



London Borough of Tower Hamlets Pension Fund

2013 valuation results

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- > Fund Actuary
- > 25 February 2014

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Why we do a valuation

- > We have to!
- > Assess how well pension promises are covered
- > Monitor experience vs. assumptions
- > Consider risks to the Fund & employers
- > Balance affordability & risk
- > **Set credible funding plans for employers**

Central part of risk management of the Fund

Key assumptions for liability valuation

Assumption	2010 valuation	2013 valuation	Approach
Discount rate (assumed future investment return)	5.9%	4.6%	At 2010: gilts + 1.4% At 2013: gilts + 1.6%
Long term pay growth	5.3%	3.8%	At 2010: RPI + 1.5% At 2013: RPI + 0.5%
Short term pay restraint	1% for 3 years	Nil	At 2013: built into lower long term rate
Pension increases	3.3%	2.5%	At 2010: RPI - 0.5% At 2013: RPI - 0.8%
Longevity improvements		Increased allowance	

3

Club Vita analysis



Specifically tailored to your fund

Source: Club Vita research based on VitaBank as at January 2013

4

Impact of assumptions and experience

Key driver	Deficit	Contribution rate
Market conditions (net discount rate)	↑	↑
Investment returns	↓	↓
Life expectancy	↔	↔
New LGPS 2014	↔	↓
Overall Impact	↑	↑

Upward pressure on contributions

5

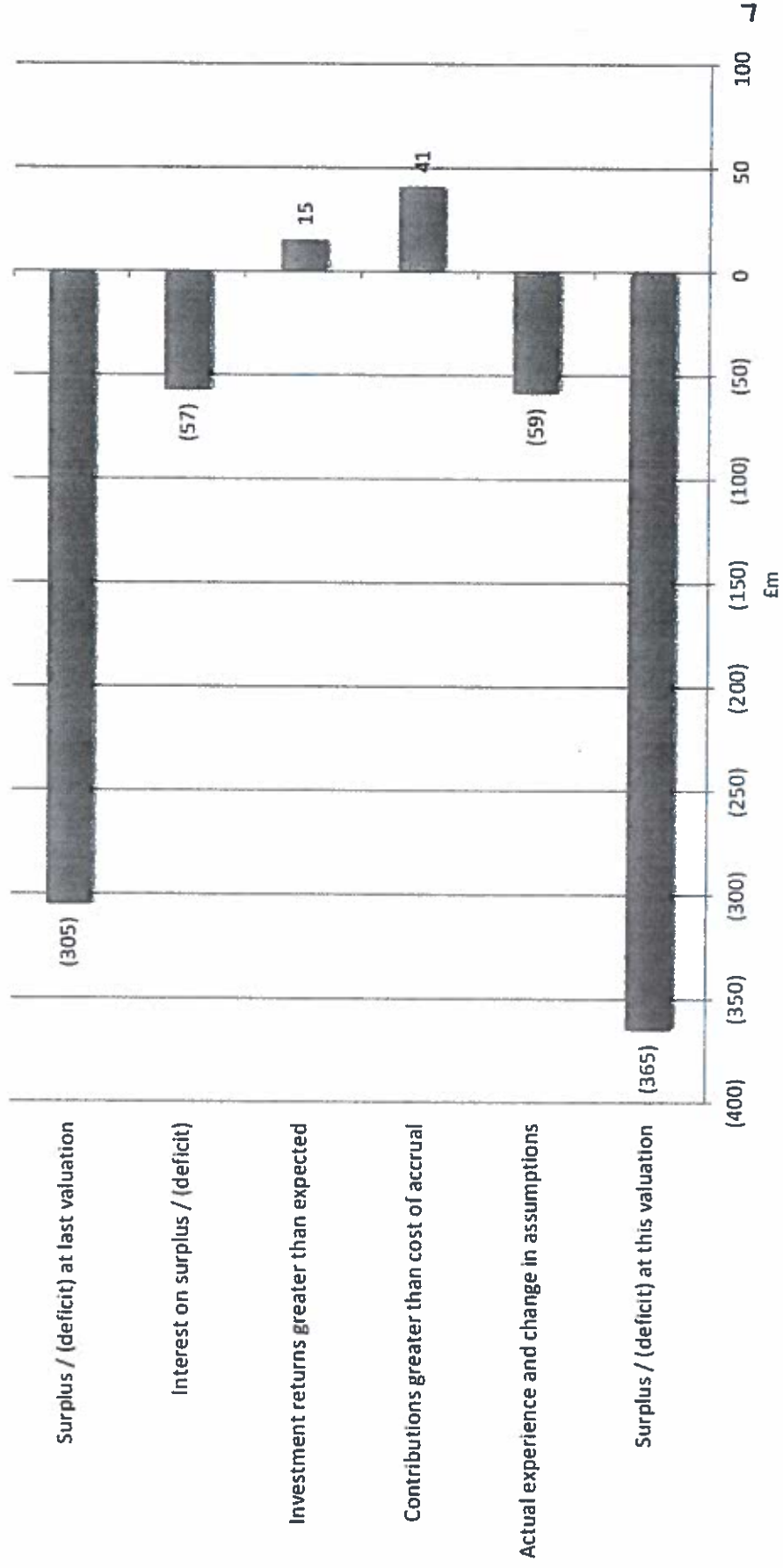
Whole Fund valuation results

	31 March 2010	31 March 2013
Past Service Position	(£m)	(£m)
Past Service Liabilities	1,060	1,293
Market Value of Assets	755	928
Surplus / (Deficit)	(305)	(365)
Funding Level	71.2%	71.8%

	31 March 2010	31 March 2013
Contribution Rates	(% of pay)	(% of pay)
Employer future service rate (incl. expenses)	17.3%	20.3%
Past Service Adjustment (20 year spread)	12.9%	15.2%
Total employer contribution rate (incl. expenses)	30.1%	35.5%
Employee contribution rate	6.8%	6.6%
Expenses	0.6%	0.7%

6

Experience since 2010



New LGPS from 2014: funding impact

	Existing Scheme	Proposed New Scheme
Benefit Type	Final Salary	CARE with CPI revaluation
Accrual Rate	1/60 th	1/49 th
Retirement Age	65	State Pension Age
Member Contribution Rate	Average 6.5% Full-time equiv. pay	Average 6.5% Actual pay
Vesting Period	3 months	2 years

- › Accrued rights protected (incl. retirement age, R85, final salary link)
- › Existing scheme underpin for members within 10 years of NPA (age 65) at 1 April 2012 ("best of")
- › Introduction of a "50/50" option to bolster LGPS participation
- › "Cap and collar" cost control

Next steps

- › Contribution rates agreed with employers
- › Contribution policy set out in Funding Strategy Statement
- › Formal valuation report finalised by 31 March 2014

Any questions



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2