



Funding Strategy Statement

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Essex Pension Fund

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Essex County Council Pension Fund

Funding Strategy Statement

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This Statement has been prepared by Essex County Council (the Administering Authority) to set out the funding strategy for the Essex County Council Pension Fund (the Fund), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and the guidance paper issued in August 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:-
 - the guidance issued by CIPFA for this purpose;
 - the [Statement of Investment Principles \(SIP\)](#) / Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; and
 - the Public Services Pensions Act 2013 section 13(4)
- The FSS must be revised and published whenever there is a material change in the policy on the matters set out in either the FSS or the [SIP/ISS](#).

Benefits payable under the Local Government Pension Scheme (the Scheme) are guaranteed by statute and therefore the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations 2013). The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (principally Administration Regulation 62) which require that an actuarial valuation is completed [currently](#) every three years by the Actuary appointed by the Fund, including a rates and adjustments certificate. Contributions to the Fund should be set so as to “secure its solvency”, whilst the Actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The Actuary must have regard to the FSS in carrying out the valuation.

[The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.](#)

2. Purpose of the Funding Strategy Statement in policy terms

Funding is defined as the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Funds Actuary.

The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant employer contribution rates as possible as defined in Regulation 62(5) of the LGPS Regulations 2013;
and
- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain with its focus at all times on those actions which are in the best long-term interests of the Fund.

3. Funding Objectives and purpose of the Fund

The funding objectives of the Fund are:

- ~~within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined in the Funding Strategy Statement~~ to prudently set levels of employer contributions that aim to achieve a fully funded position in the timescales determined in the Funding Strategy Statement;
- to recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible;
- to manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives;
- to maintain liquidity in order to ~~meet projected net cash-flow outgoings~~ ensure benefits can be met as and when they fall due over the lifetime of the Fund;

- [to adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations](#) to minimise unrecoverable debt on termination of employer participation; and
- to have consistency between the investment strategy and funding strategy; and
- to maximise returns within reasonable risk parameters.

The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income; and
- to maximise the returns from investments within reasonable risk parameters
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations 2013 (as amended) the Local Government Pension Scheme and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

[In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13\(4\)\(c\) of the Public Service Pensions Act 2013. Section 13\(4\)\(c\) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the Fund. The review also looks at compliance and consistency of the actuarial valuations.](#)

4. Responsibilities of the key parties

Although a number of parties, including investment fund managers, investment advisers and external auditors, have responsibilities to the Fund, the key parties for the strategy are seen as the Administering Authority, each individual employer and the Fund Actuary.

The Administering Authority is required to:

- operate a pension fund [in accordance with the LGPS Regulations](#);
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the LGPS Regulations;

- ~~invest surplus monies~~ invest the Fund's assets in accordance with the LGPS Regulations/Investment Strategy Statement;
- pay from the Fund the relevant entitlements as stipulated in the LGPS Regulations
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the ~~regulations~~ Regulations to safeguard the Fund against the consequences of employer default;
- manage the actuarial valuation process in consultation with the Fund Actuary;
- prepare and maintain an FSS and ~~an~~ Statement of Investment Principles (SIP)/ Investment Strategy Statement (ISS), both after consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ ~~SIP~~ (ISS) when necessary;
- effectively manage any potential conflicts of interests arising from its dual role as both fund administrator and scheme employer; and
- enable the local pension board to review the valuation process as set out in their terms of reference.

Each Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate in accordance with the LGPS regulations (Regulation 9);
- pay over all contributions, including their own as determined by the Fund Actuary and set out in the rates and adjustments certificate, promptly ~~by the due date~~ within 19 days of the end of the month in which the amount was deducted from earnings;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits ~~and early retirement strain or~~ other additional costs such as additional strain on the Fund due to unreduced early retirement, in accordance with agreed policies and procedures;
- notify the Administering Authority promptly of all changes to active membership or, other changes proposed, which affect future funding;
- pay any exit payments on ceasing participation in the Fund; and
- complete year end procedures in a timely manner.

The Fund Actuary should:

- prepare valuations, including the setting of employers' contribution rates at a level to ensure solvency and long-term cost efficiency, after agreeing assumptions with the Administering Authority and having regard to the FSS and the LGPS Regulations;
- prepare advice and calculations in connection with bulk transfers and funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory costs etc;
- provide advice and valuations on the termination of admission agreements exiting of employers from the Fund;
- provide advice and valuations to the Administering Authority relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect on the Fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations; and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fFund; and-
- provide advice on other actuarial matters affecting the financial position of the Fund.

5. Solvency issues and target funding levels

To meet the requirements of the Administration-LGPS Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The actuarial assumptions to be used in the calculation of the funding target are set out in the Appendix.

Under Section 13(4) (c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) (as the person appointed by the responsible authority) must, following an actuarial valuation, report on whether the rate of employer contributions to the pension fund are set at an appropriate level to ensure the solvency of the pension fFund and long term cost efficiency of the scheme-LGPS so far as relating to the pension fund. Section 13 requires Funds to be compared with other Funds within the Scheme.

The key elements of the funding strategy include:

- the long-term aim is to achieve 100% funding of pension liabilities;
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term;

- to ensure the appropriate level of contributions are received to ensure solvency of the Fund;
- to minimise fluctuations in employers' contributions in order to assist them with their financial planning and to meet their financial responsibilities to the Fund where it is prudentially appropriate;
- although the membership profile has matured slightly since the last valuation in ~~2013-2016~~ the Fund can still take a long term perspective in setting the investment strategy;
- the Fund has a large number of employing bodies with different characteristics including size and strength of covenant.

The effective date of the current actuarial valuation of the Fund is 31 March ~~2016~~2019. The results of the valuation indicate that overall the assets of the Fund represented ~~89.97~~% of projected accrued liabilities at the valuation date based on the assumptions set out in the Appendix.

The Administering Authority after due consideration of ~~all of~~ the information available to it including consultation with the Fund Actuary and other interested parties, has adopted the following objectives to achieve the funding target:

- set employers' contribution rates to achieve 100% funding of liabilities in the long term;
- employer contribution rates will be made up of two separate elements:
 - primary rate, as a percentage of pensionable pay, to meet the costs of future service (payable no later than the 19th day of the month following the month of relevant payroll run); and
 - secondary rate, an amendment to the primary rate, expressed in most instances as a cash sum or in the case of pooled employers this is expressed as a percentage of contribution due, to recover any shortfall or reduce any surplus revealed by the actuarial valuation (payable as detailed in this Funding Strategy Statement) or to help with maintaining stability of contributions;

~~an ongoing rate, as a percentage of pensionable pay, to meet the costs of future service (payable no later than the 19th day of the month following the month of relevant payroll run); and~~

~~a deficit recovery contribution expressed in most instances as a cash sum, to recover any shortfall revealed by the actuarial valuation (payable as detailed in this Funding Strategy Statement);~~

- where an employer has an ongoing funding level above 100%, and cessation is on a 'least minimum' risk basis' payment towards the cessation debt will commence.

- the Fund will for the purpose of administration, the calculation of contribution rates and for the setting of maximum deficit recovery periods, continue to deal with town and parish councils (T&PC) as a pooled group.
- all Essex Academies participate within a single funding pool
- the Fund will set deficit recovery periods for the T&PC and Academies that as far as possible are likely to reduce the level of deficit during the inter-valuation period if all of the Actuary's assumptions prove correct.

A Town or Parish Council may defer a cessation valuation if the last member leaves the scheme but the Town or Parish Council is intending to offer the scheme to a new employee. This will be in agreement with the Fund and any deficit payments, as calculated by the Actuary, due by the Town or Parish Council must continue to be paid during the suspension period. Any suspension period will be time-limited and at the discretion of the Fund. Once the T&PC has an active member, the pooled contribution rate will be paid.

If there are no active members at the end of the suspension period or a Pool Member chooses to close scheme participation to new employees, then a cessation valuation will be carried out to determine an exit payment/credit and that employer would no longer be a Member of the Pool. This will protect the remaining Pool Members from the change of employer characteristics which apply after closure. If a T&PC becomes insolvent and is unable to meet their pension liabilities, then the Fund will, in the first instance, secure any payments required to meet these liabilities from any guarantor. If there is no guarantor, then these liabilities will fall to the T&PC pool.

- the administering authority may by written notice ('a suspension notice') to an exiting employer suspend that employer's liability to pay an exit payment for a period of up to 3 years subject to conditions in Local Government Pension Scheme regulation 64(2a-c).
- schools, including former grant maintained schools (but excluding Academies), will be treated as part of the local authority within whose area of responsibility they fall for the purpose of setting contribution rates and deficit recovery periods; any discretions in respect of these matters will fall to the local authority;
- ~~from 1 April 2017 all Academies will be placed in a pool;~~
- in the event of an Academy conversion, the Fund Actuary will undertake a calculation of the assets and liabilities attributable to the preceding school(s). These assets and liabilities will then be migrated from the Local Authority to the Academy pool. Once in the Academy pool, the converted Academy will be allocated notional assets equal to the funding level of the pool;
- we will set objective and maximum deficit recovery periods for the remaining employers

- the agreed deficit recovery periods will be set at levels that safeguard the interests of the Fund by having regard to the Fund's judgement of the strength of covenant and the financial stability of individual employers;
- individual employers will, at the discretion of the Fund and the Fund's Actuary, be able to increase their deficit recovery period up to the maximum deficit recovery period subject to providing assurance of greater strength of covenant and financial stability. (e.g. guarantor employer consent, provision of a bond, a deposit, a parent company guarantee or other surety);

- ~~where a deficit recovery period greater than that of "average future working life" was applied at the 2013 valuation; the starting point for the deficit recovery period to be applied at the 2016 valuation is three years less than that previously applied. The Fund may, at its discretion, allow this three year period to be reapplied.~~

Whilst a deficit exists, annual contributions will not normally be reduced. This may result in a shorter deficit recovery period than described above.

Objective and maximum deficit recovery periods for active employers (i.e. those employers with active members)

Category	Employer	Example	Objective	Maximum
A	Scheduled - major tax raising bodies	District Council, Fire Authority	2013 deficit recovery period less three years	27 years
C	Scheduled - other. 2	Further & Higher education corporations	average remaining working life	12 years
D	Scheduled - other. 1	Further & Higher education corporations providing evidence of financial security to the satisfaction of the Essex Pension Fund	2013 deficit recovery period less three years	24 years
F	Transferee admission	Contractor	contract length	contract length
G	Community admission .1	Voluntary, not for profit, charities, housing associations	average remaining working life	average remaining working life
H	Community admission . 2	Employer providing evidence of financial security to the satisfaction of the Essex Pension Fund	average remaining working life	12 years
Pooled employers			Maximum Recovery Period	
B	Scheduled - Academies	Academies	24 years	
E	Resolution	Town / Parish Councils	24 years	
<p>1. The draft maximum deficit recovery periods are designed, where appropriate, to stabilise the amount of deficit contributions payable. It is not designed to allow for a reduction in contributions.</p> <p>2. In addition, mitigations may be adopted to allow for affordability and stability of contributions as well as for transition to revised policies. These may include the stepped introduction of revised contribution rates.</p> <p>3. The provision of financial security for Category H employers could include the agreement and provision of a guarantee by a Category A employer.</p> <p>4. While a deficit exists, annual contributions will not generally be reduced. This may result in a shorter deficit recovery period than the Objective.</p> <p>5. Contributions generally will not be reduced below the future service rate.</p> <p>6. Contributions are subject to the certification of the Fund Actuary.</p>				

Category	Employer	Example	Objective	Maximum
A	Scheduled - major tax raising bodies	District Council, Fire Authority, Police	2016 deficit recovery period less three years	21 years
C	Scheduled - other 2	Further & Higher education corporations	average remaining working life	12 years
D	Scheduled - other 2	Further & Higher education corporations providing evidence of financial security to the satisfaction of the Essex Pension Fund	2016 deficit recovery period less three years	21 years
F	Transferee admission	Contractor	contract length	contract length
G	community admission 1	Voluntary not for profit charities, housing associations	average remaining working life	average remaining working life
H	community admission 2	Employer providing evidence of financial security to the satisfaction of Essex Pension Fund	average remaining working life	12 years
Pooled employers				
B	Academies			20 years
E	Designated			21 years
<p>1. The draft maximum deficit recovery periods are designed, where appropriate, to stabilise the amount of deficit contributions payable. It is not designed to allow for a reduction in contributions</p> <p>2. In addition, mitigations may be adopted to allow for affordability and stability of contributions as well as for transition to revised policies.</p> <p>3. The provision of financial security for Category H employers could include the agreement and provision of a guarantee by a Category A employer.</p> <p>4. While a deficit exists, annual contributions will not generally be reduced. This may result in a shorter deficit recovery period than the objective.</p> <p>5. Contributions are subject to the certification of the Actuary.</p>				

~~The Town & Parish Council employers' contributions will be phased over the 3 year period 2017/18 to 2019/20.~~

- The 202017/2118, 202118/2219 and 202219/230 deficit amounts certified for each employer will reflect one of the following:
 - i. the actuarially assessed value of the annual deficit or respective payment to cessation paid in twelve equal instalments monthly in arrears with each payment being due by the 19th day of the following month; or

- ii. the actuarially assessed value of the annual deficit [or payment to cessation](#) paid in one lump sum payment prior to 30 April of the specified year; or
 - iii. the actuarially assessed value of i) or ii) for all three years paid in 36 or 3, respectively, equal instalments; or
 - iv. the actuarially assessed value of paying the deficit for three years in one lump sum payment prior to 30 April [2017/2020](#).
- Individual employers retain the freedom to
 - make a lump sum payment prior to 1 April [2017/2020](#), following agreement with the administering authority. The annual deficit amounts certified for financial years [2017/2020/2118](#), [202118/2219](#) and [202219/230](#) will reflect the actuarially assessed value of making this payment, either utilising the payment over the three years or over the deficit recovery period;
 - decide to repay their share of the deficit over a shorter period should they so choose; and
 - make additional payments to the Fund over and above the minimum employer contribution rates certified.

In determining the deficit recovery period(s) the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles;
- the need to balance a desire to attain the target as soon as possible against the major increases in the level of employers' contributions which a shorter period would require;
- section 13 of the Public Service Pensions Act 2013 to ensure employer contributions are set at an appropriate level to ensure the solvency of the Fund; and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

~~Where a category A employer allows an early retirement, for any reason other than ill health, that produces a strain cost, payment of the strain cost may be met either in the form of an immediate lump sum to the Fund, or by payment over two years to the Fund including interest;~~

Where an ~~category B-H employer allows~~ [employer allows](#) an early retirement, for any reason other than ill health, that produces a strain [on the Fund](#) cost, payment of the strain is to be met in the form of an immediate lump sum to the Fund.

Where an existing payment plan exists and the employer is ceasing full settlement will be required of any outstanding amounts before the final cessation date.

In all cases, the administering authority reserves the right to apply a different approach as its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole.

Levels of ill health will be monitored and will normally be reflected in assumptions at triennial valuations or sooner if deemed necessary

Employers that are able to and have closed the Scheme to new members or have had no new members in the previous two years to 31 March ~~2016~~2019, will have their employer contribution rate assessed on a closed basis at the triennial valuation.

Where an employer is able to and closes the Scheme to new members, between valuations, the employer contribution rate may be reassessed on a closed basis and a revised certificate issued.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics.

The funding pools adopted for the Fund at the 2019 valuation were all pooled for past and future service and are summarised in the table below.

Pool	Notes
Essex Schools (ECC, Schools including former GM schools)	Essex County Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Southend Schools (Southend BC, Schools including former GM schools)	Southend-On-Sea Borough Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Thurrock Schools (Thurrock BC, Schools including former GM schools)	Thurrock Borough Council pay primary rate and secondary contributions as monetary amounts while schools pay a total rate.
Academies	All academies in the pool are being stepped towards paying the same total contribution rate.
Police	Office of Police and Crime Commissioner and Essex Chief Constable pay the same primary rate and an equivalent secondary rate (as a percentage of payroll) as monetary payments.
Town & Parish Councils	All T&PCs pay the same contribution rate. Those T&PCs in a suspension period will be equivalent secondary contributions as monetary payments.
SLM	All SLM contracts in the pool pay the same total rate.
Essex Cares	All Essex Cares contracts in the pool pay the same total rate.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

- ~~In preparation for the cessation of an employer's participation in the Scheme:~~ **Termination of an employer's participation in the Scheme**

- ~~the future service rate and deficit recovery contribution may be reviewed by the Fund Actuary and amended if required;~~
- ~~all community admission bodies will be allowed flexibility to elect to adopt a funding approach prior to termination in line with the "least risk" exit debt basis, if that is their preference;~~
- ~~where a community admission body has an ongoing funding level above 100% payment shall commence towards termination in line with the "least risk" exit basis;~~

~~in certain circumstances, subject to satisfactory surety, a formal plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer to manage payment of deficit up to and beyond the termination date; and~~

~~in the case of charities the Fund and the Fund Actuary will work to achieve the best approach available without any detrimental impact to the running of the charity, but ensuring an agreed payment plan is reached to recover any deficit prudentially appropriate.~~

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the Administering Authority and the other parties involved that an alternative approach is permissible. For example:

- in certain circumstances, subject to satisfactory surety, a formal plan may be agreed between the Fund, the Fund Actuary and the Employer, and if applicable the Transferor Scheme Employer, to manage payment of deficit up to and beyond the termination date;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer;
- the employer's exit may be deferred subject to agreement with the Administering Authority, for example if it intends to offer Scheme membership to a new employee within six months of the last active member departing (employer payments will continue in the interim period to be agreed with the Fund); or
- in the case of charities the Fund and the Fund Actuary will work to achieve the best approach available without any detrimental impact to the running of the

charity, but ensuring an agreed payment plan is reached to recover any cessation prudentially appropriate.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

~~On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer would be due to the Scheme as a termination contribution, unless it was agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer would be transferred within the Scheme to another participating employer. The basis of the termination valuation will be determined in consultation with the Fund Actuary.~~

- ~~▪ In certain circumstances, subject to satisfactory surety, a formal payment plan may be agreed between the Fund, the Fund Actuary and the Fund Employer, and if applicable the Transferor Scheme Employer.~~

New admissions to the Fund

- All transferee admission bodies (i.e. ~~"best value"~~ contractors delivering services to scheme employers) will be accepted for admission into the Fund so long as all the necessary regulatory requirements for admission are satisfied, including those covering the assessment of the requirement for and provision of security to the satisfaction of the administering authority.

- In the case of a transferee admission body, or any participating employer acting as guarantor in the case of non-transferee admission bodies, implementation of an alternative funding basis or approach (including on termination) will be subject to agreement from the relevant guarantor body/scheme employer. Any special funding arrangements between the scheme employer and transferee admission body should be covered by the commercial arrangements, i.e. outside the Fund and not part of the admission agreement.
- ~~Community-Other~~ admission bodies will be accepted for participation in the Fund, ~~or otherwise~~, on a case by case consideration of the merits of admission and the associated risks to the Fund. In accordance, with regulatory requirements, a bond, indemnity, ~~or~~ guarantee will be required for all ~~community~~ admission body ~~cases~~, to the satisfaction of the administering authority.
- In the case where a contractor wishes to offer a broadly comparable scheme, rather than apply to become an admission body of the Fund, standardised bulk transfer terms will be offered via the Actuary's Letter. The letter will be structured so as to target an asset transfer to the contractor's Broadly Comparable scheme such that it is equivalent to 100% of the past service liabilities reserved for by the Fund in respect of the transferring members' accrued service as at the date of transfer. The Fund will only agree to any variations in the standard in exceptional circumstances and with the prior agreement of the transferring scheme employer.

6. Link to investment policy

Funding and investment strategy are inextricably linked. The Investment Steering Committee (ISC) has been delegated with responsibility for investment strategy. The key investment objectives are "*to ensure the investment strategy is consistent with the funding objectives*" and "*to maximise investment returns within reasonable risk parameters*". The ISC determines investment strategy after taking professional advice.

Investment Strategy

The Funds investment strategy statement is set out in the Fund's Statement of Investment Principles. This is available from www.essexpensionfund.co.org.uk under forms and publications.

In setting the investment strategy the ISC takes account of both the current funding level and the relative maturity profile of the Fund (the relative proportion of liabilities in respect of active, deferred and pensioner members). The asset allocation determined by the ISC sets the proportion of assets to be invested in equities, bonds and alternative assets. The resulting structure reflects the ISC's views on the appropriate balance between maximising the long term return on investments and minimising risk. The strategy is set for the long term, but reviewed regularly.

The Fund's current investment strategy is as follows.

Equities			Bonds			Alternatives		
	Manager	Target %		Manager	Target %		Manager	Target %
UK	LGIM	5.0	Index-linked gilts	LGIM	2.0	Property	Aviva	12.0
Regional	LGIM	15.0	Active Cash plus	GSAM	5.5	Private equity	Hamilton Lane	4.0
	Marathon	35.0		M&G	5.5	Infrastructure	M&G	6.0
	M&G		-	-	-	Timber	Partners Group	2.0
Global	Longview		-	-	-	Loans	Stafford	0.5
	Baillie Gifford		-	-	-	Direct Lending	M&G	-2.5
	RAFI		-	-	-	-	Alcentra	-
Emerging	First-State	5.0	-	-	-	-	-	-
Total		60.0	Total		13.0	Total		27.0

As part of the review of the Statement of Investment Principles, Investment Consultants Hymans Robertson conducted a review of the Fund's investment structure using their Asset Model (HRAM), the stochastic scenario generator developed by Hymans Robertson LLP, calibrated using market data as at 31 October 2014. The result was an expectation of a 6.4% p.a. return which rose to 7.2% with the inclusion of investment managers' outperformance.

Asset Split

The Fund does not account for each employer's assets separately. The Fund's Actuary is required to apportion the assets of the Fund between the employers at each valuation.

Consistency with Funding Basis

In the opinion of the Actuary, the current funding policy is consistent with both the investment strategy of the Fund, and the requirement to take a “prudent longer term view” of the funding of liabilities.

As at 31 March ~~2016~~ 2019 the discount rate used, in order to calculate the current value of future pension benefits payable is ~~5.14~~ 5.14.5%.

7. Identification of risks and counter-measures

Awareness of the risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks.

The funding of defined benefits is by its nature uncertain. The funding strategy is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial valuation and beyond. This may require a subsequent contribution adjustment to bring the funding back into line with the target.

At the time of drafting this FSS, it is still unclear how the impact of the McCloud/Sargent judgement will affect current and future LGPS benefits. Detail on how this has been allowed for in the 2019 valuation is given in the Appendix.

The Administering Authority has itself undertaken an exercise to identify those risks that are specific to the Fund and the measures to be taken to counter those risks.

The Funds full risk register is available from www.essexpensionfund.co.uk.

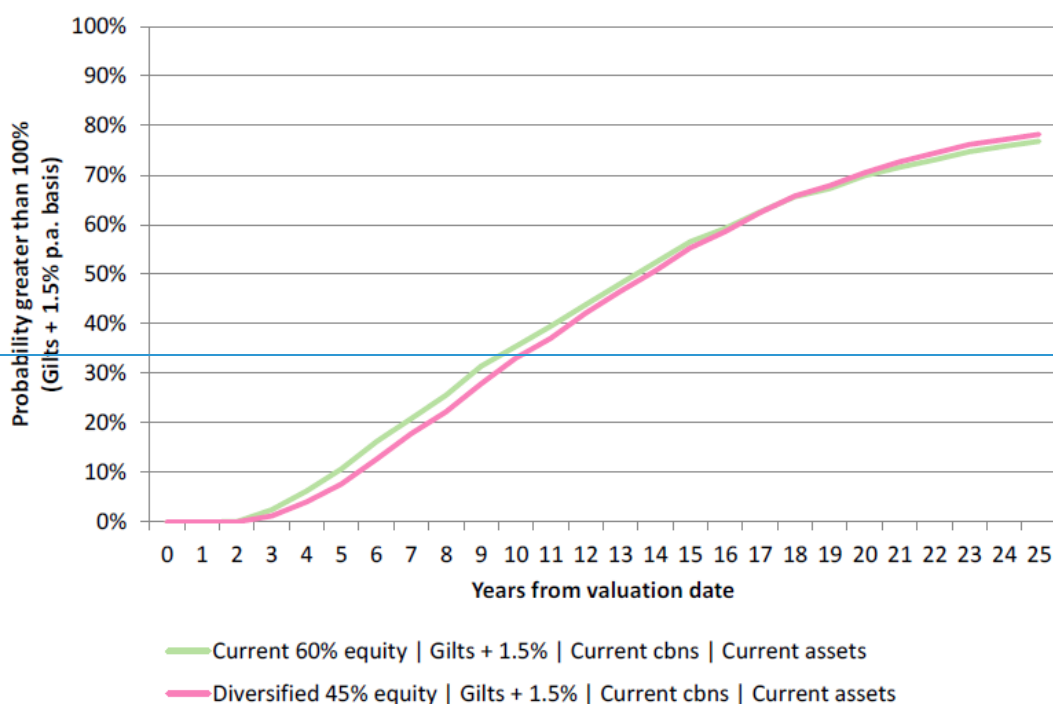
Impact of investment strategy

~~In autumn 2017 the Investment Steering Committee considered an Asset Liability Study (ALS).~~

~~In the chart below, the green line highlights the current investment strategy. The ALS indicates that there is a 50/50 chance that the Fund has recovered the current deficit by 2029. There is a c. 75% chance that the deficit will be eliminated by the end of 25 years under the current funding plan.~~

~~The pink line represents a revised strategy, with which the ISC has agreed in principle and to which the ISC expects to migrate over the next two years. This strategy reduces equity allocation from 60% to 45% with the majority of assets being reinvested in alternatives.~~

~~As can be seen, the probabilities of success remain broadly the same given alternatives are expected to generate broadly the same level of return as equity. However, this is expected to reduce risk through further diversification of the equity allocation.~~



The Administering Authority has itself undertaken an exercise to identify those risks that are specific to the Fund and the measures to be taken to counter those risks.

The resultant risk assessment is attached to this FSS as Schedule A

8. Monitoring and Review

In preparing this statement, the Administering Authority and the Essex Pension Fund Board has taken advice from Barnett Waddingham, the Fund Actuary, and has also consulted with its institutional investment advisers Hymans Robertson, and its independent investment adviser Mark Stevens.

A full review of this [Statement](#) will occur no less frequently than every three years, to coincide with completion of [the current a](#) full actuarial valuation [cycle](#). Any review will take account of the then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the [current](#) triennial valuation process), for example:

- if there has been a significant change in market conditions and/or deviation in the progress of the funding strategy;
- if there have been significant changes to Fund membership, or LGPS benefits;
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy; and

- if there have been any significant special contributions paid into the Fund.

DRAFT

**Essex Pension Fund
Risk Register**

DRAFT

Essex Pension Fund Risk Register										
Risk Area: Essex Pension Fund		Date: 05/09/2016								
Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F1	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	4	2	8	Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. At each triennial valuation assess funding position and progress made to full funding. Full annual interim reviews to enable consideration of the position. A specific scorecard measure is in place on this matter.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F2	Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions	4	3	12	Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks	3	3	9
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F3	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives) which reduces solvency levels and increases required in employers' contributions	3	3	9	Diversified investment structure and frequent monitoring against targets with potential for a change of managers where considered appropriate.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F4	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	3	3	9	Monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F5	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	3	3	9	Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	2	2	4

Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F6	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	4	3	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F7	Mismatch in asset returns and liability movements result in increased employer contributions	4	3	12	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	3	2	6
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F8	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	3	2	6	At each triennial actuarial valuation an analysis is carried out to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in the short and long term.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F9	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of the employers defaulting on their contributions	3	3	9	Risk profile analysis performed with a view on the strength of individual employer's covenant being formed when setting terms of admission agreement (including bonds) and in setting term of deficit recovery whilst attempting to keep employers' contributions as stable and affordable as possible. Pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F10	Adverse changes to LGPS regulations resulting in increases required in employers' contributions or Fund cash flow requirements.	4	2	8	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3

Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F11	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions	3	2	6	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F12	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	3	3	9	Ensure that employers are reminded of their responsibilities, monitor and send reminders of employers responsibilities re this where appropriate, investigate the adoption of an administration strategy to clarify employer responsibilities. Employer analysis work and officer dialogue with employers concerned (including guarantors as appropriate)	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F13	Not recognising opportunities from changing market, economic or other circumstances (e.g. de-risking or strengthening of covenant)	3	3	9	At each triennial valuation pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F14	Adoption of either an inappropriately slow or rapid pace of funding in the specific circumstances for any particular employer	3	4	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F15	Failure to ensure appropriate transfer is paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	2	3	6	Follow the standardised approach to bulk transfers of liabilities as part of admission policy framework, complying with any statutory requirements and protecting the interests of the Fund's employers by measuring the solvency of the Fund and relevant employers before and after transfer.	2	1	2

Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05/09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	To have consistency between the investment strategy and funding strategy	F16	Over or under cautious determination of employer funding requirements due to the impact of the investment strategy on funding	3	3	9	Measurement will look at expected return projections vs actuarial assumptions in order to test the continued appropriateness and consistency between the funding and investment strategy.	2	2	4
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F17	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements	2	1	2
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F18	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc repositioning of assets	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements. In Spring 2015 the ISC agreed to divert a portion of UK equity dividend income (L&G) & property rental income (AVIVA) to supplement contribution income in order to meet pension benefit expenditure.	2	1	2
Funding	Minimise unrecoverable debt on termination of employer participation	F19	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions	4	3	12	Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible. Same mitigations for both risks F19 & F20	3	2	6

Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund

Date: 05//09/2016

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding	Minimise unrecoverable debt on termination of employer participation	F20	Failure to monitor leading to inappropriate funding strategy and unrecovered debt on cessation of participation in the fund	4	3	12	Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive	3	2	6
							dialogue with employers with a view to strengthening employer covenants wherever possible			
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F21	Employee participation in the Essex LGPS reduces (possibly in response to changes in contribution rate / benefit structure or changes in patterns of service delivery)	4	3	12	Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to alternative assets.	3	2	6

Detailed assumptions used in calculating the funding target

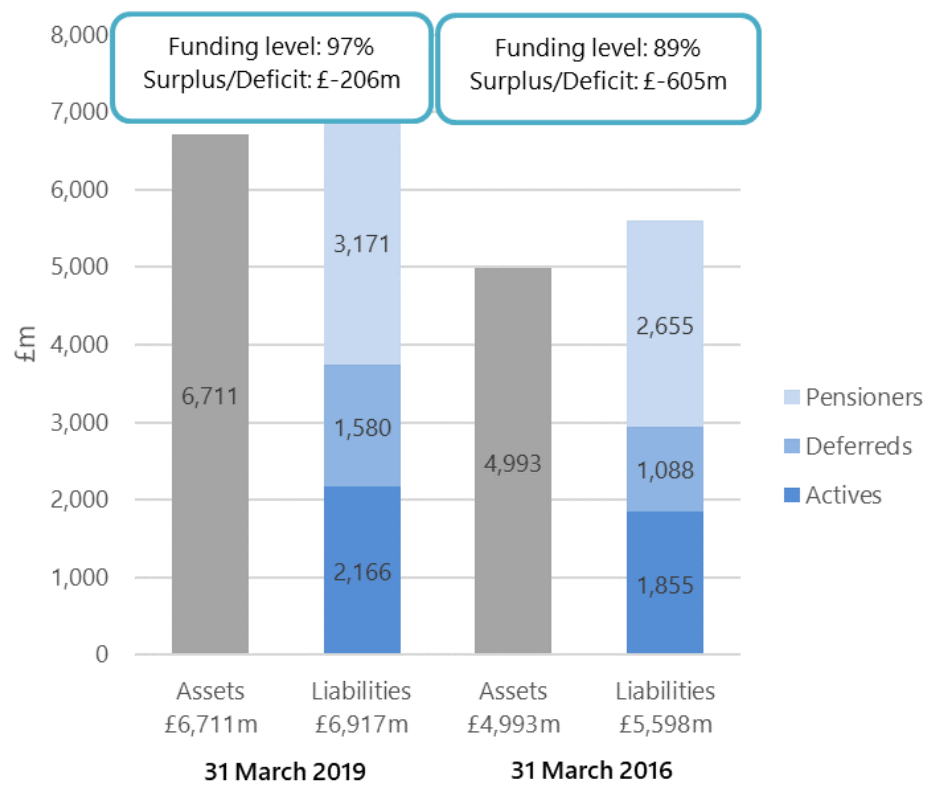
At the time of drafting this FSS, it is still unclear how the impact of the McCloud/Sargent judgement will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to cover the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was included in the prudence allowance in the discount rate assumption. As the remedy is still to be decided the cost cannot be calculated with any certainty. However, the Fund Actuary expects the cost is likely to be less than the impact of reducing the discount rate assumption by 0.1%.

<u>Assumptions</u>	<u>Assumption used for 2019 valuation</u>	<u>Assumptions used for the 2016 valuation</u>
<u>Financial assumptions</u>	-	-
<u>Market date</u>	<u>31 March 2019</u>	<u>31 March 2016</u>
<u>CPI inflation</u>	<u>2.6% p.a.</u>	<u>2.4% p.a.</u>
<u>Salary increases</u>	-	-
<u>Short-term</u>	<u>n/a</u>	<u>CPI to 31 March 2020</u>
<u>Long-term</u>	<u>3.6% p.a.</u>	<u>3.9% p.a.</u>
<u>Discount rate</u>	<u>4.5% p.a.</u>	<u>5.1% p.a.</u>
<u>Pension increases on GMP</u>	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date, we have assumed that Funds are required to pay the entire inflationary increases	
-	-	-
-	-	-
<u>Assumptions</u>	<u>Assumption used for 2019 valuation</u>	<u>Assumptions used for the 2016 valuation</u>
<u>Demographic assumptions</u>	-	-
<u>Post-retirement mortality</u>	<u>Male / Female</u>	<u>Male / Female</u>
<u>Member base tables</u>	<u>S3PA</u>	<u>S2PA</u>
<u>Member mortality multiplier</u>	<u>110% / 115%</u>	<u>105% / 100%</u>
<u>Dependant base tables</u>	<u>S3DA</u>	<u>S2PA</u>
<u>Dependant mortality multiplier</u>	<u>95% / 105%</u>	<u>105% / 100%</u>
<u>Projection model</u>	<u>CMI 2018</u>	<u>CMI 2015</u>
<u>Long-term rate of improvement</u>	<u>1.25% p.a.</u>	<u>1.5% p.a.</u>
<u>Smoothing parameter</u>	<u>7.5</u>	<u>n/a</u>
<u>Initial addition to improvements</u>	<u>0.5% p.a.</u>	<u>n/a</u>
-	-	-
<u>Retirement assumption</u>	<u>Weighted average of each tranche retirement age</u>	
<u>Pre-retirement decrements</u>	<u>GAD 2019 scheme valuation with no salary scale, 50% IH decrement, 105% of pre-retirement mortality table</u>	<u>GAD 2013 scheme valuation</u>
<u>50:50 assumption</u>	<u>Member data</u>	<u>Member data</u>
<u>Commutation</u>	<u>50% of maximum</u>	<u>50% of maximum</u>
<u>% members with qualifying dependant</u>	<u>75% / 70%</u>	<u>75% / 70%</u>
<u>Age difference</u>	<u>Males are 3 years older</u>	<u>Husbands are 3 years older</u>

<u>Past service funding position</u>	<u>Proposed basis</u> <u>31 March 2019</u> <u>£m</u>	<u>Previous valuation</u> <u>31 March 2016</u> <u>£m</u>
<u>Smoothed asset value</u>	<u>6,711</u>	<u>4,993</u>
<u>Past service liabilities</u>	-	-
<u>Actives</u>	<u>2,166</u>	<u>1,855</u>
<u>Deferred pensioners</u>	<u>1,580</u>	<u>1,088</u>
<u>Pensioners</u>	<u>3,171</u>	<u>2,655</u>
<u>Total Liabilities</u>	<u>6,917</u>	<u>5,598</u>
<u>Surplus (Deficit)</u>	<u>-206</u>	<u>-605</u>
<u>Funding level</u>	<u>97%</u>	<u>89%</u>

The table below outlines the agreed financial and statistical assumptions as discussed at the meeting on 14 September 2016.

Financial assumptions		31 March 2016 % p.a.	31 March 2013 % p.a.
Discount rate		5.1%	5.8%
Pay increases	Long-term	3.9%	4.5%
	Short-term	CPI for period from 31 March 2016 to 31 March 2020 In line with CPI for period from 31 March 2013 to 31 March 2015	
Retail Price Inflation (RPI)		3.3%	3.5%
Consumer Price Inflation (CPI)		2.4%	2.7%
Pension increases		2.4%	2.7%



Demographic assumptions		
	31 March 2016	31 March 2013
Pre-retirement mortality - base table	GAD tables (updated)	GAD tables
Post-retirement mortality (member) - base table	S2PA tables with a multiplier of 105% for males and 100% for females	S1PA tables
Post-retirement mortality (dependant) - base table	S2PA tables with a multiplier of 100% for female dependants and 105% for male dependants	S1PA tables
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	GAD tables (updated)	GAD tables
Allowance for early retirements (ill health)	GAD tables (updated)	GAD tables
Allowance for withdrawals	GAD tables (updated)	GAD tables
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 60% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership	Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is an 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	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
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Results

Using these assumptions the results of the valuation for the Fund are as follows:

Past service funding position	
	Final basis 31 March 2016 £m
Smoothed asset value	4,993
Past service liabilities	
Actives	1,855
Deferred pensioners	1,088
Pensioners	2,655
Total	5,598
Surplus (Deficit)	(605)
Funding level	89%