

Barnett Waddingham



London Borough of Merton Pension Fund

Actuarial Valuation as at 31 March 2013

Valuation Report

Barnett Waddingham LLP

25 March 2014

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1. Introduction and Summary

Purpose of the Valuation

- 1.1. We have carried out an actuarial valuation of the London Borough of Merton Pension Fund ("the Fund") as at 31 March 2013, as requested by the London Borough of Merton. The Fund is part of the Local Government Pension Scheme ("LGPS").
- 1.2. The valuation was carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.
- 1.3. This report summarises the results of the valuation and is addressed to London Borough of Merton as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.
- 1.4. This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).
- 1.5. The results of the valuation are that the past service funding level of the Fund as a whole has increased from 84% to 89%. This is mainly due to better than anticipated investment performance of the assets held by the Fund along with payment of contributions towards the Fund deficit – this has, however, been offset by a more pessimistic outlook for the future, based on market conditions at 31 March 2013 compared to 31 March 2010.
- 1.6. At the same time, the contribution rate for the average employer, including payments to target full funding, has decreased slightly from 21.4% to 21.0% of pensionable salaries. This is largely due to positive experience over the inter-valuation period resulting in a lower level of future deficit contributions being required to meet the Fund deficit.
- 1.7. We would be pleased to discuss any aspect of this report in more detail.



Alison Hamilton FFA

2. Valuation Data

Data Sources

- 2.1. We have used the following items of data as provided by London Borough of Merton.
- Membership extract as at 31 March 2013;
 - Fund accounts and accounting information split by employer for the three years to 31 March 2013;
 - The results of the previous actuarial valuation as at 31 March 2010.
- 2.2. The data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. While 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.
- 2.3. A summary of the data is set out in Appendix 1.

Assets

- 2.4. The asset allocation of the Fund as at 31 March 2013 was as follows:

Asset Allocation of the Fund	31 March 2013	
	£000's	%
UK Equities	180,305	40%
Overseas Equities	143,743	31%
UK Gilts	85,791	19%
Overseas Bonds	27,832	6%
Property	12,476	3%
Cash	6,065	1%
Total	456,212	100%

- 2.5. We estimate that the return on the assets in market value terms for the three years to 31 March 2013 was approximately 8.8% per annum.
- 2.6. The current investment strategy is set out in a Statement of Investment Principles dated 2012.

Benefits

- 2.7. The valuation has been carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 (“the Regulations”) as amended.
- 2.8. However from 1 April 2014, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 will come into effect and replace the current regulations.
- 2.9. The benefits for service from 1 April 2014 will be based on the Local Government Pension Scheme Regulations 2013. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.
- 2.10. The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2014 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.
- 2.11. The benefits underlying the valuation are summarised in Appendix 6.
- 2.12. We have made no allowance for discretionary benefits awarded throughout the LGPS. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.

3. Actuarial Methods and Assumptions

General Valuation Approach

- 3.1. We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2013 and we do this for all current members and their possible dependants.
- 3.2. We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.
- 3.3. Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2013 to 30 June 2013.
- 3.4. The market value of the assets at 31 March 2013 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the liabilities. If the smoothed assets are greater than the past service liabilities, there is a surplus; if not, there is a deficit.
- 3.5. Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2013 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

Multiple Calculations

- 3.6. As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.
- 3.7. For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.
- 3.8. This is known as the Projected Unit Method and 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.

- 3.9. At individual employer level we use the Projected Unit Method for employers who still admit new employees into the Fund. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.
- 3.10. For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the Projected Unit Method and the Attained Age Method.
- 3.11. The amount that the employer pays is a combination of the future service cost described above and any adjustments for the past service surplus or deficit. For most employers, if there is a deficit, this adjustment will be specified as an additional contribution expressed as a lump sum cash amount to be paid in each year.

Funding Strategy

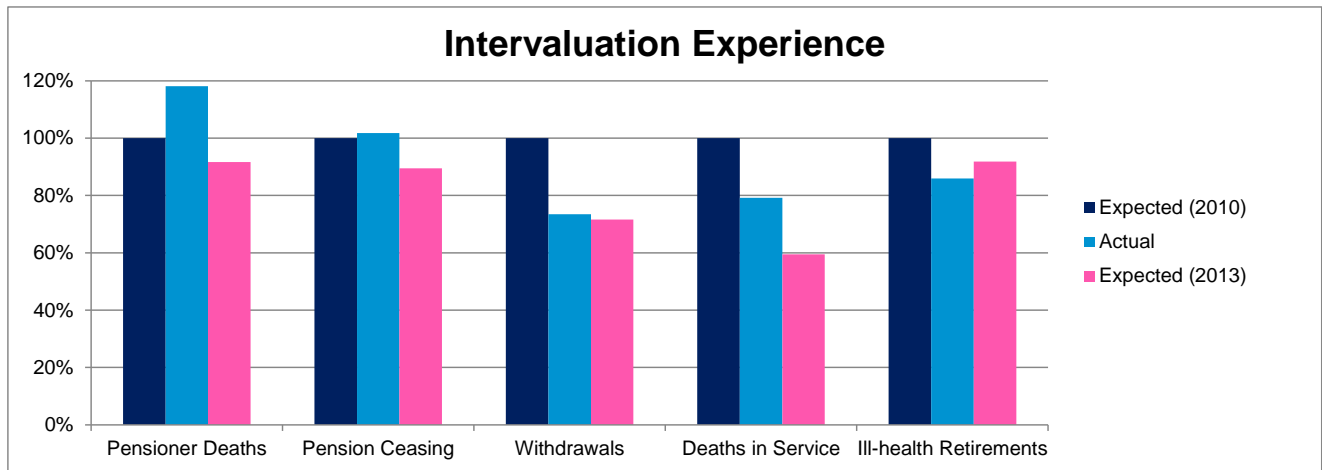
- 3.12. Regulation 36 of the Local Government Pension Scheme Administration (Regulations) 2008 states that the actuary must have regard to:
- The existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
 - The desirability of maintaining as nearly a common a rate of contribution as possible; and
 - The current version of the Administering Authority's Funding Strategy Statement
- 3.13. The Funding Strategy Statement sets out how employers' liabilities are best met going forward. In particular, it states that employer contribution rates should be held as near to constant as possible whilst having regard to the liabilities and with a view to funding prudently over the long term.
- 3.14. We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

4. Valuation Assumptions

- 4.1. As mentioned in the previous section, various assumptions are needed for this valuation.
- 4.2. The principal assumptions are:
- The discount rate - this is based on the expected investment return from the Fund's assets.
 - Pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2014 will also be linked to the Pension Increase Order.
 - Salary increases - active members' benefits for service before 31 March 2014 will continue to be linked to their final salary.
 - Current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.
- 4.3. The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.
- 4.4. The assumptions and the rationale for them were discussed in our paper to the Administering Authority of 30 October 2013. The final assumptions have been adopted following discussion with the Administering Authority and are as set out in Appendix 2 and we confirm that we believe that these are appropriate for the purposes of this valuation.
- 4.5. A comparison of the actual financial experience with the assumptions adopted at the previous valuation is summarised below:

Intervaluation Experience		
	Actual	Expected
Investment Return	8.8% pa	6.7% pa
Pay Increases **	1.3% pa	2.5% pa
Pension Increases	3.5% pa	3.0% pa
** includes short term overlay		

4.6. A comparison of the actual demographic experience of members of the Fund over the inter-valuation period, with that assumed by the assumptions adopted at the last valuation in 2010 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2010.



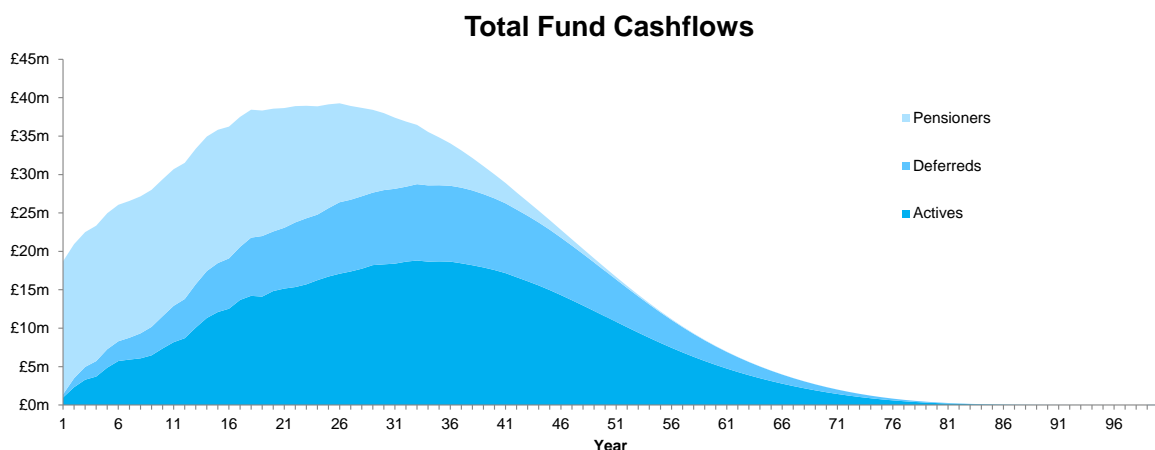
5. Valuation Results

Previous Valuation

- 5.1. The last formal actuarial valuation of the Fund was carried out as at 31 March 2010 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated March 2011.
- 5.2. The results of the previous valuation indicated that the assets of the Fund represented 84% of the accrued liabilities of the Fund. The average employer contribution was calculated to be 21.4% of payroll which assumed that the past service funding level would be restored over a period of 15 years.

Projected Cashflows

- 5.3. As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



Past Service Funding Position and Contribution Rates

- 5.4. The following table sets out the valuation results for the Fund as a whole. We show:
- The past service funding position
 - The required average ongoing employer contribution rate for future service benefits
 - The total employer contribution rate required to restore the funding position to 100% over the agreed 12 year period following the valuation date.

Past Service Funding Position		31 March 2013
		£000's
Asset Value		450,974
Past Service Liabilities		
	Active Members	165,417
	Deferred Members	87,644
	Pensioner Members	251,112
Total		504,173
Surplus/(Deficit)		(53,199)
Funding Level		89%
Employer Contribution Rates		% of pensionable pay
Future Service Cost		14.0%
Deficit Recovery over 12 years		7.0%
Total		21.0%

- 5.5. As we see, the funding level was 89% and the average required employer contribution to restore the funding position to 100% over the next 12 years is 21.0% of pensionable pay.
- 5.6. The contributions payable by each employer are set out in Appendix 4. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

Sensitivity Analysis

- 5.7. It is important to understand that these results indicate the expected cost of providing the benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the future experience.
- 5.8. 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, as shown below:

Assumption change	Effect on Funding Level
Decreasing the discount rate by 0.5% per annum	Decrease by 6.4%
Increasing the CPI assumption by 0.5% per annum	Decrease by 5.7%
Increasing the long-term rate of salary increase by 0.5% per annum	Decrease by 0.3%
Increasing the long-term rate of improvement used in the mortality projection from 1.5% to 1.75% per annum	Decrease by 0.3%

Projected Future Results

- 5.9. The progression of the funding level over time is influenced by a large number of factors including any changes in membership, the investment return achieved and the contributions paid.
- 5.10. We estimate that 3 years after the valuation date (i.e. at the next valuation) the funding position on the same basis will be 94%. This allows for contributions to be paid as certified, assumes that investment returns and other experience over the next 3 years are in line with the assumptions described above and assumes that, as agreed, a lump sum contribution of £10m will be paid by London Borough of Merton in the year beginning 1st April 2014.

Neutral Estimate

- 5.11. We are also required to consider whether the assumptions used are neutral, that is “not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome”.
- 5.12. Other than the discount rate, we consider all the assumptions used to be neutral.
- 5.13. We would consider a neutral discount rate to be 6.2% per annum rather than 5.9% per annum. The higher discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund’s investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

Valuation Reconciliation

5.14. The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in Past Service Position		
	£(000)	£(000)
Surplus(Deficit) at 31 March 2010		(67,109)
Benefits Accrued	(40,382)	
Early Retirements	(2,010)	
Contributions Paid	60,826	
Deficit Funded (Use of Surplus)	18,434	
Interest Cost	(11,708)	
Asset Gain/Loss	38,790	
Change in Market Conditions	(41,428)	
Financial Gain(Loss)	(14,345)	
Salary Increases	5,368	
Pension Increases	(4,423)	
Membership Movements	10,246	
Experience	11,192	
Change in Assumptions	(1,370)	
Surplus(Deficit) at 31 March 2013		(53,199)

5.15. As we can see, the main reason for the reduction in the deficit is due to better than anticipated investment performance along with payment of contributions towards the Fund deficit – this has, however, been offset by a more pessimistic outlook for the future, based on market conditions at 31 March 2013 compared to 31 March 2010.

6. Risk and uncertainty

- 6.1. There are many factors that affect the financial position of the Fund, in particular:
- 6.2. Employer covenant risk – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.
- 6.3. The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.
- 6.4. Investment risk - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.
- 6.5. The sensitivity of the valuation results to changes in the investment return assumption is shown in 5.8 above. The Fund should regularly review the investment strategy to ensure risks being taken are understood and that those risks are being appropriately managed.
- 6.6. Inflation - in projecting the expected future benefit payments, we make assumptions regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the funding position unless investment returns are similarly higher than expected.
- 6.7. The sensitivity of the results to the choice of inflation assumptions is also shown above.
- 6.8. Mortality - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, the Fund's funding position will deteriorate and additional contributions will be required.
- 6.9. The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review the mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.
- 6.10. Member options - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the valuation liabilities, depending on the particular member and market conditions.

6.11. Legislative changes – there are a number of legislative risks to the Fund and the LGPS in general, including:

- All benefits relating to membership after 31 March 2014 will be linked to the individual's State Pension Age and the Chancellor of the Exchequer's Autumn 2013 Statement outlined plans to increase this for some individuals. This valuation is based on the current legislation so if these plans are enacted, some members will find the value of their future benefits reduced and this would be expected to reduce the cost of benefits.
- Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- As part of the changes to the LGPS from 1 April 2014, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered.
- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.

Appendix 1 Valuation Data

A1.1. A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
	2013	2010	2013	2010	2013	2010		
Males	938	979	25,172	26,904	26,836	27,481	47	63
Females	2,345	2,140	43,267	41,791	18,451	19,529	46	64
Total	3,283	3,119	68,438	68,695	20,846	22,025	46	64
Pensioners			Annual Pensions		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
	2013	2010	2013	2010	2013	2010		
Males	1,060	976	8,498	7,344	8,017	7,525	71	n/a
Females	1,776	1,610	7,600	6,081	4,279	3,777	71	n/a
Dependants	470	462	1,294	1,121	2,752	2,426	73	n/a
Total	3,306	3,048	17,392	14,546	5,261	4,772	71	n/a
Deferred Pensioners			Annual Pensions		Average		This Valuation	
(including "undecideds")	Number		£ (000)		£		Average Age	Average Retirement Age
	2013	2010	2013	2010	2013	2010		
Males	1,216	1,112	2,386	1,867	1,962	1,679	48	62
Females	2,581	2,275	3,476	3,057	1,347	1,344	47	63
Total	3,797	3,387	5,862	4,924	1,544	1,454	48	62

Notes

- A1.2. 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.
- A1.3. Annual pensions are funded items only and include pension increases up to and including the 2013 Pension Increase Order.
- A1.4. Pensionable pay is actual earnings.

A1.5. A summary of the assets held by the Fund at the valuation date and the revenue account for the three years preceding the valuation date is as shown below.

Revenue Accounts		March 2013	March 2012	March 2011	TOTAL
	Year to	£ (000)	£ (000)	£ (000)	£ (000)
Expenditure	Retirement Pensions	17,014	15,988	14,831	47,833
	Retirement Lump Sums	2,012	3,670	3,234	8,916
	Death Benefits	235	552	480	1,267
	Leavers Benefits	654	8,715	3,551	12,920
	Expenses	348	186	339	873
	Other Expenditure	-	-	-	-
Total Outgo		20,263	29,111	22,435	71,809
Income	Employees Ctbns	4,411	4,448	4,676	13,535
	Employers Ctbns	16,216	14,654	16,421	47,291
	Transfer Values	2,330	4,542	2,648	9,520
	Other Income	-	-	-	-
Investment Income		8,996	9,237	8,612	26,845
Total Income		31,953	32,881	32,357	97,191
New Money for Investment		2,694	(5,467)	1,310	(1,463)
Fund Value					
Assets at Start of Year		396,965	385,023	355,569	355,569
Cashflow		11,690	3,770	9,922	25,382
Change in Value		47,557	8,172	19,532	75,261
Assets at End of Year		456,212	396,965	385,023	456,212
Annual Returns					
Approx Rate of Return (per annum)		14.2%	4.6%	7.9%	8.8%

Appendix 2 Actuarial Assumptions

A2.1. A summary of the assumptions adopted in the valuation is set out below:

Future Assumed Returns at 2013		Risk Adjusted Discount Rate Weighting (rounded)
Equities	6.9% per annum	71%
Gilts	3.3% per annum	25%
Cash	3.1% per annum	1%
Property	6.0% per annum	3%
Expense allowance	0.1% per annum	
Financial Assumptions	2013	2010
Discount Rate	5.9% per annum	6.7% per annum
Retail Price Inflation (RPI)	3.5% per annum	3.5% per annum
Consumer Price Inflation (CPI)	2.7% per annum	3.0% per annum
Pension and Deferred Pension Increases	2.7% per annum	3.0% per annum
Short Term Pay Increases	In line with the CPI assumption for the 2 years to 31 March 2015	Pay freeze for those earning over £21k for the 2 years to 31 March 2012
Long Term Pay Increases	4.5% per annum	5.0% per annum

Statistical Assumptions	2013	2010
Post retirement Mortality		
Current Mortality	S1PA tables with a multiplier of 105% for males and 95% for females	90% of the S1PA Heavy tables
Mortality Projection	2012 CMI Model with a long term rate of improvement of 1.5% per annum	CMI Medium Cohort with a 1% per annum underpin
Retirement Ages	Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits	For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits

Statistical Assumptions	2013	2010
	If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75	Active and deferred members over these respective ages are assumed to retire immediately
Proportion Married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death
Partner Age Difference	Males are 3 years older than their spouse and Females are 3 years younger than their spouse	Males are 3 years older than their spouse and Females are 3 years younger than their spouse
Ill-health Tiers	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	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
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
50/50 Scheme Allowance	It is assumed that 10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme	n/a
Other Statistical Assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds.
Sample rates shown below		

Incidence per 1000 active members per annum								
Age	Death		Ill Health Retirement		Withdrawal		Salary Scales	
	Males	Females	Males	Females	Males	Females	Males	Females
25	0.1	0.1	0.1	0.1	122.0	144.5	100	100
30	0.2	0.1	0.2	0.1	104.4	122.4	102	101
35	0.3	0.2	0.3	0.3	89.4	103.6	111	105
40	0.5	0.3	0.6	0.5	76.5	87.7	117	108
45	0.8	0.5	1.1	0.8	65.5	74.3	121	110
50	1.3	0.8	2.2	1.6	56.0	62.9	124	110
55	2.1	1.3	4.1	2.9	48.0	53.3	127	110
60	3.4	2.0	7.8	5.3	41.0	45.1	127	110
65	5.4	3.0	14.8	9.8	35.1	38.2	127	110

Appendix 3 Employer Data as at 31 March 2013

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	Number	Actual Pay £	Average Age	Number	Deferred Pensions £	Average Age	Number	Pensions in Payment £	Average Age
1	London Borough of Merton	3,036	62,947,732	46	3,499	5,260,233	48	3,099	16,383,755	72
8	Wimbledon And Putney Commons Conservators	20	674,456	48	19	32,675	53	23	191,791	72
19	Moat Housing Group	-	-	-	8	51,728	50	5	33,888	67
21	Central And Cecil Housing Trust	13	260,621	58	15	46,078	53	19	79,925	70
22	Greenwich Leisure Limited	5	100,545	58	13	29,479	39	7	10,809	49
23	St Marks Academy	30	530,602	48	27	28,622	42	9	19,694	63
24	Harris Academy	39	758,940	43	32	42,861	40	5	7,348	62
25	Connaught PLC	-	-	-	5	10,370	45	4	See Note (1)	See Note (1)
26	Environmental Waste Co	1	See Note (1)	See Note (1)	1	See Note (1)	See Note (1)	-	-	-
27	Merton Priory Homes	99	2,601,372	47	31	131,482	45	17	119,599	59
6	Merton College	-	-	-	77	110,603	45	60	281,605	70
7	Merton Magistrates Courts	-	-	-	11	61,832	51	8	51,667	74
9	Wimbledon School Of Art	-	-	-	16	7,776	47	17	83,116	71
11	Great Southern Group	-	-	-	1	See Note (1)	See Note (1)	4	See Note (1)	See Note (1)
12	Greater London Employers Secretariat	-	-	-	-	-	-	3	See Note (1)	See Note (1)
14	Merton Civic Theatre	-	-	-	1	See Note (1)	See Note (1)	2	See Note (1)	See Note (1)
15	Merton Family Trust	-	-	-	1	See Note (1)	See Note (1)	1	See Note (1)	See Note (1)
16	Mitcham Old Peoples Housing Association	-	-	-	-	-	-	-	-	-
20	Merton Leisure IPS	-	-	-	30	39,037	46	16	53,908	60
28	Harris Academy (Morden)	21	283,130	43	-	-	-	-	-	-
	Councillors	19	257,986	57	10	5,509	48	3	See Note (1)	See Note (1)
10	Ursuline Convent	-	-	-	-	-	-	4	See Note (1)	See Note (1)
Total		3,283	68,438,495	46	3,797	5,861,966	48	3,306	17,391,515	71

(1) Membership details have been excluded for privacy reasons where there are fewer than 5 members.

Appendix 4 Rates and Adjustment Certificate

- A4.1. The Common Rate of Contribution as defined by Regulation 36 for the period 1 April 2014 to 31 March 2017 is 21.0% of pensionable payroll.
- A4.2. However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning			Further Lump Sum Payable
		1 Apr 2014	1 Apr 2015	1 Apr 2016	1 Apr 2014	1 Apr 2015	1 Apr 2016	
1	London Borough of Merton	13.9%	13.9%	13.9%	£5,097,000	£4,205,000	£4,395,000	£10,000,000
8	Wimbledon And Putney Commons Conservators	15.1%	15.1%	15.1%	£91,000	£95,000	£100,000	
19	Moat Housing Group	0.0%	0.0%	0.0%	£15,000	£15,000	£15,000	
21	Central And Cecil Housing Trust	22.2%	22.2%	22.2%	£27,000	£28,000	£30,000	
22	Greenwich Leisure Limited	24.2%	24.2%	24.2%	£15,000	£16,000	£17,000	
23	St Marks Academy	14.1%	14.1%	14.1%	£10,000	£10,000	£10,000	
24	Harris Academy	14.1%	14.1%	14.1%	£14,000	£14,000	£15,000	
26	Environmental Waste Co	22.4%	22.4%	22.4%				
27	Merton Priory Homes	16.8%	16.8%	16.8%				
28	Harris Academy (Morden)	14.1%	14.1%	14.1%	£5,000	£5,000	£6,000	

Notes

- A4.3. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A4.4. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.
- A4.5. Contributions are due to be paid monthly in arrear unless otherwise agreed between an employer and the Administering Authority. Any such agreements are reflected in the amounts certified above.
- A4.6. Additional lump sum – it has been agreed that London Borough of Merton will pay an additional lump sum contribution of £10m in the year beginning 1 April 2014.

Projected New Benefits

A4.6. The following table shows the amount of new pension and lump sum benefits (excluding early retirement benefits due to redundancy) projected to come into payment during the period 1 April 2014 to 31 March 2017.

Year to	Retirement Benefits £(000)
31 March 2015	3,300
31 March 2016	4,100
31 March 2017	4,000

Appendix 5 New Employers since 31 March 2013

A5.1. The following table lists those employers who have joined the Fund since 31 March 2013. Their rates were certified at their date of joining and will continue as set out until 1 April 2017 when they will be assessed as part of the next formal valuation.

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		1 Apr 2014	1 Apr 2015	1 Apr 2016	1 Apr 2014	1 Apr 2015	1 Apr 2016
	Benedict Primary School	14.1%	14.1%	14.1%	£7,000	£7,300	£7,700
	CHAS	12.0%	12.0%	12.0%	£4,000	£5,000	£5,000

Notes

- A5.2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A5.3. 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.
- A5.4. Contributions are due to be paid monthly in arrear unless otherwise agreed between an employer and the Administering Authority. Any such agreements are reflected in the amounts certified above.

Appendix 6 LGPS Benefits

A6.1. The benefit changes from 1 April 2014 involve the formation of a new scheme, referred to below as LGPS 2014. Transitional regulations are applied so that the benefits in the previous LGPS 2008 scheme are maintained.

LGPS Benefits	LGPS 2014		LGPS 2008	
Type of Scheme	Career Average Revalued Earnings (CARE)		Final Salary	
Pension Benefit Accrual	1/49 th		1/60 th for service after 1 April 2008. Benefits for service before 31 March 2008 were based on 1/80 th accrual and an automatic lump sum of 3/80 ^{ths} .	
Revaluation	Consumer Prices Index (CPI)		Based on Final Salary	
Lump Sum	By commutation 12:1 up to a maximum of 25% of lifetime allowance			
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff		Pay excluding non-contractual overtime and non-pensionable additional hours	
Member Contributions	Banded Contributions based on actual pensionable pay		Banded Contributions based on full time equivalent pensionable pay	
	Range	Gross Rate	Range	Gross Rate
	Up to £13,500	5.5%	Up to £13,700	5.5%
	£13,501 to £21,000	5.8%	£13,701 to £16,100	5.8%
	£21,001 to £34,000	6.5%	£16,101 to £20,800	5.9%
	£34,001 to £43,000	6.8%	£20,801 to £34,700	6.5%
	£43,001 to £60,000	8.5%	£34,701 to £46,500	6.8%
	£60,001 to £85,000	9.9%	£46,501 to £87,100	7.2%
	£85,001 to £100,000	10.5%	More than £87,100	7.5%
	£100,001 to £150,000	11.4%		
	More than £150,000	12.5%		
Contribution Flexibility	Member can pay 50% contributions for 50% of the pension benefit		Not Available	
Normal Pension Age	Linked to individual member's State Pension Age (minimum age 65)		Age 65	
Death in Service Lump Sum	3 x Pensionable Pay			
Death in Service Survivor Benefits	1/160 th accrual based on potential service to Normal Pension Age			

LGPS Benefits	LGPS 2014	LGPS 2008
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age	
	Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age	
	Tier 3 - Temporary payment of pension for up to 3 years	
Post Retirement Revaluation	Pension Increase Orders	
Vesting Period	2 years	3 months
Early Payment - Reduction to Benefits (Rule of 85)	For members of the LGPS on 30 September 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.	
	The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.	
	If they could not satisfy the Rule of 85 by the time they are 65 , then all of their benefits are reduced, if they choose to retire before age 65.	
	If they will be age 60 or over by 31 March 2016 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension , the benefits they build up to 31 March 2016 will not be reduced.	
	If they will be under age 60 by 31 March 2016 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension , the benefits they have built up to 31 March 2008 will not be reduced. Also, if they will be aged 60 between 1 April 2016 and 31 March 2020 and meet the Rule of 85 by 31 March 2020, some or all of the benefits that they have built up between 1 April 2008 and 31 March 2020 will not have a full reduction.	