



Employer:	XX
Fund:	XX
Fund Administering Authority:	XX
Prepared by:	XX
Prepared for:	XX

Contents	
1 Results under FRS 102 (LGPS funded benefits)	3
2 Estimated pension expense in future periods	5
3 Sensitivity Analysis	6
4 Data summary	7

Additional Information

These results should be read in conjunction with the following documents previously provided by us, which support the advice given:

- Terms of Reference - Accounting for pensions under IAS 19 / FRS 102 in 2019 (the 'Terms of Reference')
- Assumptions Advice - Accounting for pensions under IAS 19 / FRS 102 as at 31 August 2019 (the 'Assumptions Advice')
- Covering Report - IAS 19 and FRS 102 disclosures for periods ending in 2019 (the 'Covering Report')
- Accounting for the McCloud/Sargeant judgement at 31 August 2019 (approximate method)
- Accounting for GMP Indexation at 31 August 2019 (approximate method)

In addition, we refer to the following document(s):

- Actuarial Valuation of the Fund at 31 March 2016

The disclaimer set out in the Covering Report also applies to these results

Copyright © 2019 Aon Hewitt Limited. All rights reserved.
aon.com
Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.
Registered in England & Wales No. 4396810
Registered office:
The Aon Centre | The Leadenhall Building | 122 Leadenhall Street | London | EC3V 4AN
This report and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent no part of this report should be reproduced, distributed or communicated to anyone else and, in providing this report, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this report

Comments specific to the Employer

McCloud Judgement (Past Service Cost £XX.XK)

In December 2018 the Court of Appeal ruled in the 'McCloud / Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the Government's request on 27 June 2019. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation. In a Ministerial Statement dated 15 July 2019 Government committed to extending a remedy across all public sector schemes which included similar transitional protection arrangements, which includes the LGPS.

We have been instructed to calculate a constructive obligation at 31 August 2019, in relation to a potential remedy, using an approximate method. Our advice is given in the document titled: Accounting for the McCloud/Sargeant judgement at 31 August 2019 (approximate method).

Based on the method and data set out in the supporting document, we have calculated a constructive obligation as follows:

Salary increase assumption:	CPI + X.X%
Underpin liability (constructive obligation) at year end:	XX.X% (% of annualised pensionable pay over accounting period ending 31 August 2019)
Increase in cost of benefits from 1 September 2019	X.X% (% of annualised pensionable pay p.a.)

Guaranteed Minimum Pension (GMP) Indexation and Equalisation (Past Service Cost £X.XK)

Following changes to the State Pension in April 2016, there was a risk that members of the LGPS who were 'contracted out' of the State Pension between 6 April 1978 and 6 April 1997, and who would reach their State Pension Age (SPA) after April 2016, would be worse off. This is because State Pension reforms removed the facility for the State to pay 'top up' payments to ensure their total pension was fully inflation protected. The LGPS was only required to pay limited increases on some elements of GMP (a portion of pension accrued in the LGPS when members were contracted out of the State Scheme). In March 2016 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 April 2016 and 5 December 2018. This has previously been accounted for. In January 2018 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 December 2018 and 5 April 2021. This has not been recognised in the accounts to date. Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5 April 2021. The Government's view is that this solution also meets sex equalisation requirements.

We have been instructed to calculate a constructive obligation at 31 August 2019, using an approximate method, for the Government's commitment to pay pension increases on GMPs for members reaching SPA after 5 December 2018, which includes a liability for Government's commitment to compensate all members in the future from changes to the State Pension. Our advice is given in the document titled: Accounting for GMP Indexation at 31 August 2019 (approximate method).

Based on the method and data set out in the supporting document, we have calculated a constructive obligation as follows:

GMP liability (constructive obligation) at year end:	X,X% (% of defined benefit obligation)
---	---

1 Results under FRS 102 (LGPS funded benefits)

The results below relate to the funded liabilities within the Fund which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Date of the last full actuarial valuation of the employer's LGPS funded benefits 31 March 2016
 Expected employer contributions next year (£000) xx.x A
 Duration of liabilities xx.x years

Key assumptions	31 August 2019	31 August 2018	31 August 2017
	% p.a.	% p.a.	% p.a.
MAP040 Discount rate	x.x%	x.x%	x.x%
RPI Inflation	x.x%	x.x%	x.x%
MAP010 CPI Inflation	x.x%	x.x%	x.x%
MAP030 Pension increases	x.x%	x.x%	x.x%
Pension accounts revaluation rate	x.x%	x.x%	x.x%
MAP020 Salary increases	x.x%	x.x%	x.x%

Mortality assumption

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2016 valuation, and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

	31 August 2019	31 August 2018
Males		
ALE010 Member aged 65 at accounting date	xx.x	xx.x
ALE030 Member aged 45 at accounting date	xx.x	xx.x
Females		
ALE020 Member aged 65 at accounting date	xx.x	xx.x
ALE040 Member aged 45 at accounting date	xx.x	xx.x

Asset allocation	Value at 31 August 2019		Value at 31 August 2018	
	%	(£000)	%	(£000)
MCA010 Equities	xx.x%	xx.x	xx.x%	xx.x
MCA040 Property	xx.x%	xx.x	xx.x%	xx.x
MCA020 Government bonds	xx.x%	xx.x	xx.x%	xx.x
MCA030 Corporate bonds	xx.x%	xx.x	xx.x%	xx.x
MCA050 Cash	xx.x%	xx.x	xx.x%	xx.x
MCA090 Other	xx.x%	xx.x	xx.x%	xx.x
Total	100.0%	xx.x	100.0%	xx.x

Reconciliation of funded status to balance sheet	Value at	Value at
	31 August 2019	31 August 2018
	(£000)	(£000)
Fair value of assets	FVATOT xx.x	xx.x
Present value of funded defined benefit obligation	xx.x	xx.x
Funded status	xx.x	xx.x
Unrecognised asset	xx.x	xx.x
Asset / (liability) recognised on the balance sheet	xx.x	xx.x

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members xx%
 Deferred Pensioners xx%
 Pensioners xx%

Amounts recognised in income statement	Period ending 31 August 2019 (£000)	Period ending 31 August 2018 (£000)
Operating cost		
Current service cost	XX.X	XX.X
Past service cost	XX.X	XX.X
Curtailment cost	XX.X	XX.X
Settlement cost	XX.X	XX.X
Financing cost		
Interest on net defined benefit liability / (asset)	XX.X	XX.X
Pension expense recognised in profit and loss	XX.X	XX.X

Allowance for administration expenses included in Current Service Cost (£000) XX.X XX.X

Amounts recognised in other comprehensive income	Period ending 31 August 2019 (£000)	Period ending 31 August 2018 (£000)
Asset gains/(losses) arising during the period	XX.X	XX.X
Actuarial gains/(losses) due to changes in financial assumptions	XX.X	XX.X
Actuarial gains/(losses) due to changes in demographic assumptions	XX.X	XX.X
Actuarial gains/(losses) due to liability experience	XX.X	XX.X
Adjustment in respect of paragraph 28.22	XX.X	XX.X
Total amount recognised in other comprehensive income	XX.X	XX.X

Changes to the present value of the defined benefit obligation	Period ending 31 August 2019 (£000)	Period ending 31 August 2018 (£000)
Opening defined benefit obligation	XX.X	XX.X
Current service cost	XX.X	XX.X
Interest expense on defined benefit obligation	XX.X	XX.X
Contributions by participants	XX.X	XX.X
Actuarial (gains)/losses due to changes in financial assumptions	XX.X	XX.X
Actuarial (gains)/losses due to changes in demographic assumptions	XX.X	XX.X
Actuarial (gains)/losses due to liability experience	XX.X	XX.X
Net benefits paid out	XX.X	XX.X
Past service cost	XX.X	XX.X
Curtailment cost	XX.X	XX.X
Net increase in liabilities from disposals/acquisitions	XX.X	XX.X
Settlements	XX.X	XX.X
Closing defined benefit obligation	XX.X	XX.X

Changes to the fair value of assets	Period ending 31 August 2019 (£000)	Period ending 31 August 2018 (£000)
Opening fair value of assets	XX.X	XX.X
Interest income on assets	XX.X	XX.X
Remeasurement gains/(losses) on assets	XX.X	XX.X
Contributions by the employer	XX.X	XX.X
Contributions by participants	XX.X	XX.X
Net benefits paid out	XX.X	XX.X
Net increase in assets from disposals/acquisitions	XX.X	XX.X
Settlements	XX.X	XX.X
Closing fair value of assets	XX.X	XX.X

Actual return on assets	Period ending 31 August 2019 (£000)	Period ending 31 August 2018 (£000)
Interest income on assets	XX.X	XX.X
Gain/(loss) on assets	XX.X	XX.X
Actual return on assets	XX.X	XX.X

2 Estimated pension expense in future periods

We provide an estimate of the charges to the profit and loss account in future periods, based on the assumptions as at 31 August 2019 set out in Section 1. Comments on these approximate figures are set out in the Covering Report.

Funded Benefits

Analysis of amount charged to profit and loss	Period ending 31 August 2020 (£000)
Current service cost	xx.x
Net interest on net defined benefit liability	xx.x
Total estimated pension expense	xx.x

Allowance for administration expenses included in Current Service Cost (£000)	xx.x
Estimated pensionable payroll over the period (£000)	xx.x B

$$\text{ERC010} = \text{A (pg3)} \div \text{B} = \%$$

3 Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 August 2019 and the projected service cost for the period ending 31 August 2020 is set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in Section 1.

We have not included sensitivity of unfunded benefits (where applicable) on materiality grounds.

Funded LGPS benefits

Discount rate assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Adjustment to discount rate			
Present value of total obligation (£000)	xx.x	xx.x	xx.x
Change in present value of total obligation (£000)	xx.x		xx.x
% change in present value of total obligation	xx.x		xx.x
Projected service cost (£000)	xx.x	xx.x	xx.x
Approximate % change in projected service cost	xx.x		xx.x

Rate of general increase in salaries	+0.1% p.a.	Base figure	-0.1% p.a.
Adjustment to salary increase rate			
Present value of total obligation (£000)	xx.x	xx.x	xx.x
Change in present value of total obligation (£000)	xx.x		xx.x
% change in present value of total obligation	xx.x		xx.x
Projected service cost (£000)	xx.x	xx.x	xx.x
Approximate % change in projected service cost	xx.x		xx.x

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Adjustment to pension increase rate			
Present value of total obligation (£000)	xx.x	xx.x	xx.x
Change in present value of total obligation (£000)	xx.x		xx.x
% change in present value of total obligation	xx.x		xx.x
Projected service cost (£000)	xx.x	xx.x	xx.x
Approximate % change in projected service cost	xx.x		xx.x

Post retirement mortality assumption	-1 year	Base figure	+1 year
Adjustment to mortality age rating assumption *			
Present value of total obligation (£000)	xx.x	xx.x	xx.x
Change in present value of total obligation (£000)	xx.x		xx.x
% change in present value of total obligation	xx.x		xx.x
Projected service cost (£000)	xx.x	xx.x	xx.x
Approximate % change in projected service cost	xx.x		xx.x

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

SAP010 (Negative value)
 SAP020 (Positive value)
 SAP030 (Negative value)
 SAP040 (Positive value)
 SAP050 (Positive value)
 SAP060 (Negative value)

4 Data summary

Funded benefits

The following data was provided by the Fund Administering Authority and / or the Employer and has been used to produce the results in this report. Details of the split of assets between the various asset classes were also provided by the Fund Administering Authority and are shown in Section 1. We have also shown some of the intermediate calculations used in evaluating the figures in this report.

Active members as at 31 March 2016

	Number	Total Pay (£000)
Total	xx.x	xx.x

Pensioner & deferred pensioner members as at 31 March 2016

Type	Number	Total pension (£000)
Deferred members	xx.x	xx.x
Pensioners and dependants	xx.x	xx.x

Funded cash-flow data provided

	Months Provided	Amount Provided (£000)	Amount Used (£000)
Employer – Normal contributions	xx	xx.x	
Employer – Additional capital contributions		xx.x	
Employer – Early retirement strain on fund payments		xx.x	
Total contributions by the Employer			xx.x
Employee - Normal contributions	xx	xx.x	
Employee - Added years contributions	xx	xx.x	
Total contributions by participants			xx.x

Transfers in	xx	xx.x	
Other income	xx	xx.x	
Transfers out	xx	xx.x	
Retirement lump sums	xx	xx.x	
Other outgo	xx	xx.x	
Death in service lump sums *	xx	xx.x	
Benefits paid (i.e. pension paid)	xx	xx.x	
Net benefits paid out **			xx.x

* We have calculated the expected death in service lump sums over the year to be (£000)

xx.x

** The 'Net benefits paid out' figure includes an allowance for expenses of (£000)

xx.x

Any other approximations applied in deriving the "Amount Used" are set out in the Covering Report.

Annualised pensionable payroll over the accounting period

	(£000) *
Period ending 31 August 2019	xx.x
Period ending 31 August 2018	xx.x

* The annualised pensionable payroll has been derived from the contributions paid over the relevant accounting period.

Fund return

The gross Fund return has been calculated using the method set out in the Covering Report. To that return, a deduction of X.X% p.a. has been made to allow for investment management expenses based on the Fund's experience.

The overall Fund return over the accounting period has been calculated as X.X%. This includes any adjustment to reflect the difference between Fund returns and estimated index returns used over the last accounting period, where appropriate.

