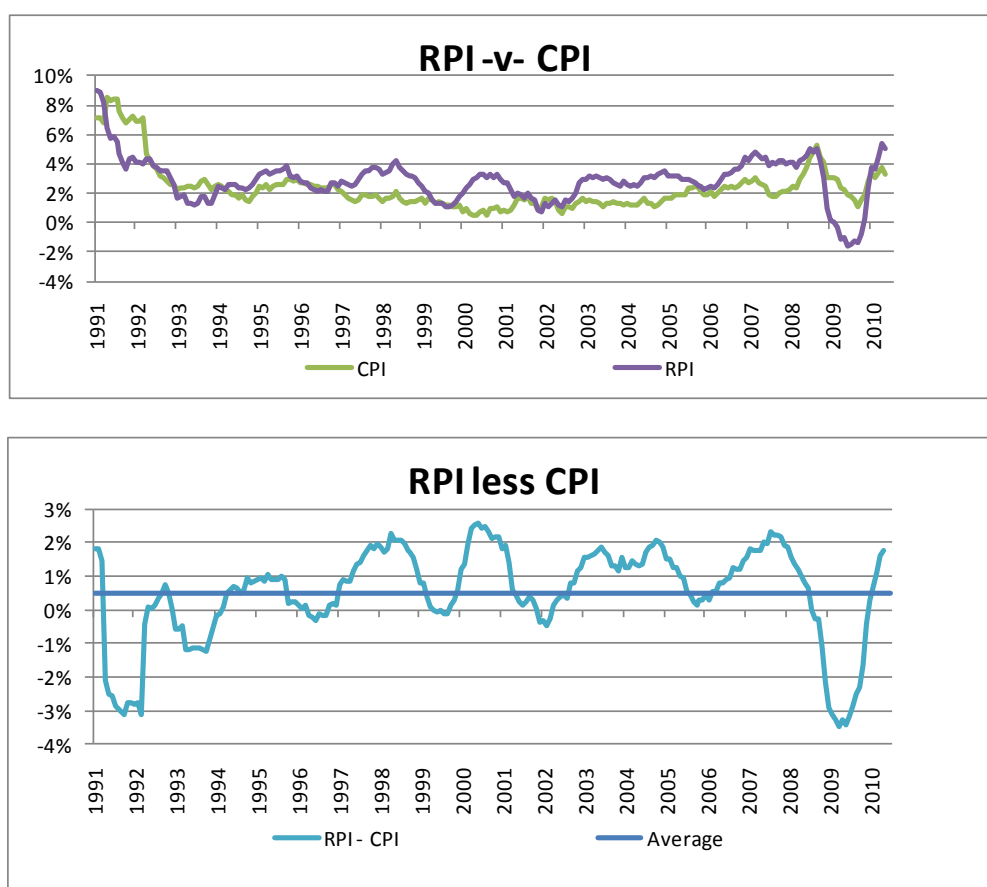
## Pension Increases

The Retail Price Index has long been the established measure of inflation in the UK. It measures the change in prices of a number of things including housing costs such as mortgage interest payments.

However, in the 1990's the Government introduced the Consumer Price Index which is based on the prices of a range of consumer goods – similar to the RPI but it specifically excludes housing costs. The CPI is now the favoured measure the Government uses for measuring inflation in the economy.

The 2010 Emergency Budget delivered by George Osborne announced that in future, the pension increase orders will be linked to the CPI rather than RPI. This was expected to save some pennies implying that the Government expects CPI to be below RPI.

The following chart show how the 2 have compared since 1990.



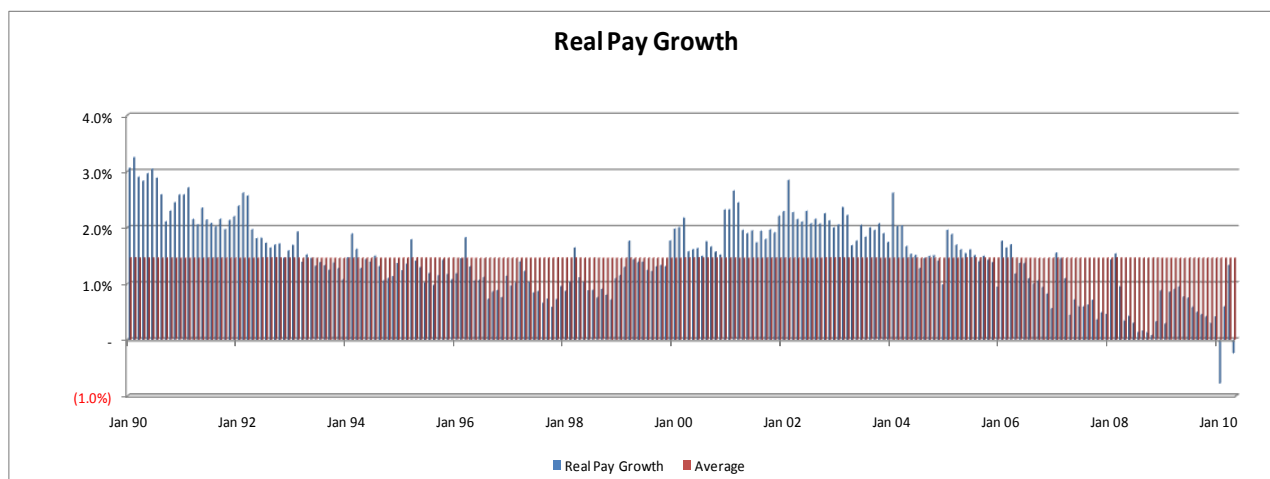
As we see RPI has indeed generally been higher the CPI and the average “gap” over the last 20 years has been around 0.5% per annum.

Thus, if this past trend continues then we would expect future pension increases to be 0.5% less than previously projected.

## Pay Increases

Having determined our assumption about future levels of price inflation, the next stage is to assess future levels of pay increases relative to price inflation.

Historically there is, not surprisingly, a strong correlation between pay and price inflation as we see in the following charts.



The trend has been that real pay increases have been around 1% to 3% per annum although as overall levels of inflation have reduced so too has the level of real pay growth. The long term average is 1.5% more than RPI although there is evidence of a declining trend.

At this valuation we have assumed that long term future salary growth will be 1.25% more than RPI.

## Investment Returns

In a market-related valuation it is necessary to assess future average levels of return in current market conditions.

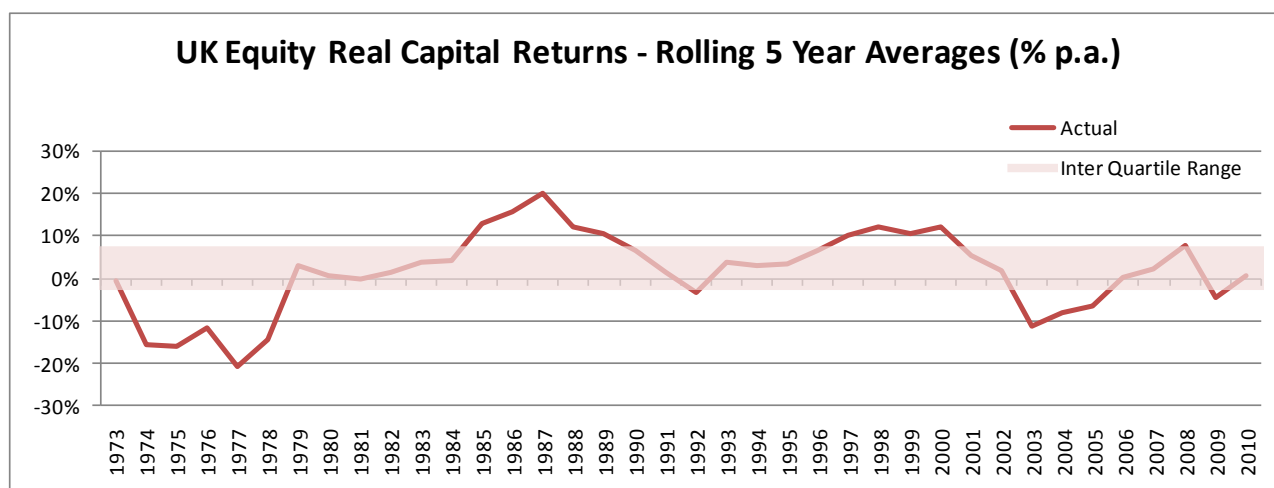
Redemption yields from gilts give an indication of the market's expectations of long term interest rates and so some indication about future risk free rates of return. There is however no comparable market indicator to derive the market's expected future return from investing in equities at any particular point in time.

We have assumed that the real return to be earned in future from equities from current market levels will be the current net dividend yield plus future real growth in share values.

The next chart shows the long term capital return from UK equities in real terms over the last 35 years or so together with the "inter quartile range" – the range of observations that account for 50% of all observations around the median.

As we see the actual returns have averaged out at around 2% per annum although there have been prolonged periods when the real capital returns have been significantly different to this average.





For the purposes of the valuation therefore we have assumed that real capital returns will be 1.0% per annum.

The derivation of the equity return is therefore as follows:-

Smoothed Equity Returns		March 2010
		% p.a.
Net equity yield		3.3%
Inflation		3.5%
plus assumed real capital return		1.0%
Equity Return		7.8%

It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities – what we usually see from corporate bonds.

Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.

We then derive the discount rate as the weighted average of future expected returns from the various asset classes based on the actual investment strategy.

We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with 100% in equity type investments the reduction in discount rate is 50% of the extra return expected from a Fund invested 100% in equity type investments compared to one invested 75% in equity type investments.

Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4%.

In summary therefore we have adopted the following assumptions.

Financial Assumptions	31 March 2010		31 March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.8%	4.3%	7.7%	4.4%
Gilts	4.5%	1.0%	4.7%	1.4%
Bonds & Property	5.6%	2.1%	5.4%	2.1%
Discount Rate	6.9%	3.4%	6.9%	3.6%
Risk Adjusted Discount Rate	6.8%	3.3%		
Pay Increases	4.7%	1.3%	4.8%	1.5%
Price Inflation	3.5%	-	3.3%	-
Pension Increases	3.0%	(0.5%)	3.3%	-

## Statistical Assumptions

The statistical assumptions we have adopted are based on our analysis of the incidence of retirement, and withdrawal of our Local Authority client funds.

Sample rates are shown in the following tables: -

Age	Incidence per 1000 active members per annum							Salary Scales				
	Death	Males			Death	Females			Males	Female	Males	Female
		Ill Health	Wdls	FT		Ill Health	Wdls	FT				
20	0.5	0.0	0.0	400.0	0.2	0.1	0.1	400.0	100.0	100	100.0	100
25	0.4	0.1	0.1	360.0	0.2	0.1	0.1	360.0	122.8	100	114.2	100
30	0.3	0.1	0.1	264.0	0.3	0.3	0.3	264.0	145.5	100	125.8	100
35	0.5	0.3	0.3	184.0	0.5	0.5	0.5	184.0	166.3	100	133.6	100
40	0.9	0.5	0.5	108.0	0.6	0.8	0.8	108.0	183.1	100	136.6	100
45	1.3	0.9	0.9	48.0	0.8	1.2	1.2	48.0	194.4	100	136.6	100
50	2.5	1.6	1.6	-	1.4	2.2	2.2	-	198.8	100	136.6	100
55	4.3	3.5	3.5	-	2.2	4.2	4.2	-	198.8	100	136.6	100
60	6.9	7.4	7.4	-	3.1	8.5	8.5	-	198.8	100	136.6	100
64	11.1	13.2	13.2	-	4.0	11.5	11.5	-	198.8	100	136.6	100

### Other assumptions

Age Retirements		It is assumed that active members will retire at age 60 or when they would first satisfy the rule of 85 if later, no later than 65, plus 1 year.
Mortality	Normal Retirement	90% S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement for future life expectancies.
	Ill Health Retirement	As above, but with a +4 year age rating
Probability of partners pension coming into payment (including a loading for dependants benefits)		90%
Partner Age Difference		Males are assumed to be 3 years older than their partners
Commutation		It is assumed that at retirement 50% of members will opt to increase their lump sum to the maximum allowed.
Ill health tiers		It is assumed that 50% of ill health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.

## Appendix 4. Individual Employer Data as at 31 March 2010

Employer	Code	Number	Active Members		Number	Pensioners		Number	Deferred Pensioners	
			Actual Pay	Average		Annual Pensions	Average		Annual Pensions	Average
			£ (000)	£		£ (000)	£		£ (000)	£
Bournemouth Transport	800	20	386	19,297	203	1,075	5,297	43	117	2,732
Bournemouth International Airport	801	-	-	-	44	201	4,576	13	43	3,336
Interclean	803	-	-	-	2	2	820	-	-	-
Ferndown Leisure	804	24	274	11,398	2	4	2,055	24	7	300
Spectrum Housing Group (previously Signpost Group)	805	16	540	33,767	6	120	19,973	3	48	16,035
Signpost Care Partnership	806	3	64	21,324	1	12	11,617	3	6	1,998
Signpost Services	807	12	395	32,950	3	31	10,193	3	18	6,128
West Moors Parish Council	808	2	31	15,747	-	-	-	1	0	366
Churchill Contract Services (Lockers)	809	-	-	-	-	-	-	1	0	301
Convex Leisure ( name change from Red Eventful Cuisine)	810	3	39	12,956	1	0	145	1	1	601
Alderholt Parish	811	1	15	14,551	-	-	-	-	-	-
Specialist Fleet Services	812	1	19	18,999	1	7	7,028	1	3	2,773
Care UK Ltd	813	62	747	12,043	7	11	1,584	33	26	776
Lytchett Minster School	814	37	509	13,767	7	10	1,462	14	10	687
SLM Food & Beverage ( re Poole )	815	1	16	15,835	1	1	604	2	0	74
SLM Fitness & Health ( re Poole )	816	2	10	4,968	-	-	-	-	-	-
SLM Community & Leisure Ltd( re Poole )	817	32	483	15,094	1	17	17,259	23	18	774
Dorset Lighting ( EDF Energy)	818	1	11	11,424	-	-	-	1	7	6,885
Wool Parish	819	1	8	8,108	-	-	-	-	-	-
Weyco Services	820	13	163	12,521	-	-	-	7	2	306
Openwide Int'l Ltd	821	-	-	-	-	-	-	1	2	1,760
Gamegrid Ltd	822	-	-	-	-	-	-	1	1	1,127
Crime Reduction Unit	823	-	-	-	-	-	-	1	5	4,550
Chickerell Town Council	824	2	22	11,215	-	-	-	-	-	-
Mack Trading	825	5	115	22,961	-	-	-	2	2	1,195
SLM Community & Leisure ( re Weymouth )	826	10	174	17,371	-	-	-	4	2	426
SLM Fitness & Health ( re Weymouth )	827	2	46	22,773	-	-	-	-	-	-

Employer	Code	Number	Active Members		Number	Pensioners		Number	Deferred Pensioners	
			Actual Pay	Average		Annual Pensions	Average		Annual Pensions	Average
			£ (000)	£		£ (000)	£		£ (000)	£
S Dorset Com Sports Trust "Osprey"	828	2	17	8,451	-	-	-	2	3	1,462
Churchill Contract Services (Ex Poole cleaning)	829	2	10	5,169	1	0	289	2	0	224
Churchill Contract Services (Stanley Green School)	830	-	-	-	-	-	-	1	0	110
West Parley Parish Council	831	1	8	7,953	-	-	-	-	-	-
Portland Museum Trust	832	-	-	-	-	-	-	2	0	57
Churchill Contract Services (Bearwood)	833	2	10	4,960	-	-	-	-	-	-
A P Chant	834	2	53	26,292	-	-	-	1	4	3,868
Sequal Solutions	835	3	37	12,462	-	-	-	11	7	681
Healthy Living Wessex	836	3	52	17,474	-	-	-	2	1	300
Quality Care Commission	837	1	18	18,447	12	107	8,945	7	25	3,500
Churchill ( Canford Heath)	839	2	8	4,013	-	-	-	-	-	-
St Aldhelms Academy	842	1	63	63,000	-	-	-	-	-	-
Bournemouth Borough Council	900	4,366	73,976	16,944	2,450	9,968	4,069	3,627	3,636	1,003
Christchurch Borough Council	901	236	5,233	22,172	234	1,305	5,578	215	319	1,486
North Dorset District Council	902	218	5,005	22,960	177	971	5,486	218	279	1,279
Borough of Poole Council	903	3,206	53,860	16,800	1,560	6,347	4,069	2,607	2,760	1,059
Purbeck District Council	904	159	3,537	22,245	155	932	6,013	136	242	1,782
West Dorset District Council	905	432	9,483	21,952	400	2,385	5,962	380	590	1,552
Weymouth and Portland Borough Council	906	360	8,004	22,233	468	2,558	5,466	329	476	1,446
East Dorset District Council	907	295	6,332	21,464	231	1,209	5,234	241	325	1,347
Bournemouth Health	908	-	-	-	1	5	5,225	-	-	-
Blandford Town Council	910	10	178	17,819	12	16	1,371	7	7	950
Bridport Town Council	911	11	233	21,141	8	23	2,836	5	7	1,348
Dorchester Town Council	912	18	345	19,148	21	49	2,315	9	14	1,518
Lyme Regis Town Council	913	10	190	18,966	15	50	3,321	2	6	2,761
Portland Town Council	914	2	16	8,127	-	-	-	1	5	4,778
Shaftesbury Town Council	915	6	102	17,001	1	0	46	8	6	733
Sherborne Town Council	916	11	210	19,096	21	57	2,721	8	9	1,096
Swanage Town Council	917	29	503	17,340	40	134	3,356	35	29	839
Wareham Town Council	918	5	73	14,690	3	7	2,192	1	2	1,647

Employer	Code	Number	Active Members		Number	Pensioners		Number	Deferred Pensioners	
			Actual Pay	Average		Annual Pensions	Average		Annual Pensions	Average
			£ (000)	£		£ (000)	£		£ (000)	£
Wimborne Minster Town Council	919	2	28	14,040	2	11	5,502	-	-	-
Gillingham Town Council	920	8	160	19,944	5	4	834	2	4	1,910
Bournemouth University	922	664	16,713	25,170	236	706	2,991	638	711	1,114
Bournemouth School	923	40	538	13,455	13	27	2,077	31	21	669
Woodroffe School	924	48	577	12,021	16	35	2,185	57	17	304
Age Concern Bournemouth	925	2	16	7,934	1	1	782	2	3	1,720
Corfe Mullen Parish Church	926	5	84	16,886	-	-	-	2	1	598
Poole High School	927	85	810	9,524	7	8	1,181	47	12	258
St Walburgas R.C. Primary School	928	-	-	-	3	2	753	8	2	217
Bradpole Parish Council	929	-	-	-	-	-	-	1	0	319
Budmouth Technology College	930	90	993	11,037	11	18	1,603	62	27	432
Sturminster Newton Parish Council	931	2	35	17,602	-	-	-	-	-	-
Ferndown Town Council	932	3	52	17,323	4	8	1,985	1	2	1,658
Raglan Housing Association	933	9	273	30,373	15	201	13,369	27	93	3,441
Lytchett Minster Town Council	934	2	36	18,055	1	7	7,130	-	-	-
Parkstone Grammar School	935	46	601	13,057	10	24	2,354	39	14	364
Avonbourne School	936	54	606	11,227	12	23	1,922	43	27	638
Colehill Parish Council	937	1	15	14,930	1	2	2,290	1	0	95
Bournemouth School for Girls	938	44	527	11,987	10	46	4,560	45	13	297
Highcliffe Comprehensive School	939	47	600	12,773	12	20	1,677	31	10	326
Dorset Valuation	940	-	-	-	1	2	1,519	-	-	-
Arts University College at Bournemouth	941	156	3,871	24,817	25	101	4,024	115	110	960
Bournemouth and Poole College of Further Education	942	435	7,425	17,070	190	691	3,635	433	414	957
Kingston Maurward College	943	116	1,876	16,172	38	89	2,350	100	84	835
Weymouth College	944	199	3,656	18,373	98	289	2,948	259	249	961
Dorset Police Authority	945	1,266	27,145	21,442	330	1,423	4,313	509	653	1,282
St Peters School	946	84	934	11,115	17	33	1,912	36	15	408
Poole Grammar School	947	56	532	9,507	12	16	1,355	62	28	457
Dorset Association of Town and Parish Councils	948	1	19	19,243	4	10	2,533	2	2	1,173
Signpost Housing Association (North Dorset Housing)	949	3	89	29,710	41	118	2,868	34	80	2,350

Employer	Code	Number	Active Members		Number	Pensioners		Number	Deferred Pensioners	
			Actual Pay	Average		Annual Pensions	Average		Annual Pensions	Average
			£ (000)	£		£ (000)	£		£ (000)	£
Wessex Water	950	-	-	-	1	1	596	-	-	-
Poole Harbour Commissioners	951	-	-	-	9	70	7,737	1	1	767
Dorset County Museum	952	7	111	15,800	10	16	1,562	6	9	1,508
Weymouth Port Health Authority	953	8	64	8,000	9	6	689	-	-	-
East Dorset Housing Association	954	31	949	30,608	32	183	5,724	38	88	2,315
Wimborne Cemetery	955	1	18	17,533	1	2	1,520	-	-	-
Dorchester Joint Burial Committee	956	2	30	15,068	1	3	3,365	1	0	257
Twynham Housing Association	957	14	354	25,299	28	169	6,048	38	126	3,325
Care South	958	171	2,320	13,568	242	623	2,575	460	308	670
Magna Housing Association	959	124	2,771	22,346	138	567	4,108	212	366	1,725
Dorset Magistrates' Courts Committee	960	-	-	-	97	547	5,636	151	486	3,215
Connexions	961	136	3,024	22,232	35	212	6,049	73	139	1,907
Stalbridge primary School	962	25	144	5,769	1	1	1,178	8	4	446
Beaucroft School	963	8	94	11,805	5	16	3,142	25	20	787
Montacute School	964	55	595	10,819	12	31	2,590	46	29	635
Dorset Probation Board	965	226	5,377	23,790	222	1,219	5,493	154	254	1,647
St Andrews Fontmell Magna School	967	-	-	-	1	1	509	2	1	318
Westfield School	968	92	1,038	11,282	6	7	1,240	54	16	288
Bicknell School	969	-	-	-	7	32	4,572	26	13	507
Anglo-European College of Chiropractic Bournemouth	970	31	463	14,946	13	13	968	15	16	1,097
Bournemouth Citizens Advice Bureau	971	-	-	-	4	9	2,372	5	5	944
Highcliffe Junior School	972	5	17	3,344	2	7	3,423	17	3	185
Corfe Hills School	973	87	836	9,615	22	18	814	75	38	503
Shillingstone Primary School	974	10	70	6,959	3	3	918	7	2	288
Dorset Fire Authority	976	159	3,875	24,374	35	154	4,408	46	55	1,190
Wareham Joint Burial Committee	977	1	9	8,716	1	3	3,171	-	-	-
Wareham St Martin Parish Church	979	1	5	4,892	-	-	-	-	-	-
Weymouth and Portland Housing	981	54	1,230	22,772	31	182	5,874	34	89	2,631
Magna Housing Group	982	24	832	34,655	16	117	7,281	20	58	2,878
Verwood Town Council	983	2	38	18,756	-	-	-	-	-	-

Employer	Code	Number	Active Members		Number	Pensioners Annual Pensions		Number	Deferred Pensioners Annual Pensions	
			Actual Pay £ (000)	Average £		£ (000)	Average £		£ (000)	Average £
Municipal Hire Services	984	-	-	-	-	-	-	1	1	867
Dorset Community Action	985	9	218	24,262	16	21	1,299	24	28	1,175
Links4Learning	987	-	-	-	1	10	10,346	1	3	3,077
Bridport Museum Trust	988	1	14	13,980	-	-	-	-	-	-
Golf for All	989	-	-	-	-	-	-	1	1	1,098
Dorset Pre-Organisation	990	-	-	-	3,264	12,308	3,771	1,199	1,289	1,075
Dorset County Council	993	10,020	132,571	13,231	2,525	8,568	3,393	7,388	4,420	598
Sherborne YRCentre (Rendezvous)	994	1	13	13,063	-	-	-	1	1	879
Lyme Arts Community Trust	995	-	-	-	1	3	3,081	-	-	-
Poole Housing Partnership	996	98	2,282	23,285	24	114	4,738	45	60	1,327
Purbeck Housing Trust	997	13	254	19,529	8	35	4,343	8	30	3,745
Synergy Housing Group	998	29	966	33,305	7	88	12,605	15	66	4,367
<b>Total</b>		<b>24,556</b>	<b>400,417</b>	<b>16,306</b>	<b>14,034</b>	<b>56,886</b>	<b>4,053</b>	<b>20,823</b>	<b>19,684</b>	<b>945</b>



## Appendix 5. Rates and Adjustments Certificate

P J Kent  
Chief Financial Officer  
Dorset County Council  
County Hall  
Dorchester  
Dorset DT1 1XJ

Dear Sirs

On your instruction, we have made an actuarial valuation of the Dorset County Pension Fund ("the Fund") as at 31 March 2010.

In accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the following Contribution Schedule.

Yours faithfully



**Graeme D Muir FFA**



**Alison Hamilton FFA**

## Contribution Schedule

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is 18.5% of pensionable payroll.

Each employer listed below shall pay an Individual Adjustment under Regulation 36 for the period 1 April 2011 to 31 March 2014 that results in paying either the Future Service Rate plus the additional monetary amount where specified or the Total Employer Contribution Rate as agreed between the Administering Authority and the employer.

Each employer shall pay the shown total rate as a percentage of payroll, or future service rate plus additional monetary amounts as agreed between the Administering Authority and the employer.

Code	Employer	Future Service Rate	Additional monetary amount for deficit recovery			Total Employer Contribution Rates		
		% payroll	£	2011/12	2012/13	2013/14	2011/12	2012/13
993	<b>Dorset County Council</b>	14.1%	5,370,000	6,690,000	8,020,000	18.1%	19.1%	20.1%
930	Budmouth Technology College	14.1%	40,200	50,000	60,000	18.1%	19.1%	20.1%
939	Highcliffe Comprehensive School	14.1%	24,300	30,000	36,000	18.1%	19.1%	20.1%
814	Lytchett Minster School	14.1%	20,600	26,000	31,000	18.1%	19.1%	20.1%
974	Shillingstone Primary School	14.1%	2,800	3,500	4,200	18.1%	19.1%	20.1%
968	Westfield School	14.1%	42,000	52,000	63,000	18.1%	19.1%	20.1%
924	Woodroffe School	14.1%	23,400	29,000	35,000	18.1%	19.1%	20.1%
9932	DCC St Gregory's Marnhull School	14.1%	4,000	5,000	6,000	18.1%	19.1%	20.1%
900	<b>Bournemouth Borough Council</b>	13.9%	3,620,000	3,620,000	3,620,000	18.8%	18.8%	18.8%
936	Avonbourne School	13.9%	29,700	30,000	30,000	18.8%	18.8%	18.8%
900	Polkesdown Community	13.9%				18.8%	18.8%	18.8%
900	St Katherine's CE	13.9%				18.8%	18.8%	18.8%
900	Stourfield Junior	13.9%				18.8%	18.8%	18.8%
900	Christ the King RC Primary	13.9%				18.8%	18.8%	18.8%
923	Bournemouth School	13.9%	26,400	26,000	26,000	18.8%	18.8%	18.8%
938	Bournemouth School for Girls	13.9%	25,800	26,000	26,000	18.8%	18.8%	18.8%
946	St Peters School	13.9%	45,800	46,000	46,000	18.8%	18.8%	18.8%
900a	Malmesbury Park School	13.9%				18.8%	18.8%	18.8%
900b	Kinson Primary School	13.9%				18.8%	18.8%	18.8%
840	BH Live	14.5%				14.5%	14.5%	14.5%
846	Mouchel	17.6%				17.6%	17.6%	17.6%
903	<b>Borough of Poole Council</b>	13.8%	1,646,000	1,771,000	1,771,000	17.6%	18.1%	18.1%
973	Corfe Hills School	13.8%	31,400	36,000	36,000	17.6%	18.1%	18.1%
964	Montacute School	13.8%	22,400	25,000	25,000	17.6%	18.1%	18.1%
935	Parkstone Grammar School	13.8%	22,600	26,000	26,000	17.6%	18.1%	18.1%
947	Poole Grammar School	13.8%	20,000	23,000	23,000	17.6%	18.1%	18.1%
927	Poole High School	13.8%	30,400	34,000	34,000	17.6%	18.1%	18.1%
New	Poole LEA Schools	13.8%				17.6%	18.1%	18.1%
901	Christchurch Borough Council	13.9%	218,000	271,000	271,000	18.1%	19.1%	19.1%

Code	Employer	Future Service Rate	Additional monetary amount for deficit recovery			Total Employer Contribution Rates		
		% payroll	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
			£			% payroll		
902	North Dorset District Council	13.8%	59,400	110,000	160,000	15.0%	16.0%	17.0%
904	Purbeck District Council	13.7%	190,000	262,000	262,000	19.1%	21.1%	21.1%
905	West Dorset District Council	13.1%	-	-	-	13.1%	13.1%	13.1%
907	East Dorset District Council	14.0%	144,000	208,000	271,000	16.3%	17.3%	18.3%
906	Weymouth and Portland Borough Council	13.8%	560,000	560,000	560,000	20.8%	20.8%	20.8%
800	Bournemouth Transport	19.7%	275,000	275,000	275,000			
<b>Small Scheduled Bodies</b>								
811	Alderholt Parish	14.8%	720	720	720	19.6%	19.6%	19.6%
910	Blandford Town Council	14.8%	8,490	8,500	8,500	19.6%	19.6%	19.6%
911	Bridport Town Council	14.8%	11,100	11,000	11,000	19.6%	19.6%	19.6%
824	Chickerell Town Council	14.8%	1,000	1,000	1,000	19.6%	19.6%	19.6%
937	Colehill Parish Council	14.8%	720	720	720	19.6%	19.6%	19.6%
926	Corfe Mullen Parish Church	14.8%	4,000	4,000	4,000	19.6%	19.6%	19.6%
956	Dorchester Joint Burial Committee	14.8%	1,400	1,400	1,400	19.6%	19.6%	19.6%
912	Dorchester Town Council	14.8%	16,500	16,000	16,000	19.6%	19.6%	19.6%
932	Ferndown Town Council	14.8%	2,500	2,500	2,500	19.6%	19.6%	19.6%
920	Gillingham Town Council	14.8%	7,630	7,600	7,600	19.6%	19.6%	19.6%
913	Lyme Regis Town Council	14.8%	9,060	9,100	9,100	19.6%	19.6%	19.6%
934	Lytchett Minster Town Council	14.8%	1,700	1,700	1,700	19.6%	19.6%	19.6%
914	Portland Town Council	14.8%	760	760	760	19.6%	19.6%	19.6%
915	Shaftesbury Town Council	14.8%	4,870	4,900	4,900	19.6%	19.6%	19.6%
916	Sherborne Town Council	14.8%	10,000	10,000	10,000	19.6%	19.6%	19.6%
931	Sturminster Newton Parish Council	14.8%	1,700	1,700	1,700	19.6%	19.6%	19.6%
917	Swanage Town Council	14.8%	24,000	24,000	24,000	19.6%	19.6%	19.6%
983	Verwood Town Council	14.8%	1,800	1,800	1,800	19.6%	19.6%	19.6%
977	Wareham Joint Burial Committee	14.8%	430	430	430	19.6%	19.6%	19.6%
979	Wareham St Martin Parish Church	14.8%	240	240	240	19.6%	19.6%	19.6%
918	Wareham Town Council	14.8%	3,500	3,500	3,500	19.6%	19.6%	19.6%
808	West Moors Parish Council	14.8%	1,500	1,500	1,500	19.6%	19.6%	19.6%
955	Wimborne Cemetery	14.8%	860	860	860	19.6%	19.6%	19.6%
919	Wimborne Minster Town Council	14.8%	1,300	1,300	1,300	19.6%	19.6%	19.6%
819	Wool Parish	14.8%	380	380	380	19.6%	19.6%	19.6%
831	West Parley Parish Council	14.8%	380	380	380	19.6%	19.6%	19.6%
845	East Lulworth Parish Council	14.8%				19.6%	19.6%	19.6%
<b>Colleges</b>								
941	Arts University College at Bournemouth	12.2%	72,400	72,000	72,000	14.1%	14.1%	14.1%

Code	Employer	Future Service Rate	Additional monetary amount for deficit recovery			Total Employer Contribution Rates		
		% payroll	2011/12	£ 2012/13	2013/14	2011/12	% payroll 2012/13	2013/14
942	Bournemouth and Poole College of Further Education	13.9%	166,000	220,000	275,000	16.1%	16.8%	17.6%
943	Kingston Maurward College	13.4%	-	3,500	3,500	13.3%	13.5%	13.5%
944	Weymouth College	13.1%	83,200	100,000	120,000	15.4%	15.9%	16.5%
<b>Academies</b>								
843	Bourne Academy	13.9%	26,800	27,000	27,000	18.8%	18.8%	18.8%
844	Bishop of Winchester Academy	13.9%	28,900	29,000	29,000	18.8%	18.8%	18.8%
<b>Other Scheduled Bodies</b>								
922	Bournemouth University	12.9%	153,000	235,000	318,000	13.8%	14.3%	14.8%
976	Dorset Fire Authority	13.7%	137,000	137,000	137,000	17.2%	17.2%	17.2%
945	Dorset Police Authority	13.0%	694,000	748,000	776,000	15.6%	15.8%	15.9%
965	Dorset Probation Board	14.0%	105,000	159,000	212,000	16.0%	17.0%	18.0%
<b>Small Admitted Bodies</b>								
925	Age Concern Bournemouth	14.4%	650	740	830	18.5%	19.0%	19.6%
971	Bournemouth Citizens Advice Bureau	14.4%				18.5%	19.0%	19.6%
988	Bridport Museum Trust	14.4%	570	650	730	18.5%	19.0%	19.6%
948	Dorset Association of Town and Parish Councils	14.4%	770	880	990	18.5%	19.0%	19.6%
985	Dorset Community Action	14.4%	8,860	10,000	11,000	18.5%	19.0%	19.6%
952	Dorset County Museum	14.4%	4,510	5,100	5,800	18.5%	19.0%	19.6%
953	Weymouth Port Health Authority	14.4%	2,600	3,000	3,300	18.5%	19.0%	19.6%
994	Sherborne YRCentre (Rendezvous)	14.6%				14.6%	14.6%	14.6%
837	Quality Care Commission	10.9%	1,600	1,600	1,600	19.7%	19.7%	19.7%
<b>Admitted Bodies</b>								
970	Anglo-European College of Chiropractic					15.6%	15.6%	15.6%
958	Care South	14.9%	166,000	166,000	166,000	22.1%	22.1%	22.1%
813	Care UK Ltd	15.2%	-	-	3,000	14.6%	15.1%	15.6%
961	Ansbury	13.0%	74,000	99,000	120,000	15.4%	16.2%	17.1%
959	Magna Housing Association	13.9%	33,200	61,000	89,000	15.1%	16.1%	17.1%
982	Magna Housing Group	14.4%	10,200	19,000	27,000	15.6%	16.6%	17.6%
996	Poole Housing Partnership	13.4%	4,560	4,600	4,600	13.6%	13.6%	13.6%
933	Raglan Housing Association	17.2%	59,700	65,000	69,000	39.1%	41.1%	42.6%
805	Spectrum Housing Group (previously Signpost Group)	14.0%	34,800	40,000	46,000	20.5%	21.5%	22.5%
806	Signpost Care Partnership	14.0%	4,100	4,800	5,400	20.5%	21.5%	22.5%
807	Signpost Services	14.0%	25,400	29,000	33,000	20.5%	21.5%	22.5%

Code	Employer	Future Service Rate	Additional monetary amount for deficit recovery			Total Employer Contribution Rates		
		% payroll	2011/12	£ 2012/13	2013/14	2011/12	% payroll 2012/13	2013/14
949	Signpost Housing Association (North Dorset Housing)	14.0%	5,700	6,600	7,500	20.5%	21.5%	22.5%
957	Twynham Housing Association	15.1%	113,000	117,000	120,000	47.0%	48.0%	49.0%
954	East Dorset Housing Association	14.0%	1,560	11,000	21,000	14.2%	15.2%	16.2%
998	Synergy Housing Group	14.0%	1,580	11,000	21,000	14.2%	15.2%	16.2%
997	Purbeck Housing Trust	14.0%	416	3,000	5,500	14.2%	15.2%	16.2%
981	Weymouth and Portland Housing	14.0%	2,020	14,000	27,000	14.2%	15.2%	16.2%
809	Churchill Contract Services (Lockers)	15.7%	-	-	-	20.6%	20.6%	20.6%
829	Churchill Contract Services (Ex Poole cleaning)	15.7%	490	490	490	20.6%	20.6%	20.6%
830	Churchill Contract Services (Stanley Green School)	15.7%	-	-	-	20.6%	20.6%	20.6%
839	Churchill ( Canford Heath)	15.7%	390	390	390	20.6%	20.6%	20.6%
833	Churchill Contract Services (Bearwood)	15.7%	490	490	490	20.6%	20.6%	20.6%
841	Churchill Contract Serv ...Police Contract	15.7%				20.6%	20.6%	20.6%
834	A P Chant	13.9%	320	320	320	14.5%	14.5%	14.5%
804	Ferndown Leisure	13.0%				11.4%	12.2%	13.0%
818	Dorset Lighting ( EDF Energy)	20.1%				20.1%	20.1%	20.1%
836	Healthy Living Wessex	13.9%	310	310	310	14.5%	14.5%	14.5%
825	Mack Trading	14.5%	690	690	690	15.1%	15.1%	15.1%
828	South Dorset Community Sports Trust "Osprey"	12.0%	510	510	510	15.0%	15.0%	15.0%
835	Sequal Solutions	14.1%	220	220	220	14.7%	14.7%	14.7%
842	St Aldhelms Academy	13.8%	2,800	2,800	2,800	18.2%	18.2%	18.2%
820	Weyco Services	13.1%	3,710	4,600	5,500	15.4%	15.9%	16.5%
815	SLM Food & Beverage ( re Poole )	12.3%	120	260	400	13.1%	14.0%	14.8%
816	SLM Fitness & Health ( re Poole )	12.3%	77	160	250	13.1%	14.0%	14.8%
817	SLM Community & Leisure Ltd( re Poole )	12.3%	3,730	7,900	12,000	13.1%	14.0%	14.8%
826	SLM Community & Leisure ( re Weymouth )	11.7%	1,430	1,400	1,400	12.5%	12.5%	12.5%
827	SLM Fitness & Health ( re Weymouth )	11.7%	380	380	380	12.5%	12.5%	12.5%
	SLM (Blandford Leisure Centre)	13.0%				13.0%	13.0%	13.0%

**Notes**

1. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.
2. The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

## Appendix 6. LGPS Benefits

LGPS 1997		LGPS 2008																	
General Features																			
Type of Scheme	Final salary																		
Relationship with S2P	Contracted-out																		
Member Contributions	6%	Banded Contributions based on full time pay as at 1 <sup>st</sup> April 2011																	
	5% for manual workers in scheme prior to 01/04/1998	<table><tr><th>Range</th><th>Cont Rate</th></tr><tr><td>£0 - £12,900</td><td>5.50%</td></tr><tr><td>£12,901 - £15,100</td><td>5.80%</td></tr><tr><td>£15,101 - £19,400</td><td>5.90%</td></tr><tr><td>£19,401 - £32,400</td><td>6.50%</td></tr><tr><td>£32,401 - £43,300</td><td>6.80%</td></tr><tr><td>£43,301 - £81,100</td><td>7.20%</td></tr><tr><td>More than £81,100</td><td>7.50%</td></tr></table>	Range	Cont Rate	£0 - £12,900	5.50%	£12,901 - £15,100	5.80%	£15,101 - £19,400	5.90%	£19,401 - £32,400	6.50%	£32,401 - £43,300	6.80%	£43,301 - £81,100	7.20%	More than £81,100	7.50%	
		Range	Cont Rate																
		£0 - £12,900	5.50%																
		£12,901 - £15,100	5.80%																
		£15,101 - £19,400	5.90%																
		£19,401 - £32,400	6.50%																
		£32,401 - £43,300	6.80%																
	£43,301 - £81,100	7.20%																	
More than £81,100	7.50%																		
	Bands to be increased annually with Pension Increase Orders.																		
	Transitional protection for members currently paying 5% until 2011/2012.																		
Final Pay	In general, best of the last 3 years pensionable pay																		
Pensionable Pay	Normal salary plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified as being pensionable.																		
Retirement Benefits																			
Normal Retiring Age	Age 65																		
Early Retirement	Age 55+ (existing members remains at age 50+ for retirements up to 31 March 2010. Employer consent required if below age 60.  Minimum 3 months membership or transfer in  Benefits reduced unless Rule of 85 applies (member of the scheme as at 30 <sup>th</sup> September 2006)  Rule of 85 does not apply for service from 1 April 2008, subject to transitional protections.  Employer's discretion to waive any actuarial reduction. No reductions applied for redundancy retirements.																		
Transitional Protections	If born before 1 April 1960 and an existing member of the Scheme as at 30 September 2006 then 85 year rule stays for service up to 1 April 2016 with tapered protection to 1 April 2020.																		

LGPS 1997		LGPS 2008
General Features		
Flexible Retirement	Age 55+	
	(existing members remains at age 50+ for retirements up to 31/03/2010)	
	Minimum 3 months membership or transfer in	
	Reduce hours or move to a lower graded post	
	Draw pension and salary	
		Employers discretion to waive any actuarial reduction
Late Retirement	Continue to day before eve of 75 <sup>th</sup> birthday	
		Benefits accrue to date of retirement
Ill Health Retirement	Permanently unable to undertake own job or any comparable job with employer. Benefits are enhanced as per the table below with a maximum enhancement of potential membership to age 65	
	Permanently unable to undertake own job or any comparable job with employer. Benefits are graded based on how likely you are to be capable of gainful employment after you leave.	
	Accrued Membership	Benefit Payable
	Less than 3 months	Refund of contributions
	3 months to 5 yrs	Accrued Membership
	5 but less than 10 yrs	Membership Doubled
	10 yrs to 13 yrs 122 days	Membership Enhanced to 20 yrs
	13 yrs 123 days or more	Membership Enhanced by 6 2/3 yrs
		<b>First Tier</b> - No reasonable prospect of alternative employment ever again then service enhanced by 100% of prospective service to age 65.
		<b>Second Tier</b> - No prospect of obtaining gainful employment within a reasonable period of leaving local government employment, but likely to be able to obtain gainful employment before 65 then service enhanced by 25% of prospective service.
		<b>Third Tier</b> - Reduced likelihood of obtaining gainful employment within 3 years of leaving, or before age 65 if earlier then no service enhancement. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or becomes capable of such employment, provided they are not age 65 by then.
Benefit Accrual	Pension = 1/80 <sup>th</sup>	Pension = 1/60 <sup>th</sup>
	Lump Sum = 3/80 <sup>th</sup> plus increased lump sum by commutation 12:1 up to a maximum of 25% of lifetime allowance	Lump Sum = By commutation 12:1 up to a maximum of 25% of lifetime allowance
	Spouse's Pension = 1/160 <sup>th</sup>	Spouse's Pension = 1/160 <sup>th</sup>
Death and Survivor Benefits		
Lump Sum Death Benefit	Active = 2 x Pensionable Pay	Active = 3 x Pensionable Pay
	Deferred = Current value of deferred lump sum	Deferred = 5 x Current value of deferred annual pension



LGPS 1997		LGPS 2008
General Features		
	Pensioner = 5 year guarantee less pension paid	Pensioner = 10 year guarantee less pension paid (for death before age 75)
Dependants' Provision	Widow(er)s  Registered civil partners	Widow(er)s  Registered civil partners  Nominated cohabiting partners
Dependants' Pension (Death in Service)	If membership > 3 months  50% x notional ill health pension  Otherwise 1/160 <sup>th</sup> x accrued membership	1/160th x full prospective service to age 65
Spouse's Short Term Pension	Active = 3 months x salary (increased to 6 months if dependent children)  Deferred = none  Pensioner = 3 months x member's pension (increased to 6 months if dependent children)	None
Children's Pensions	<b>Surviving Parent</b>  1 child = 1/4 x notional pension  2+ children = 1/2 x notional pension divided by number of children  <b>Orphans</b>  1 child = 1/3 x notional pension  2+ children = 2/3 x notional pension divided by number of children  For death in service the notional pension is the ill health pension or a pension based on the lesser of 10 years and full service to age 65 where this is higher.	<b>Surviving Parent</b>  1 child = 1/2 x dependant's pension  2+ children = 1 x dependant's pension divided by number of children  <b>Orphans</b>  1 child = 2/3 x dependant's pension  2+ children = 1 1/3 x dependant's pension divided by number of children
Increasing Benefits		
AVCs	Maximum contributions – 50% of taxable earnings  Options available:  Open market annuity  LGPS Top Up Pension  Tax Free Lump Sum (100% of fund up to max of 25% of Lifetime Allowance)	

LGPS 1997		LGPS 2008	
General Features			
	LGPS Service Credit (if commenced AVCs prior to 13/11/2001)		
Added Years/Pension	Maximum purchase 6 2/3 years  Payable from next birthday to age 65 (contracts taken out before 01/10/2006 may have an earlier date than age 65)	Maximum purchase £5,000 extra pension (in multiples of £250).	
Leaving the Scheme			
Benefits on Leaving	<b>Less than 3 months membership and no transfer in</b>  Refund of contributions  CETV  Defer decision  <b>More than 3 months membership or transfer in</b>  CETV  Defer Benefits until NRA		