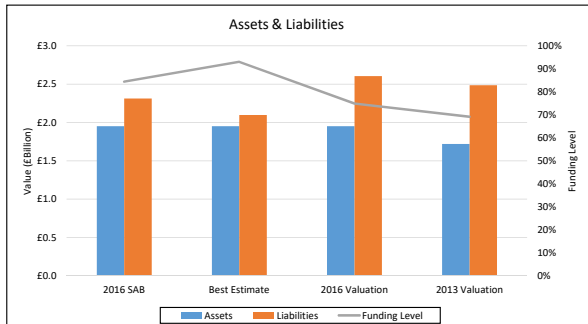
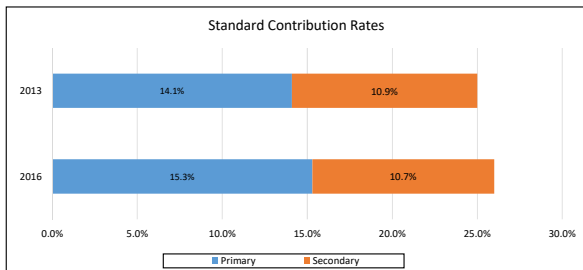
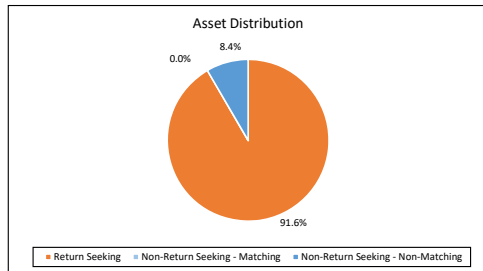
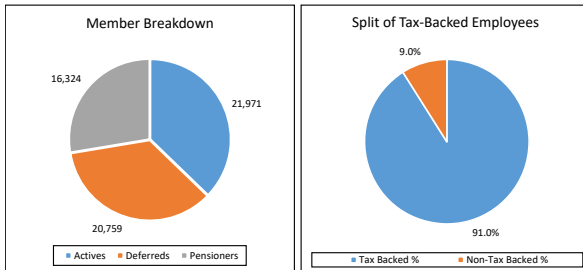




Government Actuary's Department

Worcestershire County Council Pension Fund

This document is intended only for discussions between GAD, the relevant Local Authority and their actuary



Local Authority	Core Spending (£m)	Core Spending (%)
Total	£560.1	100.0%
Worcestershire	£321.9	57.5%
Herefordshire	£141.0	25.2%
Hereford & Worcester Fire	£30.4	5.4%
Wychavon	£13.3	2.4%
Wyre Forest	£12.9	2.3%
Worcester	£11.1	2.0%
Bromsgrove	£11.1	2.0%
Redditch	£9.6	1.7%
Malvern Hills	£8.7	1.6%

Solvency Breakdown	
Asset Shock	
Assets are divided into the following classes:	
Return seeking - Equity, Property, Infrastructure debt & other return seeking assets	
Non-return seeking - All other assets	
Return seeking assets are stressed by reducing them by 15%	
New deficit allocated to tax-raising authorities	
= (Pre-stress asset value - Post-stress asset value) × % Tax backed employees	
This deficit is then spread over 20 years of annual payments, and compared to the fund's core spending	
	£m
Pre-stress asset value	£1,952.0
Return seeking assets	£1,788.0
Non-return seeking assets	£164.0
Post-stress asset value	£1,683.8
Return seeking	£1,519.8
Non-return seeking	£164.0
New deficit allocated to tax raising authorities	£244.2
Annual deficit payment (spread over 20 years)	£14.3
Total core spending	£560.1
Deficit percentage of core spending	2.6%
Deficit percentage of core spending (allowing for post-asset shock surplus)	2.6%
Liability Shock	
Non-matched liabilities are stressed by increasing them by 10%	
New deficit allocated to tax-raising authorities	
= (Post-stress liability value - Pre-stress liability value) × % Tax backed employees	
Deficit is spread over 20 years and compared to the fund's core spending	
	£m
Liability value pre-stress (GAD's best estimate calculation)	£2,098.2
Liability value post-stress	£2,308.0
New deficit allocated to tax raising authorities	£191.0
Annual deficit Payment (spread over 20 years)	£11.2
Deficit percentage of core spending	2.0%
Deficit percentage of core spending (allowing for post-liability shock surplus)	2.0%
Employer Default Shock	
Determine funding level on GAD's best estimate basis	
If the fund is in deficit, non-tax backed deficits are allocated to tax-backed	
The non-tax backed deficit is spread over 20 years and compared to the fund's core spending	
	£m
Deficit on best estimate basis	£146.2
Proportion of deficit allocated to non-tax raising authorities	£13.1
Annual deficit payment (spread over 20 years)	£0.8
Deficit percentage of core spending	0.1%

Solvency Breakdown (continued)	
Fund Open/Closed	Open
SAB Funding Level	84.4%
Percentage of Non-Statutory Employees	9.0%
Long Term Cost Efficiency	
Deficit Recovery Period	
Implied deficit recovery period calculated on a standardised market consistent basis	
Recovery period (years)	3
Required Return	
Required investment return rates to achieve full funding in 20 years' time on the standardised market consistent basis	
Required return under best estimate basis	3.2%
Repayment Shortfall	
Difference between the actual deficit recovery contribution rate and the annual deficit recovery contributions required as a percentage of payroll to pay off deficit in 20 years, where the deficit is calculated on a standardised market consistent basis	
Annual deficit recovery payment as % of implied 2016/17 payroll	2.5%
Actual contribution rate paid less SCR on best estimate basis	14.1%
Difference	11.6%
Return Scope	
Required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained	
Expected return	6.2%
Required return	3.2%
Difference	3.0%
Deficit Recovery Plan	
Consideration of how the deficit recovery plan has changed compared to 2013 valuation	
Valuation	2013 2016
Deficit Recovery End Point	2034 2034
2013 Common Contribution Rate	26.1%
2014/15 Average Employer Contribution Rate	26.1%
2016 Standard Contribution Rate	26.0%
Increase in contributions to 2016	
From 2013 Common Contribution Rate	-0.1%
From 2014/15 Average Employer Contribution Rate	-0.1%
Increase in deficit recovery end point (years)	0

Minor inconsistencies in totals may occur due to rounding.

At GAD, we seek to achieve a high standard in all our work. We are accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme. Our website describes the standards we apply.

23 May 2018