**Financial Scrutiny and Audit Committee**
7 February 2017
Agenda Item No 8

**Consolidated Income and Expenditure:**
**1 April to 31 December 2016 Actual and 2016/17 Forecast Outturn**
Report by Head of Finance


| | |
|---|---|
| **Summary:** | This report provides the Committee with details of the actual income and expenditure for the nine month period to 31 December 2016, and provides a forecast of the projected expenditure at the end of the financial year (31 March 2017). The second part of the report provides the draft valuation results from the triennial valuation. |
| **Recommendation:** | That the report be noted. |


## 1 Introduction

1.1 This financial monitoring report summarises details of the forecast outturn and actual expenditure for both National Park and Navigation.

## 2 Overview of Actual Income and Expenditure

Table 1 – Actual Consolidated I&E by Directorate to 31 December 2016

| | Profiled Latest Available Budget | Actual Income and Expenditure | Actual Variance |
|---|---|---|---|
| Income | (5,539,684) | (5,511,287) | - 28,397 |
| Operations | 2,676,562 | 2,503,358 | + 173,204 |
| Planning and Resources | 2,196,513 | 2,012,081 | +184,433 |
| Chief Executive | 343,040 | 349,888 | - 6,848 |
| Projects, Corporate Items and Contributions from Earmarked Reserves | (219,030) | (178,599) | - 40,432 |
| **Net (Surplus) / Deficit** | **(542,598)** | **(824,558)** | **+ 281,960** |

2.1 Core navigation income is behind of the profiled budget at the end of month nine. The overall position as at 31 December 2016 is a favourable variance of £281,960 or 51.96% difference from the profiled LAB. This is principally due to:

- An overall adverse variance of £30,817 within toll income:
  - Hire Craft Tolls £25,158 below the profiled budget.

    - Private Craft Tolls £3,314 above the profiled budget.
- A favourable variance within Operations budgets relating to:
    - Water Management is under profiled budget by £23,654 due to timing differences on the Hickling project.
    - Practical Maintenance is under the profiled budget by £99,816 due to timing differences on the Cockshoot re-piling.
    - Safety is under profiled budget by £10,320 due to delays in a vehicle replacement.
    - Asset Management is under profiled budget by £14,077 due to additional income being received.
    - Premises is under profiled budget by £14,081 due to timing differences.
- A favourable variance within Planning and Resources budgets relating to:
    - Strategy and Projects is under profiled budget by £90,388 due to timing differences on the Local Plan and the Landscape Architect. Additional income has also been received from the Catchment Partnership and Tesco has also been received. It is proposed to set up an earmarked reserve at year end for any unspent funds instead of applying for carry forwards. This income is ring fenced and cannot be spent on other areas.
    - Project Funding is under profiled budget by £44,756 due to the difficulties of profiling the project pot budget because of the uncertain nature of when projects will be submitted and spent.
    - Heritage Lottery Fund (Landscape Partnership) is above profiled budget by £10,161 due to income being slightly behind profile. This has been offset by lower expenditure.
    - Communications is behind profiled budget by £17,820 due to additional income being received from the Tesco bags of help and a contribution to the website. There is also small timing difference on the website work.
    - ICT is behind profiled budget by £16,424 due to savings on the photocopier lease and timing differences.
    - Planning and Resources Management and Administration is under profiled budget by £14,470 due to the new franking machine contract which has come in cheaper and other small scale savings. Additional income has also been received.

2.2 The charts at Appendix 1 provide a visual overview of actual income and expenditure compared with both the original budget and the LAB.

## 3 Latest Available Budget

3.1 The Authority’s income and expenditure is being monitored against a latest available budget (LAB) in 2016/17. The LAB is based on the original budget for the year, with adjustments for known and approved budget changes such as carry-forwards and budget virements. Details of the movements from the original budget are set out in Appendix 2.

Table 2 – Adjustments to Consolidated LAB

| | Ref | £ |
|---|---|---|
| Original budget 2016/17 – deficit | Item 12 18/03/16 (BA) | 10,347 |
| Approved budget carry-forwards | Item 13 13/05/16 (BA) | 26,031 |
| **LAB at 31 December 2016 – deficit** | | **36,378** |

3.2 Taking account of the budget adjustments, the LAB therefore provides for a consolidated deficit of £36,378 in 2016/17 as at 31 December 2016.

## 4 Overview of Forecast Outturn 2016/17

4.1 Budget holders have been asked to comment on the expected expenditure at the end of the financial year in respect of all the budget lines for which they are responsible. These forecast outturn figures should be seen as estimates and they will be refined and clarified through the financial year.

4.2 As at the end of December 2016, the forecast outturn indicates:

- The total forecast income is £6,346,106, or £27,535 behind the LAB
- Total expenditure is forecast to be £6,335,984
- The resulting surplus for the year is forecast to be £10,122

4.3 The forecast outturn expenditure takes account of adjustments to the LAB and in addition reflects the changes shown in Table 3. The forecast surplus represents a favourable variance of £46,500 against the LAB.

Table 3 – Adjustments to Forecast Outturn

| Item | £ |
|---|---|
| **Forecast outturn deficit per LAB** | **36,378** |
| | |
| Previously reported adjustments 27 September 2016 | (24,283) |
| | |
| Increase to Hire Craft Income | (3,582) |
| Decrease to Private Craft Income | 6,120 |
| Increase to Vessel and Equipment Income | (500) |
| Increase to Practical Maintenance Expenditure for Dingy Park works | 2,200 |
| Increase to Asset Management Income | (7,100) |
| Increase in Operations Management Income for staff recharges | (2,000) |
| Decrease to Project Pot Expenditure | (5,500) |
| Increase to Insurance Expenditure for additions to policy in year for the new launch, wherry and change in rates of Insurance Premium Tax | 9,000 |

| | |
|---|---|
| Decrease to Collection of Toll Expenditure following refund for faulty toll plaques | (4,000) |
| Decrease to Yare House Expenditure for rent initiative | (12,855) |
| Increase to Planning and Resources Income for staff recharges | (13,500) |
| Decrease in Planning and Resources Expenditure | (8,000) |
| Increase to Legal Expenditure | 17,500 |
| | |
| **Forecast outturn surplus as at 31 December 2016** | **(10,122)** |

4.4 The main reason for the difference between the forecast outturn and the LAB is the change in predictions for navigation toll income and interest. There is also additional income predicted for planning and operations and a number of smaller savings within other budgets.

## 5 Reserves

Table 4 – Consolidated Earmarked Reserves

| | **Balance at 1 April 2016** | **In-year movements** | **Current reserve balance** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Property | (360,603) | (77,500) | (438,103) |
| Plant, Vessels and Equipment | (302,225) | 10,187 | (292,038) |
| Premises | (201,675) | (9,249) | (210,924) |
| Planning Delivery Grant | (290,865) | 118,051 | (172,814) |
| Upper Thurne Enhancement | (56,552) | (20,787) | (77,338) |
| Section 106 | (76,469) | (31,972) | (108,440) |
| Heritage Lottery Fund | (55,956) | 869 | (55,087) |
| **Total** | **(1,344,343)** | **(10,401)** | **(1,354,744)** |

5.1 £691,441 of the current reserve balance relates to navigation reserves.

## 6 Summary

6.1 The current forecast outturn position for the year suggests a surplus of £24,924 for the national park side and a deficit of £14,802 on navigation resulting in an overall surplus of £10,122 within the consolidated budget, which would indicate a general fund reserve balance of approximately £1,069,000 and a navigation reserve balance of approximately £318,000 at the end of 2016/17 before any transfers for interest. This will mean that the navigation reserve will be slightly above the recommended level of 10% of net expenditure during 2016/17.

## 7 Draft Pension Triennial Valuation Results 2016

7.1 The Authority participates in the Norfolk Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Fund is subject to a triennial valuation regime, with the last valuation having been conducted in 2013. The purpose of the valuation is to:

- calculate the funding position of individual employers within the fund; and
- determine the contributions to be paid by employers from 1 April 2017 to 31 March 2020.

7.2 Members should note that the valuation figures are draft at this stage and final figures will be published by 31 March 2017. However, the Fund does not currently anticipate any changes from the draft figures.

7.3 Details of the actuary's valuation process, definitions and assumptions are set out in appendix 3. The draft results for the Broads Authority are set out in appendix 4.

7.4 In particular, section 3 of appendix 4 sets out the valuation results for the Authority including a reconciliation of the movement in the Authority's deficit in the Fund. This has decreased from £2,862k in the 2013 valuation to £2,115k at 31 March 2016. This in turn has meant that the level of funding has increased from 85% to 91%, and the Authority remains above average in terms of the funding levels compared against the whole fund (80%).

7.5 Based on the draft 2016 valuation, the proposed employer contribution rates for 2017/18 to 2019/20 are 18.4% (this represents an increase of 3.4% from the 2013 valuation of 15%). The lump-sum deficit contributions have decreased and are set out below.

Table 5 – Annual lump-sum pension deficit contribution

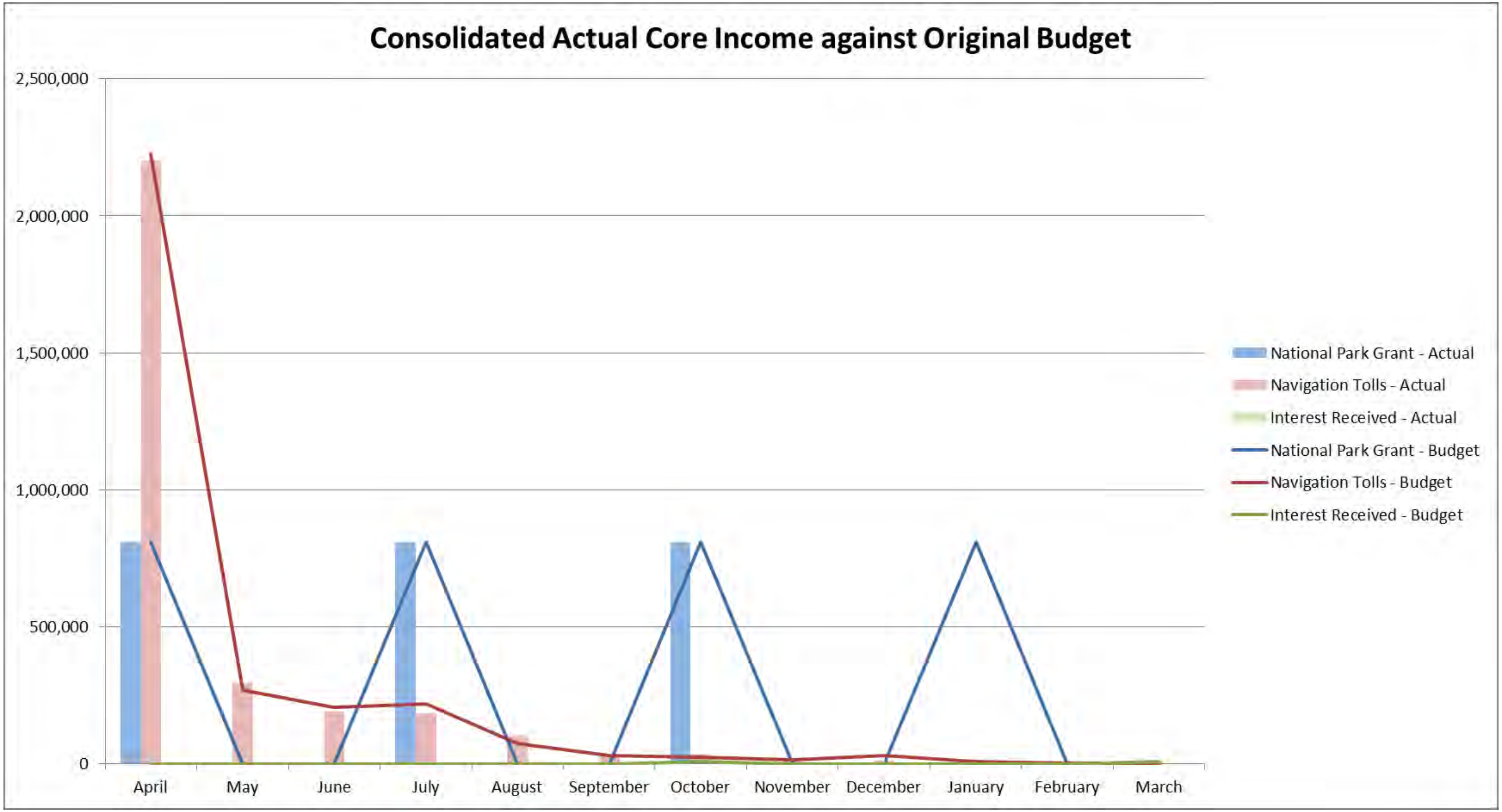
| **Year** | **Lump-sum payment £** |
|---|---|
| 2016/17 | 137,000 |
| 2017/18 | 60,000 |
| 2018/19 | 76,000 |
| 2019/20 | 93,000 |

7.6 The fund experience between the valuations has been mainly been positive due to a number of factors which include: lower than expected pay growth, fewer ill health retirements and a lower take up of the 50:50 scheme. The increase to staff contributions and the annual lump-sum payment are broadly in line with previous estimates and have been taken account of in the Authority's budget and financial strategy. The "target" annual lump-sum payment is designed to eliminate the Authority's deficit over a 20 year time frame and is calculated by the actuary. The Authority is considered as a low risk member of the Fund, which means that the deficit is recovered over a longer period and a stabilisation mechanism applied to limit the employer contribution rate variations to a maximum annual movement of +/- 0.5% of pay, so there is no risk of an increase to the full annual contribution in the short term.

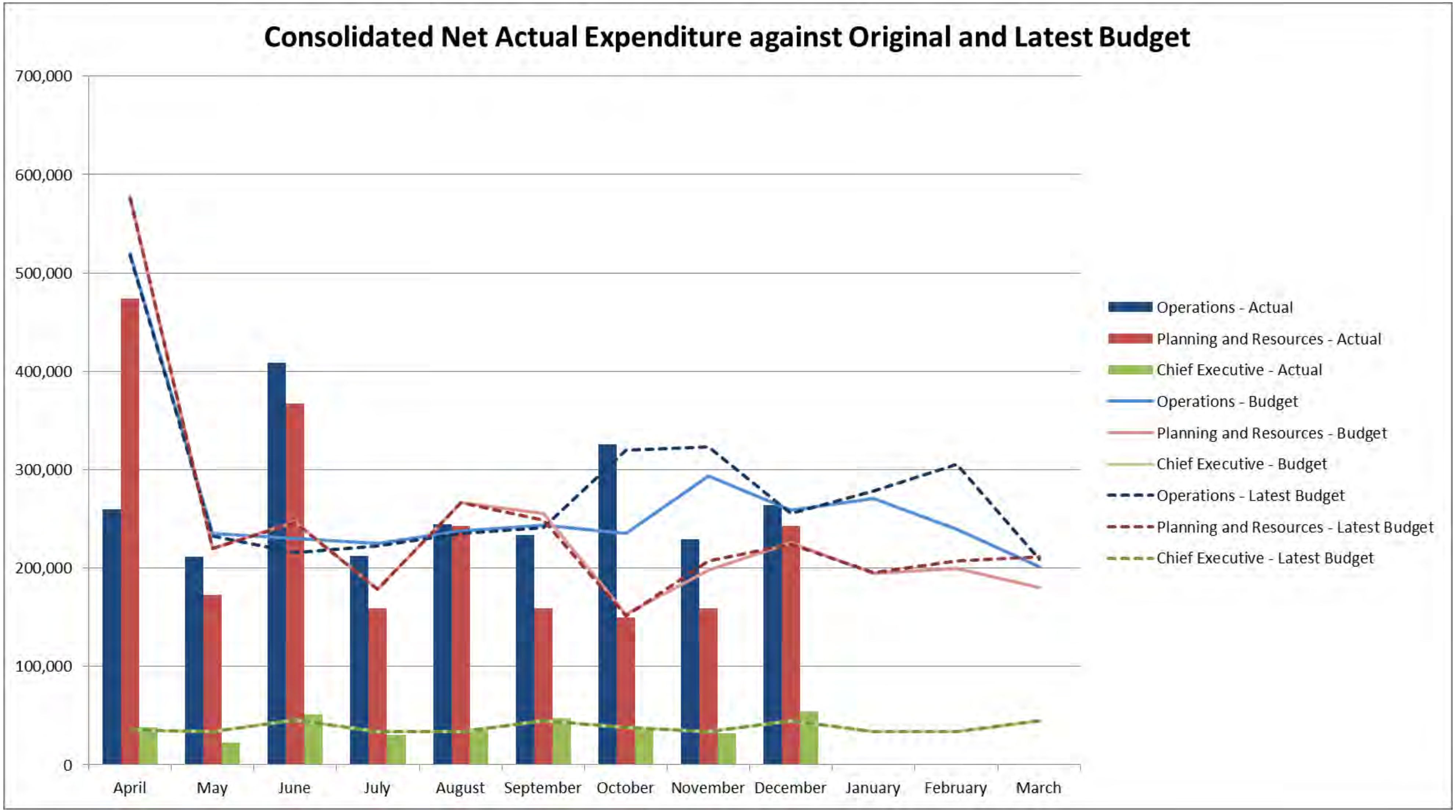
7.7 The Fund is also required to produce a Funding Strategy Statement (FSS) which is a summary of the Fund's approach to funding its liabilities. The FSS is currently undergoing its final legal review prior to publication and is due to be published the week commencing 30 January 2017. The FSS relates to all employers in the Fund and will be subject to consultation. Copies will be provided at the meeting for members to comment.

| | |
|---|---|
| Background papers: | None |
| Author: | Emma Krelle |
| Date of report: | 27 January 2017 |
| Broads Plan Objectives: | None |
| Appendices: | APPENDIX 1 – Consolidated Actual Income and Expenditure Charts to 31 December 2016 |
| | APPENDIX 2: Financial Monitor: Consolidated Income and Expenditure 2016/17 |
| | APPENDIX 3 – Draft Norfolk Pension Fund Employer Results Report |
| | APPENDIX 4 – Draft Valuation Results – Broads Authority |

**APPENDIX 1**


Consolidated Actual Core Income against Original Budget
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
April
May
June
July
August
September
October
November
December
January
February
March
National Park Grant - Actual
Navigation Tolls - Actual
Interest Received - Actual
National Park Grant - Budget
Navigation Tolls - Budget
Interest Received - Budget

**APPENDIX 1**


Consolidated Net Actual Expenditure against Original and Latest Budget
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
April
May
June
July
August
September
October
November
December
January
February
March
Operations - Actual
Planning and Resources - Actual
Chief Executive - Actual
Operations - Budget
Planning and Resources - Budget
Chief Executive - Budget
Operations - Latest Budget
Planning and Resources - Latest Budget
Chief Executive - Latest Budget

**To 31 December 2016**

| Budget Holder | (All) |
|---|---|

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---|---|---|---|---|---|
| | Values | | | | |
| Income | (6,373,641) | | (6,373,641) | (6,346,106) | -27,535 |
| National Park Grant | (3,243,802) | | (3,243,802) | (3,243,802) | 0 |
| Income | (3,243,802) | | (3,243,802) | (3,243,802) | 0 |
| Hire Craft Tolls | (1,079,000) | | (1,079,000) | (1,053,842) | -25,158 |
| Income | (1,079,000) | | (1,079,000) | (1,053,842) | -25,158 |
| Private Craft Tolls | (1,972,000) | | (1,972,000) | (1,974,623) | 2,623 |
| Income | (1,972,000) | | (1,972,000) | (1,974,623) | 2,623 |
| Short Visit Tolls | (40,089) | | (40,089) | (40,089) | 0 |
| Income | (40,089) | | (40,089) | (40,089) | 0 |
| Other Toll Income | (18,750) | | (18,750) | (18,750) | 0 |
| Income | (18,750) | | (18,750) | (18,750) | 0 |
| Interest | (20,000) | | (20,000) | (15,000) | -5,000 |
| Income | (20,000) | | (20,000) | (15,000) | -5,000 |
| Operations | 3,347,498 | 163,430 | 3,510,928 | 3,476,453 | 34,475 |
| Construction and Maintenance Salaries | 1,122,050 | 0 | 1,122,050 | 1,122,050 | 0 |
| Salaries | 1,122,050 | 0 | 1,122,050 | 1,122,050 | 0 |
| Expenditure | | | 0 | | 0 |
| Equipment, Vehicles & Vessels | 419,833 | 166,000 | 585,833 | 564,588 | 21,245 |
| Income | 0 | | 0 | (500) | 500 |
| Expenditure | 419,833 | 166,000 | 585,833 | 565,088 | 20,745 |
| Water Management | 147,500 | | 147,500 | 141,000 | 6,500 |
| Income | 0 | | 0 | (16,500) | 16,500 |
| Expenditure | 147,500 | | 147,500 | 157,500 | -10,000 |
| Land Management | (38,000) | | (38,000) | (38,000) | 0 |
| Income | (95,000) | | (95,000) | (95,000) | 0 |
| Expenditure | 57,000 | | 57,000 | 57,000 | 0 |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---|---|---|---|---|---|
| Practical Maintenance | 419,200 | | 419,200 | 419,900 | -700 |
| Income | (9,000) | | (9,000) | (10,500) | 1,500 |
| Expenditure | 428,200 | | 428,200 | 430,400 | -2,200 |
| Ranger Services | 721,315 | | 721,315 | 721,315 | 0 |
| Income | (47,000) | | (47,000) | (47,000) | 0 |
| Salaries | 596,860 | | 596,860 | 596,860 | 0 |
| Expenditure | 171,455 | | 171,455 | 171,455 | 0 |
| Pension Payments | | | 0 | | 0 |
| Safety | 125,600 | | 125,600 | 123,650 | 1,950 |
| Income | (9,000) | | (9,000) | (1,000) | -8,000 |
| Salaries | 59,600 | | 59,600 | 62,000 | -2,400 |
| Expenditure | 75,000 | | 75,000 | 62,650 | 12,350 |
| Asset Management | 151,280 | 2,880 | 154,160 | 150,680 | 3,480 |
| Income | (1,000) | | (1,000) | (8,100) | 7,100 |
| Salaries | 41,530 | 2,880 | 44,410 | 48,030 | -3,620 |
| Expenditure | 110,750 | | 110,750 | 110,750 | 0 |
| Premises | 152,170 | | 152,170 | 152,170 | 0 |
| Income | (20,000) | | (20,000) | (20,000) | 0 |
| Expenditure | 172,170 | | 172,170 | 172,170 | 0 |
| Operations Management and Administration | 126,550 | (5,450) | 121,100 | 119,100 | 2,000 |
| Income | 0 | | 0 | (2,000) | 2,000 |
| Salaries | 114,050 | (5,450) | 108,600 | 108,600 | 0 |
| Expenditure | 12,500 | | 12,500 | 12,500 | 0 |
| Planning and Resources | 2,738,835 | 38,159 | 2,776,995 | 2,745,540 | 31,455 |
| Development Management | 249,550 | 6,710 | 256,260 | 259,610 | -3,350 |
| Income | (60,000) | | (60,000) | (80,000) | 20,000 |
| Salaries | 284,550 | 6,710 | 291,260 | 291,260 | 0 |
| Expenditure | 25,000 | | 25,000 | 48,350 | -23,350 |
| Pension Payments | | | 0 | | 0 |
| Strategy and Projects Salaries | 286,990 | (4,140) | 282,850 | 282,850 | 0 |
| Income | (3,500) | | (3,500) | (3,500) | 0 |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---|---|---|---|---|---|
| Salaries | 202,490 | (4,140) | 198,350 | 198,350 | 0 |
| Expenditure | 88,000 | | 88,000 | 88,000 | 0 |
| Biodiversity Strategy | 10,000 | 600 | 10,600 | 10,600 | 0 |
| Income | | | 0 | | 0 |
| Expenditure | 10,000 | 600 | 10,600 | 10,600 | 0 |
| Strategy and Projects | 113,030 | 24,989 | 138,019 | 138,019 | 0 |
| Income | | | 0 | | 0 |
| Salaries | 76,530 | | 76,530 | 76,530 | 0 |
| Expenditure | 36,500 | 24,989 | 61,489 | 61,489 | 0 |
| Waterways and Recreation Strategy | 144,460 | | 144,460 | 144,460 | 0 |
| Salaries | 69,960 | | 69,960 | 69,960 | 0 |
| Expenditure | 74,500 | | 74,500 | 74,500 | 0 |
| Project Funding | 105,500 | | 105,500 | 100,000 | 5,500 |
| Income | (19,000) | | (19,000) | (19,000) | 0 |
| Expenditure | 124,500 | | 124,500 | 119,000 | 5,500 |
| Pension Payments | | | 0 | | 0 |
| Partnerships / HLF | 50,000 | | 50,000 | 50,000 | 0 |
| Income | (231,846) | | (231,846) | (231,846) | 0 |
| Salaries | 48,960 | | 48,960 | 48,960 | 0 |
| Expenditure | 232,886 | | 232,886 | 232,886 | 0 |
| Volunteers | 66,620 | | 66,620 | 66,620 | 0 |
| Income | (1,000) | | (1,000) | (1,000) | 0 |
| Salaries | 47,620 | | 47,620 | 47,620 | 0 |
| Expenditure | 20,000 | | 20,000 | 20,000 | 0 |
| Finance and Insurance | 337,750 | | 337,750 | 348,500 | -10,750 |
| Income | | | 0 | | 0 |
| Salaries | 137,750 | | 137,750 | 139,500 | -1,750 |
| Expenditure | 200,000 | | 200,000 | 209,000 | -9,000 |
| Communications | 268,250 | 23,700 | 291,950 | 291,950 | 0 |
| Income | | | 0 | | 0 |
| Salaries | 188,750 | | 188,750 | 188,750 | 0 |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---|---|---|---|---|---|
| Expenditure | 79,500 | 23,700 | 103,200 | 103,200 | 0 |
| Visitor Centres and Yacht Stations | 214,930 | | 214,930 | 214,930 | 0 |
| Income | (232,500) | | (232,500) | (232,500) | 0 |
| Salaries | 315,430 | | 315,430 | 315,430 | 0 |
| Expenditure | 132,000 | | 132,000 | 132,000 | 0 |
| Collection of Tolls | 122,230 | | 122,230 | 118,230 | 4,000 |
| Salaries | 109,530 | | 109,530 | 109,530 | 0 |
| Expenditure | 12,700 | | 12,700 | 8,700 | 4,000 |
| ICT | 300,117 | (13,700) | 286,417 | 278,217 | 8,200 |
| Salaries | 143,730 | | 143,730 | 143,730 | 0 |
| Expenditure | 156,387 | (13,700) | 142,687 | 134,487 | 8,200 |
| Premises - Head Office | 254,548 | | 254,548 | 241,693 | 12,855 |
| Expenditure | 254,548 | | 254,548 | 241,693 | 12,855 |
| Planning and Resources Management and Administration | 214,860 | | 214,860 | 199,860 | 15,000 |
| Income | 0 | | 0 | (7,000) | 7,000 |
| Salaries | 133,660 | | 133,660 | 133,660 | 0 |
| Expenditure | 81,200 | | 81,200 | 73,200 | 8,000 |
| Chief Executive | 454,630 | 442 | 455,072 | 458,572 | -3,500 |
| Human Resources | 117,730 | 442 | 118,172 | 119,542 | -1,370 |
| Income | | | 0 | | 0 |
| Salaries | 58,230 | | 58,230 | 59,600 | -1,370 |
| Expenditure | 59,500 | 442 | 59,942 | 59,942 | 0 |
| Legal | 109,970 | | 109,970 | 114,400 | -4,430 |
| Income | 0 | | 0 | (2,500) | 2,500 |
| Salaries | 49,970 | | 49,970 | 36,900 | 13,070 |
| Expenditure | 60,000 | | 60,000 | 80,000 | -20,000 |
| Governance | 123,290 | | 123,290 | 120,990 | 2,300 |
| Salaries | 69,090 | | 69,090 | 69,090 | 0 |
| Expenditure | 54,200 | | 54,200 | 51,900 | 2,300 |
| Chief Executive | 103,640 | | 103,640 | 103,640 | 0 |
| Salaries | 103,640 | | 103,640 | 103,640 | 0 |

| Row Labels | Original Budget (Consolidated) | Budget Adjustments (Consolidated) | Latest Available Budget (Consolidated) | Forecast Outturn (Consolidated) | Forecast Outturn Variance (Consolidated) |
|---|---|---|---|---|---|
| Expenditure | | | 0 | | 0 |
| Projects and Corporate Items | 137,000 | | 137,000 | 137,000 | 0 |
| Corporate Items | 137,000 | | 137,000 | 137,000 | 0 |
| Pension Payments | 137,000 | | 137,000 | 137,000 | 0 |
| Contributions from Earmarked Reserves | (293,975) | (176,000) | (469,975) | (481,580) | 11,605 |
| Earmarked Reserves | (293,975) | (176,000) | (469,975) | (481,580) | 11,605 |
| Expenditure | (293,975) | (176,000) | (469,975) | (481,580) | 11,605 |
| **Grand Total** | **10,347** | **26,031** | **36,378** | **(10,122)** | **46,500** |

# Norfolk Pension Fund

Employer Results Report:
Valuation as at 31 March 2016

Gemma Sefton FFA

Robert Bilton FFA

Fellows of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

21 November 2016

# Contents



[1] Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work, including the information and advice contained in this report.



# 1 Introduction

A formal valuation of the Norfolk Pension Fund ("the Fund") is currently underway. This report is addressed to Norfolk County Council as Administering Authority to the Fund to communicate the results of the 2016 valuation at an individual employer level.

Many employers participate in the Fund which is one part of the Local Government Pension Scheme (LGPS).

This report has been prepared to accompany the Results Schedules for each individual employer in the Fund. The Results Schedule sets out each employer's valuation results.

Given the purpose of this report and the accompanying Results Schedules we are content that both elements can be shared with the employer to which they apply for information purposes only. Neither the schedule nor report should be shared with any further third party without our prior written consent.

Also, as the purpose is to provide employer information and explanation, "you" and "your" relate to each individual employer in the Fund throughout the report.

This is a component report of the final aggregate valuation report.

The following Technical Actuarial Standards[1] are applicable in relation to this report and have been complied with where material:

- TAS R – Reporting;
- TAS D – Data;
- TAS M – Modelling; and
- Pensions TAS.

A glossary is contained as Appendix A: please refer to this if you are unfamiliar with any of the terms used in this covering report or the Results Schedule.

### What is a formal valuation?

A formal valuation has two main purposes:

- To calculate the value of the total liabilities you have within the Fund in relation to the assets you hold.  This is your funding position.
- To determine the contributions you will pay to the Fund from 1 April 2017 to 31 March 2020.

This report is intended to help you, as an employer within the Fund, to understand what your funding position means, how it can change and how this will impact on the contributions you pay to the Fund.

# 2 Your funding position

### What is your funding position?

The ‘Employer valuation results’ (or ‘Pool valuation results’) table in Section 3 of the Results Schedule sets out your funding position as at 31 March 2016. Your funding position as at 31 March 2013 (or the date you joined the Fund, if you are a new employer since 31 March 2013) has also been included for comparative purposes.

- Past service liabilities: this is the value that has been placed on the benefits **built up to date** for your employees and ex-employees.  The value of these liabilities is dependent on the financial and demographic assumptions used to calculate these liabilities.  For details of the specific assumptions used please refer to Section 2 in your Results Schedule.

- Asset share: this is the market value of the share of the Fund’s assets that have been allocated to you.  The Fund Actuary uses a cashflow approach to apportion assets to individual employers by allowing for employer specific cash flows and investment returns achieved by the Fund since the previous formal valuation (or date of joining if later).

- Surplus/deficit: this is the difference between the assets you have and the past service liabilities you are responsible for.  If you have more assets than liabilities you have a surplus.  If you have fewer assets than liabilities then you have a deficit.

  The Fund Actuary also provides some information on the changes in your surplus/deficit in the analysis of surplus table using the valuation data provided.  The items that can be tracked using this analysis of surplus approach are set out in Appendix C.  Note there are significant limitations and approximations made in this reconciliation and, as such, it is provided as a guide only.

- Funding level: this is the ratio of your share of the Fund’s assets to your past service liabilities. The contributions determined by the Fund Actuary will aim to result in a 100% funding level over an agreed period (the “time horizon”).

## What will affect your funding position?

### Data

A summary of the membership data as supplied to the Fund Actuary is summarised in Section 1 of the Results Schedule. This includes various membership statistics, membership movements since the previous formal valuation (or date of joining) and the key cashflows used to calculate your assets. It is your responsibility to ensure the Fund holds correct data in respect of your current and ex-employees. Incorrect data may impact on your formal valuation results and subsequently the contributions you pay to the Fund.

### Actuarial assumptions

To enable the Fund Actuary to calculate the value of your assets and liabilities, a number of financial and demographic assumptions are made. These assumptions are agreed between the Fund Actuary and the Administering Authority and are set out in the Fund's Funding Strategy Statement ("FSS").

The main assumptions are set out in Section 2 of the Results Schedule.

Further detail on the assumptions is set out in Appendix B.

### Experience since the last formal valuation

Your funding position will be affected by the experience of the Fund and your membership over the last 3 years (or date of joining if more recent). This is set out in Section 3 of the Results Schedule in the table titled 'Reconciliation of surplus/deficit'. This is explained in Appendix C.

## What can you do in the future to improve your funding position?

There are some elements of membership experience that employers can control. These are:

- The contributions you pay to the Fund: any contributions you make to the Fund (above the cost of the benefits that are being earned by your employees) will decrease any deficit you have. You will also receive investment returns on any contributions you make.
- Salary increases: the pensionable salary increases awarded to your employees affect the pension received by them in retirement. If you intend to award higher salary increases than have been allowed for in the 2016 valuation assumptions, you should inform the Administering Authority as soon as possible.

You will find it helpful to speak with the Administering Authority regularly if you are concerned about your funding position or future pension costs. It may be possible to provide an indication of your funding position between formal valuation dates to allow you to monitor how your pension's obligations are changing.

# 3 The contributions employers pay to the Fund

**How are employer valuation contributions calculated?**

Employer contributions are calculated using a three step process:

1. Identifying what the employer's funding target should be e.g. achieving a funding level of 100% on an ongoing or cessation basis.

2. Deciding how long it should take for an employer to reach this funding target (the "time horizon").

3. The likelihood that the contribution rate will result in the employer reaching the funding target within the time horizon (the 'likelihood of success'). E.g. 66%, 75% etc. The likelihood has been agreed with the Administering Authority and is dependent on each employer's own circumstances.

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being built up from year to year, referred to as the "*primary rate*". This was previously referred to as Future Service Rate; plus

b) the contributions required to repair an employer's deficit (surplus), referred to as the "*secondary rate*". This was previously referred to as Deficit Recovery Contributions.

The primary rate will depend on a variety of different factors, including the profile of your membership. For example, the rate is higher for older members as there is less time to earn investment returns before the member's pension comes into payment.

The methodology for calculating the primary rate relates to the basis of your participation within the Fund. For example, whether you are open or closed to new entrants. A closed employer will have a higher rate as we must allow for the consequent gradual ageing of the workforce.

There is no guarantee that the amount you pay for the primary rate will be sufficient to meet the cost of the benefits that accrue. Similarly, there is no guarantee that the secondary rate will return you to being fully funded at the end of your time horizon. This is because the actual cost of benefits to be paid to members now and in the future is uncertain and will not be known until the last payment is made to the last member.

The Fund Actuary makes assumptions about the future (e.g. investment returns, inflation) in order to assess an appropriate contribution rate but these assumptions are unlikely to be borne out in practice each and every year in the future. Therefore there is an element of risk in any contribution rate set. The lower the likelihood of success, the higher the risk that the contribution rate is insufficient due to the future being worse than expected (e.g. poor investment returns, high inflation).

The likelihood of success is displayed in Section 4 of your Results Schedule.

The contributions you are being asked to pay are set out in Section 4 of the Results Schedule. These may be different from the valuation contributions described as above. The reasons for any differences are discussed below.

**What contributions do employers have to pay?**

The method used to set the actual contribution rate for you will depend on what type of organisation you are and the nature of your participation in the Fund. Details of how employers are categorised are set out in the Funding Strategy Statement. One of the methods detailed below will apply to you.

1. Stabilisation: also referred to as a 'stabilisation overlay', is a mechanism that allows contribution rate changes to be limited and may apply to some employers in the Fund. Please refer to the Funding Strategy Statement for further details on the employers that the Administering Authority have permitted to adopt a "stabilised" contribution strategy

2. Risk based contributions: for employers who are not permitted to stabilise, the rate payable will depend on the three step process as detailed above.

Additionally, the Fund may permit changes in contributions to be phased in over a number of years.

The contributions you are asked for and as set out in the Fund's Rates and Adjustment Certificate are a minimum. Any additional contributions you pay to the Fund will have a positive impact on your funding position. The Rates and Adjustments Certificate must be published by 31 March 2017 and applies for the period 1 April 2017 until 31 March 2020.

Further details regarding the calculation of risk based contribution rates and the projection of future market conditions are available on request.

### How long do employers have to reach their funding target?

Contribution rates are determined which aim to restore each employer to a 100% funded position at the end of an appropriate time horizon. This is set out in the Fund's Funding Strategy Statement and varies depending on your circumstances.

The "Valuation contribution rate results" shown in Section 4 of the Results Schedule will show the time horizon which applies to you.

### What if the employer is part of a pool?

If you participate within a pool, all employers in the pool will be asked to pay the same contributions. These contributions may be more or less than you would have paid if you were an individual employer in the Fund.

### What if an employer is planning to leave the Fund?

If you leave the Fund, a "cessation valuation" will be carried out at the date of leaving. It will determine whether you have a surplus or deficit, where any deficit will have to be repaid to the Fund. The cessation payment can be a significant figure and we strongly recommend that you contact the Fund if you believe your participation in the Fund may end in future for any reason. Where the Fund has forward notice of a planned exit, the Fund is able to target the repayment of the cessation deficit over time and minimise the risk of the Fund requiring, and you have to make, a single large payment. Please refer to the Funding Strategy Statement for details on how a cessation valuation would be carried out.

If you are planning to leave the Fund soon, you may wish to ask the Fund for an indication of any cessation payment you will be asked to make.

# Appendix A – Glossary

**Actuarial assumptions / basis**
The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **liabilities**. The main assumptions will relate to the **financial assumptions** such as **discount rate**, salary growth, pension increases and **demographic assumptions** such as longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.

**Administering Authority**
The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".

**Deficit**
The shortfall between the assets value and the **liabilities** value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

**Demographic assumptions**
These assumptions determine when a benefit is paid. The main demographic assumption is the mortality assumption, which determines how long benefits are paid for. The baseline mortality assumption is the current estimate of mortality rates based on observed data (likelihood of death each year). Other examples of demographic assumptions are the number of employees that leave the Fund and the number of employees that retire with ill-health benefits

**Discount rate**
The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **liabilities** value which is consistent with the present day value of the assets, to calculate the **deficit**. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the **primary rate** and the **secondary rate**.

**Employer**
An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **liabilities** values for each employer are individually tracked, together with its **primary rate** at each **valuation**.

**Financial assumptions**
The main financial assumptions are the discount rate (assumed investment return), the salary increase assumption and the pension increase assumption.

**Funding level/position**
The ratio of assets value to **liabilities** value. The ideal position is 100%. If it is less than 100% then you have a deficit; if it is more than 100% then you have a surplus.

**Liabilities**
The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.

**LGPS**
The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

| | |
|---|---|
| **Members** | The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees). |
| **Pooling** | Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of **deficit**, or (if formally agreed) it may allow **deficits** to be passed from one employer to another. |
| **Primary rate** | The actuarially calculated cost of each year's build-up of pension by the current active **members**, excluding members' contributions but including Fund administrative expenses. This is calculated using **actuarial assumptions**. |
| **Profile** | The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs. their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also. |
| **Secondary rate** | The part of the employer's annual contribution which relates to past service **deficit** repair or surplus refund. |
| **Stabilisation** | Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: risk-based modelling of future market movements; longer deficit recovery periods; higher discount rates; phasing of changes in rates or some combination of these. |
| **2016 valuation rate** | The employer's contribution rate, including both **primary rate** and **secondary rate**. |
| **Valuation** | An actuarial investigation to calculate the **liabilities** for a Fund and its individual employers, and to assess **primary** and **secondary contribution rates** for the Fund's employers. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value is based on long term bond market yields at that date also. |
| **Duration of liabilities** | The weighted average time until the liabilities are due to be paid. |

# Appendix B – Demographic assumptions

## Males

| Age | Salary Scale | Incidence per 1000 active members per annum | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Death Before Retirement | Withdrawals | | Ill Health Tier 1 | | Ill Health Tier 2 | |
| | | FT & PT | FT | PT | FT | PT | FT | PT |
| 20 | 105 | 0.21 | 219.73 | 439.47 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 117 | 0.21 | 145.14 | 290.28 | 0.00 | 0.00 | 0.00 | 0.00 |
| 30 | 131 | 0.26 | 102.98 | 205.93 | 0.00 | 0.00 | 0.00 | 0.00 |
| 35 | 144 | 0.30 | 80.46 | 160.88 | 0.12 | 0.09 | 0.10 | 0.07 |
| 40 | 150 | 0.51 | 64.78 | 129.48 | 0.20 | 0.15 | 0.16 | 0.12 |
| 45 | 157 | 0.85 | 60.85 | 121.60 | 0.44 | 0.33 | 0.35 | 0.27 |
| 50 | 162 | 1.36 | 50.16 | 100.12 | 1.13 | 0.85 | 1.14 | 0.85 |
| 55 | 162 | 2.13 | 39.50 | 78.88 | 4.42 | 3.32 | 2.56 | 1.92 |
| 60 | 162 | 3.83 | 35.20 | 70.28 | 7.78 | 5.84 | 2.20 | 1.65 |
| 65 | 162 | 6.38 | 0.00 | 0.00 | 14.78 | 11.09 | 0.00 | 0.00 |

Please note that the withdrawal figures include tier 3 ill health.

## Females

| Age | Salary Scale | Incidence per 1000 active members per annum | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Death Before Retirement | Withdrawals | | Ill Health Tier 1 | | Ill Health Tier 2 | |
| | | FT & PT | FT | PT | FT | PT | FT | PT |
| 20 | 105 | 0.12 | 151.58 | 252.63 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 117 | 0.12 | 101.99 | 169.97 | 0.12 | 0.09 | 0.10 | 0.07 |
| 30 | 131 | 0.18 | 85.50 | 142.46 | 0.16 | 0.12 | 0.13 | 0.10 |
| 35 | 144 | 0.30 | 73.79 | 122.91 | 0.32 | 0.24 | 0.26 | 0.19 |
| 40 | 150 | 0.48 | 61.42 | 102.26 | 0.48 | 0.36 | 0.39 | 0.29 |
| 45 | 157 | 0.77 | 57.31 | 95.41 | 0.65 | 0.48 | 0.51 | 0.39 |
| 50 | 162 | 1.13 | 48.32 | 80.35 | 1.21 | 0.91 | 1.22 | 0.92 |
| 55 | 162 | 1.49 | 36.05 | 60.02 | 4.48 | 3.36 | 2.60 | 1.95 |
| 60 | 162 | 1.90 | 29.06 | 48.31 | 9.51 | 7.14 | 2.69 | 2.01 |
| 65 | 162 | 2.44 | 0.00 | 0.00 | 17.09 | 12.82 | 0.00 | 0.00 |

Please note that the withdrawal figures include tier 3 ill health.

## Longevity

We have used bespoke baseline mortality assumptions that have been tailored to fit the membership profile of the fund.

We have also allowed for future improvements in mortality based on the assumption that improvements have peaked, with long term improvements of 1.25% p.a., and declining mortality for over 90s.

The resulting average life expectancies across the whole Fund are as follows:

| | Male | Female |
|---|---|---|
| Current pensioners | 22.1 years | 24.4 years |
| Future pensioners | 24.1 years | 26.4 years |

Future pensioners are assumed to be aged 45 as at 31 March 2016

## Commutation assumptions and take–up of the 50:50 scheme

These assumptions are set out in Section 2 of the Results Schedule.

## Retirement age pattern & Dependants pensions

We have adopted the retirement age pattern assumption as specified by the Scheme Advisory Board for preparing Key Performance Indicators. We have allowed for an age-based proportion of members giving rise to dependants' pensions on their death. Further details about both these assumptions are available on request.

# Appendix C – Reconciliation of Surplus/Deficit

| | |
|---|---|
| Interest on the surplus/deficit | A surplus or deficit in the Fund will grow in line with the Fund Actuary's expectation of future investment performance (the discount rate). |
| Investment returns greater/less than expected | The Fund Actuary makes an assumption about the Fund's investment return each year (the discount rate). Where the Fund's actual returns have been greater than this, this will have a positive effect on the funding position. If the Fund's actual return each year is less than the discount rate, this will have a negative effect. |
| Contributions greater/less than the cost of accrual | Any contributions you pay to the Fund in excess of the assessed cost of the accruing benefits that have been earned by your employees will have a positive effect on the funding position. |
| Salary increases more/less than expected | The Fund Actuary makes an assumption about the level of future salary increases. If you have awarded salary increases that are higher over the last three years, this will have a negative effect on your funding position. If you have awarded lower salary increases, this will have a positive effect on your funding position.<br><br>**You should be aware of the level of salary increases that the Fund Actuary has assumed in their calculations and consider the pension costs if you intend to award higher salary increases to your employees.** |
| Pension increases more/less than expected | The Fund Actuary makes an assumption for the expected levels of the Consumer Price Index. This is the expected level of future pension increases for deferred and pensioner members. Over the period from 2013 to 2016, actual pension increases have been slightly lower than assumed. This has a small positive impact on the funding position. |
| Ill-health retirement strain / contributions paid | The Fund Actuary makes an allowance for people to retire early with ill-health benefits. Ill-health early retirements cost more than normal retirements. If fewer members than expected have retired on ill-health grounds, this will have a positive impact on your funding position. If more members than expected have retired on ill-health then this will have a negative impact on your valuation results.<br><br>You may have been asked to make a payment towards the cost of such early retirements or you may have had insurance. Any payments you have made to the Fund will have a positive effect on your funding position. |
| Redundancy/ efficiency early retirement strain/ contributions paid/ payable | The Fund Actuary is supplied with data for all other early retirements. The cost of each early retirement is calculated and will have a negative impact on the funding position. However, any early retirement contributions you have made to the Fund will have a positive effect on your funding position.<br><br>Due to differences in the way these calculations are carried out, the payment you have made to the Fund may be more or less than the actuarially assessed strain cost. |

| | |
|---|---|
| Early leavers more/fewer than expected | At the 2013 valuation, an assumption was made about the number of members who would withdraw from the Fund. Early leavers' benefits usually cost less than normal retirements. The Fund Actuary compares the actual number of leavers to the expected number of leavers for the last three years. Where this is more than expected, this will have a positive impact on the funding position. Where this is less than expected, this will have a negative impact on the funding position. |
| Pensioner deaths more/less than expected | At the 2013 valuation, an assumption was made about how long members would live for. Where pensioners have lived for longer than expected, this will have a negative impact on your funding position. Where more pensioners have died than expected, this would have a positive impact on your funding position. |
| Commutation higher/lower than expected | An assumption was made at the 2013 valuation for the amount of pension that a retiring member would choose to commute to receive an additional lump sum. Usually a lump sum costs less than the valuation assessment of the pension commuted. Where members commute a higher amount of pension than expected, this will have a positive impact on the funding position, and vice versa. |
| Change in demographic assumptions | At each valuation the Fund Actuary performs an experience analysis to compare all demographic assumptions with those assumed at the previous valuation. The demographic assumptions are then altered for the following valuation to more closely reflect what has happened. The impact of the change in these assumptions will depend on the profile of your own membership data. |

| | |
|---|---|
| Change in mortality assumptions | Similarly to the demographic assumptions, the mortality (i.e. life expectancy) assumption is altered at each valuation to reflect more up to date experience. The impact of the change in these assumptions will depend on the profile of your own membership data, and the assumption adopted at the last formal valuation. |
| Change in financial assumptions | Financial assumptions are derived with reference to current market conditions at each valuation date. The net discount rate (the difference between the discount rate and the salary or pension increase assumption) has an impact on the value placed on the benefits earned to date ("the liabilities"). A smaller net discount rate leads to a higher liability value. |
| Impact of bulk transfers | If you have been involved in any bulk transfers, there may be a profit or a loss if the value of assets you received (or paid) is different from the value of liabilities you assumed (or transferred).<br><br>This applies to both transfers between Funds and transfers to/from employers within the Fund.<br><br>Any transfers that occur on a "fully funded" basis have no impact on the funding position of an employer. |
| LGPS 2014 50/50 take up experience | At the 2013 valuation the Fund Actuary made an assumption on the number of members they expected to take up the 50/50 option in the LGPS 2014 scheme. Where more members than expected have joined the 50/50 scheme, this will have a positive impact on the funding position, and vice versa. |

| | |
|---|---|
| Other experience items | Based on the data available to the Fund Actuary, it is not possible to analyse the impact of all experience that will affect your funding position.<br><br>As the Fund has a single pot of assets, the Fund Actuary must allocate these assets to each employer.<br><br>Any difference between the sum of the employers' assets and the whole Fund assets is allocated between employers (pro-rated based on the employers liabilities). |

# 31 March 2016 Formal Valuation - Draft Results

**ATTENTION**
**The results in this Schedule should be read in conjunction with the Employer Results Report and the Formal Valuation Report (to be issued in March 2017). The method, assumptions, reliances and limitations are described in those documents. The restrictions set out in those reports on the disclosure to any third party apply equally to this Results Schedule.**

| | |
|---|---|
| Fund | Norfolk Pension Fund |
| Administering Authority | Norfolk County Council |
| Employer | Pool results |
| Pool | Broads Pool |
| Employer Code | Not applicable |
| Open/Closed | Open |
| Employer Type | Scheduled Body |

Gemma Sefton FFA
For and on behalf of Hymans Robertson LLP

Robert Bilton FFA

21 November 2016

# Section 1 - Pool Data

## Pool membership statistics

| | Number | | Average Age | | Duration |
|---|---|---|---|---|---|
| | 31 Mar 2013 | 31 Mar 2016 | 31 Mar 2013 | 31 Mar 2016 | 31 Mar 2016 |
| Actives Members | 119 | 132 | 52.5 | 53.4 | 21.7 |
| Deferred Pensioners | 88 | 130 | 50.4 | 51.3 | 23.4 |
| Pensioners | 69 | 82 | 65.6 | 67.0 | 12.0 |

Average age is weighted by liability

The average duration of liabilities based on the valuation assumption is 19 years.

| | Actual Pay / Pension p.a. (£000) | | Average Pay / Pension (£) | | CARE Pot (£000) |
|---|---|---|---|---|---|
| | 31 Mar 2013 | 31 Mar 2016 | 31 Mar 2013 | 31 Mar 2016 | 31 Mar 2016 |
| Active Members | 2,677 | 2,742 | 22,500 | 20,776 | 107 |
| Deferred Pensioners | 215 | 309 | 2,449 | 2,374 | - |
| Pensioners | 338 | 436 | 4,906 | 5,317 | - |

The CARE pot for deferred and pensioner members is included in the pension figures.

| | FTE Pay (£000) | Average Service (Yrs) | | Average Service (Yrs) | |
|---|---|---|---|---|---|
| | | 80ths | 60ths | 80ths | 60ths |
| | 31 Mar 2016 | 31 Mar 2013 | 31 Mar 2013 | 31 Mar 2016 | 31 Mar 2016 |
| Active Males | 1,470 | 11.0 | 2.0 | 12.9 | 5.0 |
| Active Females | 819 | 8.0 | 2.0 | 9.4 | 4.5 |
| Total | 2,289 | 9.0 | 2.0 | 11.7 | 4.8 |

Average service is weighted by salary. The FTE pay figures relate to those members who joined prior to the CARE scheme date.

## Pool membership movements since last valuation

| Lives | Actual | Expected | Difference |
|---|---|---|---|
| Early Leavers | 38 | 41 | (8%) |
| Ill Health Retirements | 2 | 2 | 2% |
| Early Retirements | 1 | 0 | 100% |
| £000s | Actual | Expected | Difference |
| Amounts of Pension Ceasing | 19 | 31 | (40%) |

## Cashflow data

| £000s | Employer contributions | Employee contributions | Benefits paid | Net cashflow |
|---|---|---|---|---|
| 1 April 2013 - 31 March 2014 | 331 | 133 | 377 | 87 |
| 1 April 2014 - 31 March 2015 | 542 | 204 | 446 | 301 |
| 1 April 2015 - 31 March 2016 | 556 | 256 | 614 | 197 |

## Investment returns

| | Actual | Expected |
|---|---|---|
| From 1 April 2013 to 31 March 2016 | 21.1% | 14.4% |

# Section 2 - Assumptions

### Financial assumptions

| | 31 Mar 2013<br>% p.a. | 31 Mar 2016<br>% p.a. |
|---|---|---|
| Pre-retirement Discount rate | 4.6% | 3.8% |
| Post-retirement Discount rate | 4.6% | 3.8% |
| Salary increases | 3.3% | 2.5% |
| Pension increases / CARE revaluation | 2.5% | 2.2% |

### Demographic assumptions

We have used bespoke baseline mortality assumptions that have been tailored to fit the membership profile of the fund.

We have also allowed for future improvements in mortality based on the assumption that improvements have peaked, with long term improvements of 1.25% p.a., and declining mortality for over 90s.

For future retirements, we make an assumption that a proportion of the annual pension is exchanged for a one-off tax-free lump sum payment at the date of retirement. For service up to 31 March 2008, we assume members exchange 50% of the regulatory limit for cash, and 75% for service thereafter.

We have assumed that 5 in 100 members will opt to join the 50:50 scheme.

Full details of the assumptions used are detailed in the Employer Results Report

# Section 3 - Pool Valuation Results

## Pool valuation results

| | 31 Mar 2013 £(000) | 31 Mar 2016 £(000) |
|---|---|---|
| **Past service liabilities** | | |
| Active members (Final salary) | 9,623 | 8,063 |
| Active members (CARE) | - | 1,523 |
| Deferred pensioners | 3,849 | 5,662 |
| Pensioners | 5,586 | 7,366 |
| **Total** | **19,058** | **22,615** |
| **Asset share** | **16,196** | **20,499** |
| **Surplus / (deficit)** | **(2,862)** | **(2,115)** |
| **Funding level** | **85%** | **91%** |

The results at 31 March 2013 differ from those disclosed at the last valuation because there has been a change to employers in the pool
Due to rounding, some of the numbers above may not sum exactly

## Analysis of surplus / (deficit)

| | | £(000) | £(000) |
|---|---|---|---|
| **Surplus / (deficit) at last valuation** | | | **(2,862)** |
| Interest on deficit | | (412) | |
| Expected investment returns | 14.4% | | |
| Actual investment returns | 21.1% | | |
| Investment returns greater than expected | | 1,076 | |
| Contributions less than cost of accrual | | (182) | |
| Expected Salary increases p.a. | 4.0% | | |
| Actual Salary increases p.a. | 2.2% | | |
| Salary increases less than expected | | 509 | |
| Expected Pension increases (p.a.) | 2.5% | | |
| Actual Pension increases (p.a.) | 1.3% | | |
| Pension increases less than expected | | 437 | |
| Ill-health retirement experience | | 195 | |
| Ill-health contributions paid | | - | |
| Redundancy / efficiency early retirement experience | | (72) | |
| Early retirement contributions paid / payable | | 13 | |
| Early leavers more than expected | | 21 | |
| Pensioner deaths fewer than expected | | (144) | |
| Commutation lower than expected | | (55) | |
| Change in demographic assumptions | | 64 | |
| Change in mortality assumptions | | 135 | |
| Change in financial assumptions | | (1,420) | |
| Impact of Bulk transfers | | - | |
| Other experience items | | 584 | |
| **Surplus / (deficit) at this valuation** | | | **(2,115)** |

Due to rounding, some of the numbers above may not sum exactly
The above figures are approximate in nature and shown for the purpose of providing information on the surplus/deficit movement

# Section 4 - Pool Contribution Rates

The cost of providing LGPS pension benefits is dependent on many uncertain factors including the investment performance of the Fund's assets. To reflect the uncertainty, employer contribution rates have been set by modelling the contributions required to fund the benefits under 5000 different economic scenarios.

### Valuation contribution rate results

| | Primary Rate<br>Cost of New Benefits Accruing<br>% of payroll | | Secondary Rate<br>Deficit/(Surplus) Repayment<br>% of payroll |
|---|---|---|---|
| **Valuation Contribution Rate as at 31 March 2016** | **18.4%** | plus | **10.1%** |

The Primary Rate includes an allowance of 0.5% for administration expenses.
Contribution rates exclude employee contributions. The average employee contribution rate is 6.4%.

### Contributions in payment

| | % of payroll | | £(000) p.a. |
|---|---|---|---|
| Contributions in payment 2016/2017 | **15.0%** | plus | **137** |

The current contribution rate in payment for 2016/17 is equivalent to 20.0% of pay

### Proposed Contribution rates for the next three years

| | % of payroll | | £(000) p.a. |
|---|---|---|---|
| **Proposed certified rates for the year ending** | | | |
| 31 March 2018 | **18.4%** | plus | **60** |
| 31 March 2019 | **18.4%** | plus | **76** |
| 31 March 2020 | **18.4%** | plus | **93** |

The proposed contribution rates shown allow for a stabilisation overlay. Further details of how this overlay are included in the Funding Strategy Statement.