

Annex C



15 December 2010

Essex Pension Fund 2010 Actuarial Valuation and Outcomes

Paul Middleman FIA

2010 valuation – key issues reminder

Affordability

- Budget cuts
- Stability of contributions

Assumptions

- Inflation Risk Premium (IRP)
- Demographic analyses and trends
- Expected investment returns (short and long term)
- Short term pay projection/pay freeze

Risk Management

- Higher investment return assumption = higher reliance on investment returns
- Smoothing
- Longer recovery period = higher repayment interest
- Accelerating maturity/terminations
- Employer engagement and covenant

Changes to the LGPS

- CPI
- Cap and Share
- Hutton Review?
Short term: Increased employee contributions
Long term: Structural changes
CARE / Caps to benefits?
Accrued rights?

2010 whole fund results - final

Includes inflation adjustment and revised assumptions

	31 March 2007	31 March 2010
Assets	£3,043m	£3,085m
Liabilities	£3,825m	£4,319m
Deficit	£782m	£1,234m
Funding level	80%	71%
Future service contribution rate	12.7%	12.2%

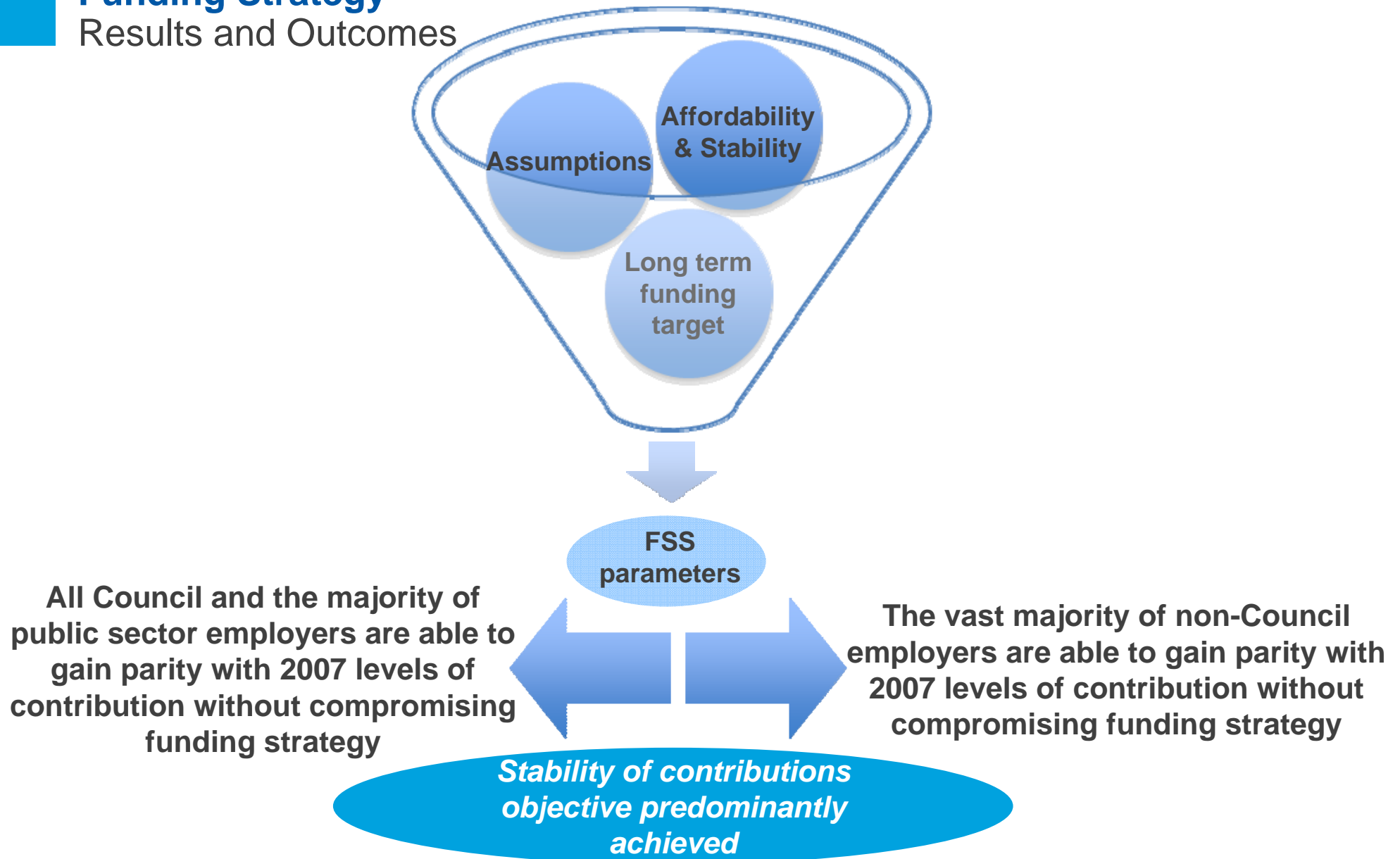
Past service funding position

Progression of the Fund's deficit since the 2007 valuation

	£m
Deficit at 31 March 2007	-782
Investment return versus assumption	-840
Change in market yields	-530
Change in inflation assumption (including CPI)	+700
Revision of demographic assumptions	+120
Effect of deficit recovery contributions and other	+98
Deficit at 31 March 2010	-1,234

Funding Strategy

Results and Outcomes



2010 Valuation Results

Council Results

2010 Valuation - Schedule of Rates

Employer	Funding Level <i>% of liabilities</i>	Surplus / (Deficit) <i>£000s</i>	Future Service Rate <i>% of Pay</i>	Implied Contributions compared to 2007 levels
Essex County Council excluding schools	69.0%	-432,894	12.3	Parity under FSS parameters
Essex Schools	69.0%	-73,672	12.3	Parity under FSS parameters
Basildon District Council	68.1%	-45,961	11.9	Parity under FSS parameters
Braintree District Council	76.9%	-24,889	12.7	Parity under FSS parameters
Brentwood Borough Council	66.1%	-24,206	12.0	Parity under FSS parameters
Castle Point Borough Council	69.5%	-18,363	13.0	Parity under FSS parameters
Chelmsford Borough Council	71.0%	-40,659	12.2	Parity under FSS parameters
Colchester Borough Council	66.4%	-45,352	11.8	Parity under FSS parameters
Epping Forest District Council	68.9%	-34,641	12.9	Parity under FSS parameters
Harlow District Council	64.5%	-50,838	12.3	Parity under FSS parameters
Maldon District Council	66.0%	-12,055	11.8	Parity under FSS parameters
Rochford District Council	68.0%	-13,929	12.2	Parity under FSS parameters
Southend on Sea Borough Council excluding schools	69.0%	-86,179	12.5	Parity under FSS parameters
Southend on Sea Schools	69.0%	-13,032	12.5	Parity under FSS parameters
Tendring District Council	69.9%	-29,031	12.9	Parity under FSS parameters
Thurrock Borough Council excluding schools	68.9%	-74,787	12.2	Parity under FSS parameters
Thurrock Schools	68.9%	-6,029	12.2	Parity under FSS parameters
Uttlesford District Council	74.1%	-13,608	13.0	Parity under FSS parameters

Valuation Process Plan

Data supplied and whole fund results completed	Completed
Major Employer Results	Completed
Other Employers (excl a number of selected cases)	Completed
Final outstanding cases to be discussed	To be completed
Funding Strategy Statement to be formally approved by the Board	March 2011
Formal Report and Appropriate Certifications	To be signed by 31 March 2011



Appendix

Past service assumptions – nominal values

Market-related assumptions

	31 March 2007	31 March 2010
Discount rate pre retirement	6.9%	7.0%
Discount rate post retirement	5.4%	5.5%
Salary increases	4.6%	4.5%
Pension increases*	3.1%	3.0%
Mortality	PA92 (medium cohort) YoB tables with no underpin	Based on SAPS P and D CMI [1%] improvement projections

* Based on RPI & CPI at 2007 and 2010 respectively

Future service assumptions – nominal values

Smoothed assumptions

	31 March 2007	31 March 2010
Discount rate	6.85%	6.75%
Salary increases	4.6%	4.5%
Pension increases	3.1%	3.0%
Mortality	PA92 (medium cohort) YoB tables with no underpin	Based on SAPS P and D CMI [1%] improvement projections

Demographic Assumptions

- **Ill health retirement** – results of analysis shows a substantial reduction of incidence of that assumed at 2007.

Savings reduced as most cases were tier 1 benefits (full prospective service enhancement)

- **Proportions married** – results of analysis shows that a reduction of the proportion of members previously assumed to be married / in civil partnerships is justifiable.
- **Life expectancy** – the analysis performed shows that the mortality assumptions should be adjusted to new SAPS tables with CMI [1% floor] improvement projections

The life expectancies (in years) for a current active member, in good health, aged 45 and 65 are shown below based on the 2007 and 2010 assumptions for a retirement at 65:

	2007		2010	
	Male	Female	Male	Female
Aged 45	88.1	90.9	89.0	91.7
Aged 65	87.1	90.0	87.5	90.1

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