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Pensions Committee
Tuesday, 17 March 2020, 2.00 pm, County Hall, Worcester

Agenda

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AGENDA ITEM 7

PENSIONS COMMITTEE
17 MARCH 2020

ACTUARIAL VALUATION AND FINAL PENSION FUND STRATEGY STATEMENT (FSS)

Recommendation

1. **The Chief Financial Officer recommends that:**

   a) **The Final Funding Strategy Statement (Appendix 1) be noted and the Committee be asked to comment on the changes to the FSS that were agreed at the Committee meeting in December 2019;**

   b) **The Initial draft of the 2019 Valuation rates and adjustment certificate (Appendix 2) be considered and noted; and**

   c) **The Chief Financial Officer be granted delegated authority to undertake any dealings with exit credits with the exception of those above £0.5m which may only be undertaken in consultation with the Chairman of the Pensions Committee.**

Background

2. As detailed in the December 2019 report, every three years, in line with legislation, the Fund Actuary, Mercer, carries out a full Actuarial Valuation of the Fund to calculate how much the employers in the Scheme need to contribute going forward to ensure that its liabilities, the pensions due to current and future pensioners, will be paid as they fall due.

3. The purpose of the Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

4. The FSS was agreed at Committee on the 13 December 2019 and any further updates delegated to Fund officers on the proviso that the FSS was not expected to change fundamentally in between now and when the actuarial valuation is signed off by the actuary in March 2020. It was highlighted that there were a few areas where enabling wording had been included for anticipated changes to the LGPS Regulations following consultation with the key stakeholders. These may need to be removed, if the amendment Regulations are not laid ahead of the valuation sign off date and reinstated at a future FSS review. The changes to the FSS are reported back to Committee for completeness.

Updates made to the FSS agreed in December 2019

5. The areas that have been updated since the FSS provided in December 2019.

a) Removed the reference to some of the Regulations which the actuary does not expect to be implemented by 31 March 2020, e.g. all references to Deemed Employer Status, Deferred Debt, review of contributions etc. (throughout);
b) Funding level quoted to allow for the whole Fund result to be the aggregate of the individual employers, now the pot allocations have been agreed (page 2 and 16);
c) Added further wording regarding the investment pots and equity protection (predominantly page 2 and 23 and Appendix F 'Investment Pot Risk Management Policy page 42);
d) Updated the minimum risk funding level (page 16) allowing for negative real return vs CPI and more prudent mortality, as discussed with the actuary;
e) Added in a reference to allow flexibility to adjust CPI assumptions on the anticipated reform of RPI (page 24 and page 37);
f) Updated the recovery period / surplus spreading wording (pages 29) now that most of the employer results have been finalised; and
g) Updated the termination minimum risk basis life expectancy assumption (page 37) to a more prudent mortality assumption, as discussed with the actuary.

Investment Strategies / Pots

6. To recap, in order that the Fund delivers on its key objectives (ensuring that each employer takes the appropriate level of investment risk, giving each the best opportunity possible to achieve its long-term funding objective whilst increasing certainty of cost), the Fund has introduced three distinct investment strategies (High, Medium and Low risk).

7. With regards to the investment pots, the actuary has provided a Fund risk management framework of how the pots will be monitored (Appendix F of the FSS) which reference has also been included in the 2020 Investment Strategy Statement (ISS) on this agenda. This will be reviewed periodically as part of the governance of the risk management framework to be finalised with the actuary. The ISS has been updated to include reference to the investment pots. Investment 'pots'.

8. The narrative assumes that the Fund has implemented alternative investment strategies with differential levels of investment risk with effect from 1 April 2020. The pot an employer sits in will be reflected in the relevant employer asset share, funding basis and contribution requirements aim is to provide greater control over employer's exposure to investment risk **(Page 17 of FSS)**

Exit Credits

9. A partial Government response on Changes to the Local Valuation Cycle and the Management of Employer Risk covering Exit Credits was published on 27 February 2020 and come into force on 20 March 2020. The response to the remaining parts of the consultation e.g. moving to a 4-year valuation cycle are promised "in due course" and no timescale is given.

10. This change was intended to clarify the position on Exit Credits payable to employers exiting from a Fund where there are risk sharing arrangements between the employer and the original contracting authority and is backdated to apply from 14 May 2018 when Exit Credits were first introduced into the LGPS. Whilst the Regulations undoubtedly provide the regulatory support to Funds when they

determine their policies on payment of Exit Credits, whether they provide absolute clarity to Pension Funds is perhaps debatable in terms of how the process is governed.

11. The key points from the response and the Regulations are as follows:

a) The Pension Fund may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any "relevant considerations";
b) The relevant considerations specifically cover any risk sharing arrangements in force although the Pension Fund is not obliged to enquire into the precise risk sharing arrangements adopted;
c) It is up to the parties to set out why the arrangements made by them make payment of an exit credit appropriate which will include any risk sharing arrangements;
d) Pension Funds should adopt a fair and reasonable exit credits policy which should be set out in their Funding Strategy Statement;
e) Any Exit Credit already paid cannot be reclaimed or adjusted as the Pension Fund will have been deemed to have exercised their discretion; and
f) The period that any Exit Credit payable must be paid is extended from 3 to 6 months.

12. Worcestershire Pension Fund policy around exit credits has been provided for within the FSS on pages 14 and 15 covering instances where employers have and do not have guarantors participating in the Fund.

13. The level of exit credit will no doubt vary dependent on the employers funding levels and risk sharing agreements in place. It is therefore recommended that the Chief Financial Officer be granted delegated authority to undertake any dealings with exit credits with the exception of those above £0.5m which may only be undertaken in consultation with the Chairman of the Pensions Committee.

Initial draft of the 2019 Valuation rates and adjustment certificate

14. The actuary has provided an initial draft of the 2019 valuation rates and adjustment certificate (Appendix 2). Please note this is a working draft and is therefore subject to adjustment up to the point of sign off e.g. for any amendment to the employer contributions that may be agreed as well as confirmation of auditor requirements for certifying prepayment contributions. For this version the actuary has currently used the same approach that was used for the 2016 valuation to certify a 3-year deficit lump sum prepayment i.e. certifying this as a 3-separate lump sum amounts in respect of each contribution year. The actuary has also asked the Committee to note there may be some further formatting changes and adjustment to the notes as they finalise the draft report.

Contact Points

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Supporting Information

- Funding Strategy Statement (Appendix 1)
- Initial draft of the 2019 Valuation rates and adjustment certificate (Appendix 2)

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the background papers relating to the subject matter of this report are

Funding Strategy Statement Committee report December 2019

Worcestershire Pension Fund

FUNDING STRATEGY STATEMENT

MARCH 2020

This Funding Strategy Statement has been prepared to set out the funding strategy for the Worcestershire Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

Ensuring that the Worcestershire Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Worcestershire County Council).

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this FSS will have a financial and operational impact on all participating employers in the Worcestershire Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in it.

Given this, and in accordance with governing legislation, all interested parties connected with the Fund have been consulted and given opportunity to comment prior to this FSS being finalised and adopted. This FSS takes into consideration all comments and feedback received.

The results of the 2019 valuation show the liabilities to be 90% covered by the current assets using the prudent assumptions set out in Appendix A. The Fund's long term objective is to achieve a 100% solvency level with the funding deficit of 10% being covered by deficit contributions. Deficit recovery periods vary by employer category, with a maximum deficit recovery period of 15 years.

The key financial assumption used to determine the funding liabilities and the future service ("Primary") contribution rate for each investment pot at the valuation date are:

	Higher Risk pot	Medium Risk pot	Lower Risk pot
Funding liabilities discount rate:	4.05% p.a.	3.8% p.a.	2.65% p.a.
Future service discount rate:	4.65% p.a.	4.4% p.a.	2.65% p.a.
CPI price inflation	2.4% p.a.	2.4% p.a.	2.4% p.a.

In assessing the value of the Fund's liabilities, allowance has been made for asset out-performance (above CPI inflation) by taking into account the investment strategy adopted by the Fund. If, at the valuation date, the Fund had been invested in a "minimum risk" portfolio, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 54%.

To help maintain stability of contributions in the future, the Fund has implemented a number of strategies to help manage risk:

- Investment pots to offer to employers which exhibit lower investment risk than the current whole fund strategy with effect from 1 April 2020. Further detail regarding the asset strategy for each pot is available in the Fund's ISS.
- Equity Protection strategy to protect against potential falls in the equity markets via the use of derivatives.
- Covenant assessment and monitoring for participating employers, as detailed in Appendix D.
- Consulting with employers on the use of ill-health liability insurance to ensure that the eligible employers are not exposed to large deficits on the ill health retirement of one or more of their members.

The Fund has a number of key aims and objectives. The key funding objectives are referred to throughout the FSS and are summarised below:

- Achieve and maintain assets equal to 100% of liabilities within a target 15-year average timeframe, whilst remaining within reasonable risk parameters.
- Determine employer contribution requirements to maintain long term cost efficiency, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible.
- Strike the appropriate balance between long-term investment performance and the Fund's funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Minimise unrecoverable debt on employer termination.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability.
- To provide more certainty in employer contribution outcomes (within reasonable parameters) by implementing a number of risk management techniques to manage various aspects of the Fund's financial risks, specifically an Equity Protection strategy and Employer Investment Pots.

The FSS has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the Fund and the "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as this relates to the Fund.

Key elements of the funding strategy are as follows:

- To include appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would normally lead to volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency objective.

- Deficit recovery periods are determined by the Fund with the aim of recovering deficits as quickly as participating employers can reasonably afford given other competing cost pressures, taking into account the Fund's view of the employer's covenant and the risk to the Fund.
- The recovery periods will be set by the Administering Authority with a maximum deficit recovery period of 15 years, although employers will be free to select any shorter deficit recovery period if they wish.
- Employers who are expected to have a shorter participation period e.g. closed to new entrants will generally have a shorted recovery period
- Deficit recovery contributions will be expressed in £s.
- Similar principles are applied to employers who have a surplus of assets over liabilities where the surplus is being run off over the period as an offset to future service contributions.
- It is possible for employers to prepay their contributions for the full 3 years or annually at each April in return for a cash saving.
- The key financial assumption – the discount rate – is derived for each investment pot by considering the prudent long term expected return on the underlying assets over and above assumed future Consumer Price Index (CPI) inflation.
- The demographic assumptions for the whole Fund have been determined by carrying out a bespoke analysis of the Fund's membership along with a review of other LGPS funds.
- As part of the Fund's risk management framework, employer type, maturity, funding position, status and ongoing covenant strength will be considered by the Fund when allocating an employer to a specific investment pot.

It is strongly recommended that employers also consider and understand the detailed Fund policies in the main body as these impact on your participation in the Fund over the short and long term.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; "the Regulations") provide the statutory framework from which an Administering Authority is required to prepare a 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 Fund will prepare and publish their funding strategy;
- In preparing the FSS, the Fund must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the LGPS are specified in the governing legislation contained in the Regulations referred to above. 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 LGPS is a defined benefit arrangement with final pensionable pay related benefits and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the member's retirement benefits and pay 50% of the normal member contribution.

CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations.

Employer contributions and deficit recovery payments are determined by an actuarial valuation .

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate is that required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and the employer's covenant. This includes provision for ancillary death in service and ill health benefits (subject to any external insurance arrangement) and administration costs.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to address any past service deficit or surplus. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

In addition to paying the Primary rate for future accrual of benefits, employers are required to make any required deficit recovery payments via the Secondary rate.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole Fund payroll in respect of percentage rates and the total amount across all employers in respect of cash adjustments.

2
PURPOSE OF THE FSS IN POLICY TERMS

Funding is 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 should be assessed, implementation of the funding strategy is the responsibility of the Fund, acting on the professional advice provided by the actuary.

The Fund's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this FSS is therefore:

- to establish a clear and transparent Fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the Fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this FSS to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected, including the disparate investment pots, it must remain a single strategy for the Fund to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining the Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties are the Administering Authority, the Pensions Committee, the individual employers and the Fund's Actuary and details of their roles are set out below. Other parties required to play their part are bankers, custodians, investment managers, auditors, legal/investment/governance advisors and the Local Pension Board.

KEY PARTIES TO THE FSS

The **Fund,** in particular the Pension Committee, should:

- operate the Fund
- collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in the Regulations
- pay from the Fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from it also being a Fund employer, and
- enable the Local Pension Board to review the valuation process as set out in their terms of reference.

  In practice the Pension Committee may delegate responsibility for the implementation of some of the above responsibilities to Fund officers.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- 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 Fund benefits, early retirement strain
- have regard to The Pensions Regulator's focus on data quality and comply with any requirement set by the Fund in this context
- notify the Fund promptly of any changes to membership which may affect future funding

- understand the pensions impacts of any changes to their organisational structure and service delivery model, and
- understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure the Fund's solvency after agreeing assumptions with the Fund and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc.
- provide advice and valuations on the termination of admission agreements including in relation to exit credit payments
- provide advice to the Fund on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Fund in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Fund is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements, the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contribution rates and deficit recovery payments are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

The FSS has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the Fund and “long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PAYMENTS

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The assumptions for deficit recovery payments are set out in **Appendix B**.

Underlying these assumptions are:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Fund, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Fund, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

Individual employer contributions will be expressed and certified as Primary rate and Secondary rate.

DEFICIT RECOVERY PAYMENTS

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Fund's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall deficit contributions payable. The Fund does retain ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength.

The key principles when considering deficit recovery are as follows:

- The Fund will consider whether it is appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain. This will be based on assessment of the employer covenant (including affordability of the existing funding plan) and any other relevant factors.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. This is to maintain (as far as possible) equity between different generations of taxpayers and to protect the Fund against the potential for an unrecoverable deficit. The deficit recovery period will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

- Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Fund considers this to be warranted (see Deficit Recovery assumptions in Appendix B). The average recovery period adopted by all employers will be set out within the Actuary's report. Employers will be notified of their individual deficit recovery payment amounts as part of the provision of their individual valuation results. Where increases (or decreases) in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, at the sole discretion of the Fund the increase (or

decrease) from the rates of contribution payable in the year 2020/21 may be implemented in steps, over a maximum of 3 years, depending on affordability of contributions as determined by the administering authority. This will be notified to employers as part of the valuation process. However, where a surplus exists or where there has been a reduction in contributions paid in respect of an employer's deficit at the valuation, the Fund would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

- As part of the process of agreeing funding plans with individual employers, the Fund will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities.

- It is acknowledged by the Fund that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Fund therefore would be willing to use its discretion to accept an evidence-based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

- For those bodies identified as having a weaker covenant, the Fund will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans.

- Notwithstanding the above principles, the Fund, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain (i.e. the increase in liability caused by paying a member's benefits early) by immediate capital payments into the Fund.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment.

The contributions payable over 2020/23 include an allowance for ill-health retirement costs (alongside those for voluntary early retirements). Where an ill-health retirement occurs no additional contributions will be due immediately from the employer although any funding strain or profit will emerge following the subsequent actuarial valuation through increased/reduced deficit, depending on the difference in the funding cost of the ill health retirement (on the actuarial valuation assumptions) and the expected cost built into the contributions payable.

EMPLOYERS LEAVING THE FUND

The policy for employers who have a guarantor participating in the Fund:

Where an employer with a guarantor leaves the Fund, the valuation of the termination payment will be calculated using the funding assumptions for that employer's investment pot. Further details are set out in the Termination Policy in Appendix D.

The residual assets and liabilities and hence any surplus or deficit will normally transfer back to the guarantor but in circumstances where an exiting employer is expected to still be responsible for the termination deficit or surplus, an exit payment/exit credit may be payable from/to the exiting employer.

Where a surplus is potentially payable as an exit credit and a risk sharing arrangement is in place this is subject to representation (as required under the Regulations from 20 March 2020) from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor, in particular any 'risk-sharing' agreements that may exist. If representation is not made to the satisfaction of the Fund then the surplus will not be paid directly to the exiting employer following cessation (despite any other agreements that may be in place). A similar approach will be taken where a deficit is payable, where the default would be to collect the deficit in the absence of the representation from the interested parties.

The information that will be required by the Fund from employers to make a determination on whether an exit credit should be paid where a risk sharing arrangement is in place, and a representation has been made, will be supplied to the interested parties at the appropriate time.

The policy for employers who do not have a guarantor participating in the Fund:

Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund which the Fund must meet without recourse to that employer, the valuation of the termination payment (or Exit credit) will be calculated using a discount rate based on a minimum risk investment strategy and a more prudent life expectancy assumption. Further details are set out in the Termination Policy in Appendix D.

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation assessment by the Actuary). For the avoidance of doubt this will include an appropriate provision for potential costs of the McCloud case remedy as per the approach set out in this FSS.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Fund at their sole discretion) following completion of the termination process.

The Fund can vary the treatment on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary and, for example, may adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and other Fund employers.

The termination policy is set out in **Appendix D**.

6

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2019 valuation show the liabilities to be 90% covered by the current assets, with the funding deficit of 10% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in a real return versus CPI inflation of negative 0.9% per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 54%. This is a measure of the level of reliance on future investment returns i.e. level of investment risk being taken.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The overall strategic asset allocation is set out in the Investment Strategy Statement (ISS).

Based on the investment strategy in the ISS and the Actuary's assessment of the return expectations for each asset class, this leads to an overall best estimate average expected return of 3.0% per annum in excess of CPI inflation as at the valuation date. For the purposes of setting funding strategy however, the Fund believes that it is appropriate to take a margin for prudence on these return expectations (i.e. to use an assumption that has a greater than 50% chance of being achieved) and this is expected under the Regulations and guidance. This margin however, has been adjusted to take account of the risk management strategies implemented to reduce the volatility of returns within the investment strategy. In isolation, this allows a lower margin for prudence to be used than would otherwise be the case if these risk management strategies were not in place.

RISK MANAGEMENT

In the context of managing various aspects of the Fund's financial risks, the Fund has implemented a number of risk management techniques. The principal aim of these risk management techniques is to effectively look to provide more certainty of contribution outcomes within reasonable parameters.

In particular:

- Equity Protection - the Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality). Further information in relation to the equity protection arrangement is available within the Fund's Investment Strategy Statement and Committee papers.

- Investment 'pots' – the Fund will implement alternative investment strategies with differential levels of investment risk with effect from 1 April 2020. The aim is to provide greater control over employers' exposure to investment risk (see Appendix F for further information). The pot an employer sits in will be reflected in the relevant employer's asset share, funding basis and contribution requirements.

7
IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund 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 assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Fund has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors. The risk mitigations are set out in the Fund's separate risk register which is included in the Committee papers.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Protection and risk management fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment fund managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation turning out to be significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle, and
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.

Any increase in employer contribution rates or deficit recovery payments (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including in each separate investment pot) is kept under constant review and the performance of the investment managers is regularly monitored. In addition, the implementation of a risk management framework to manage the key financial risks will help reduce risk over time.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future unanticipated changes in life expectancy (longevity)
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions (or level of ill-health insurance protection, where relevant)

- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk. An external ill health insurance arrangement can also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members.

Whilst regulatory procedures are in place to ensure that ill-health retirements are properly controlled, employing bodies also need to recognise that unforeseen costs for them will arise in the event that the number of ill-health retirements were to exceed the assumptions made. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employers should be doing everything in their power to minimise the number of ill-health retirements.**

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Fund regularly monitors the it's cashflow requirements and considers the impact on the investment strategy.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules
- Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy.

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Pension Committee and Pension Board) to make their views known to the Fund and to participate in the decision-making process. Previous versions of this FSS were consulted on prior to the 13 December 2019 Pension Committee meeting. This version was finalised following the Pension Committee meeting on 17 March 2020.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Fund unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Fund not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements, and
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Fund by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8
MONITORING AND REVIEW

The Fund has taken advice from the Actuary in preparing this FSS, and has consulted with the employers participating in the Fund.

The Fund will monitor the progress of the funding strategy and, if considered appropriate, the funding strategy will be reviewed (other than as part of the 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
- have been significant changes to the Fund membership, or LGPS benefits e.g. resolution of the McCloud remedy.
- 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
- have been any significant special contributions paid into the Fund
- has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy.

When monitoring the funding strategy, if the Fund considers that any action is required, the relevant employers will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

The structure and make-up of the investment pots will also be periodically reviewed between valuations based on the size and maturity of the liabilities within each pot. This will also allow for any movements of employers between the pots due to changes in funding position, covenant and also at the request of an employer.

A full review of this FSS will occur no less frequently than every 3 years, to coincide with completion of a full actuarial valuation.

THE MCCLOUD JUDGMENT

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to

protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance **here** which sets out how the McCloud case should be allowed for within the 2019 valuation.

The Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, it has been assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and notified to employers on this basis but also highlighting that the final costs maybe significantly different. Employers were able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they were able to make allowance within their budgets and advised that backdated contributions could be payable if the remedy is known before the next valuation.

The mechanism to achieve this has been set out in the Actuary's certificate.

APPENDIX A

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rates for the investment pots have been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). The discount rates include appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below).

These real returns will be reviewed from time to time based on the investment pot strategy, market outlook and the Fund's overall risk metrics. The discount rates will be reviewed as a matter of course at the time of a formal valuation or a formal employer rate review.

Higher Risk investment pot

For employers in the Higher Risk investment pot the discount rate at the valuation has been derived based on an assumed return of 1.65% per annum above CPI inflation i.e. a real return of 1.65% per annum and a total discount rate of 4.05% per annum.

Medium Risk investment pot

For employers in the Medium Risk investment pot the discount rate at the valuation has been derived based on an assumed return of 1.4% per annum above CPI inflation i.e. a real return of 1.4% per annum and a total discount rate of 3.8% per annum.

Lower Risk investment pot

For employers in the Lower Risk investment pot the discount rate at the valuation has been derived based on an assumed return of 0.25% per annum above CPI inflation i.e. a real return of 0.25% per annum and a total discount rate of 2.65% per annum.

Inflation

The inflation assumption will be taken to be the investment market's expectation for Retail Price Index (RPI) inflation as indicated by the difference between yields derived from market

instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Prices Index rather than the Retail Prices Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum. This adjustment to the RPI inflation assumption will be reviewed from the valuation date to take in to account any reform in the RPI index, as announced by the Chancellor of the Exchequer. The change will then be implemented for the policies set out in this statement.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. The assumption used for an employer will be notified to them separately as part of the discussions but typically will be a minimum of 2% per annum until 31 March 2023.

Application of bespoke salary increase assumptions as put forward by individual employers will be at the ultimate discretion of the Fund but as a minimum must be reasonable and practical. To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. some Guaranteed Minimum Pensions where the LGPS is not currently required to provide full indexation). For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions are based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting LGPS experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health. For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2018 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2018 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, assumed life expectancies at age 65 are:

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	23.1	25.7
Actives aged 45 now	24.6	27.6
Deferreds aged 45 now	23.2	26.4

For example, a male pensioner, currently aged 65, would be expected to live to age 88.1. Whereas a male active member aged 45 would be expected to live until age 89.6. This is a reflection of the expected improvement in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (available as standard under the pre 1 April 2008 benefit structure). The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up regardless of age.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate. Other assumptions are as per the last valuation.

Expenses

Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (the future accrual cost) as stable as possible so this needs to be taken into account when setting the assumptions.

As future accrual contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation and a slightly higher expected return from the investment strategy has been assumed. This reflects the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only, and therefore, these contributions will be invested for a longer period.

FINANCIAL ASSUMPTIONS – FUTURE ACCRUAL

The financial assumptions in relation to future accrual of benefits are not specifically linked to investment conditions as at the valuation date itself, and the following overall assumed real discount rates apply for each investment pot:

Higher Risk investment pot
For employers in the Higher Risk investment pot, the financial assumptions in relation to future service (i.e. the primary rate) are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.65% per annum.

Medium Risk investment pot
For employers in the Medium Risk investment pot, the financial assumptions in relation to future service (i.e. the primary rate) are based on an overall assumed real discount rate of 2% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.4% per annum.

Lower Risk investment pot
For employers in the Lower Risk investment pot the discount rate at the valuation has been derived based on an assumed return of 0.25% per annum above CPI inflation i.e. a real return of 0.25% per annum and a total discount rate of 2.65% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the investment pot for each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the pot for the employer unless agreed otherwise between the employer and the Fund at the sole discretion of the Fund.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which investment pot the employers' assets are in.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.4% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate (Higher Risk pot)	4.05% p.a.
Investment return/Discount Rate (Medium Risk pot)	3.8% p.a.
Investment return/Discount Rate (Lower Risk pot)	2.65% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases*	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate (Higher Risk pot)	4.65% p.a.
Investment return/Discount Rate (Medium Risk pot)	4.4% p.a.
Investment return/Discount Rate (Lower Risk pot)	2.65% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

*Short term salary increases may also apply and each employer will be notified of this separately. Typically this is a total pay increase of 2% p.a. until 31 March 2023.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Pensioner	Normal Health	99% S3PMA_CMI_2018 [1.75%] 91% S3PFA_M_CMI_2018 [1.75%]
	Dependant	131% S3PMA_CMI_2018 [1.75%] 91% S3DFA_CMI_2018 [1.75%]
	Ill Health	118% S3IMA_CMI_2018 [1.75%] 130% S3IFA_CMI_2018 [1.75%]
	Future Dependant	126% S3PMA_CMI_2018 [1.75%] 108% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	104% S3PMA_CMI_2018 [1.75%] 92% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	120% S3IMA_CMI_2018 [1.75%] 142% S3IFA_CMI_2018 [1.75%]
Deferred	All	128% S3PMA_CMI_2018 [1.75%] 107% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	133% S3PMA_CMI_2018 [1.75%] 115% S3DFA_CMI_2018 [1.75%]

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B

EMPLOYER DEFICIT RECOVERY PAYMENTS

The Fund's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit payments will be expressed as £s amounts (with the exception of the Town and Parish Council's group where deficit contributions will be paid as a % of pensionable pay), and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Fund's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Default Deficit Recovery Period	Derivation
Fund Employers	15 years	Determined by reducing the period from the preceding valuation by at least 3 years (where appropriate)
Open Admitted Bodies	15 years	Determined by reducing the period from the preceding valuation by at least 3 years
Closed Employers	Lower of 15 years and the future working lifetime of the membership	Determined by reducing the period from the preceding valuation and the membership of the employer
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Fund may take into account some or all of the following factors:

- The size of the funding shortfall,
- The business plans of the employer,

- The assessment of the financial covenant of the Employer, and security of future income streams,
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is unwound over a 15 year period for open employers, or the lower of 15 years and the future working lifetime of the membership for closed employers, unless agreed otherwise with the Fund (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

OTHER FACTORS AFFECTING THE EMPLOYER DEFICIT RECOVERY PAYMENTS

As part of the process of agreeing funding plans with individual employers, the Fund will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Fund, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Fund that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Fund therefore may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Fund will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Fund, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C

Worcestershire Pension Fund

ADMISSION POLICY

INTRODUCTION

This document details the Fund's policy on the methodology for assessment of ongoing contribution requirements and admissions into the. It supplements the general policy of the Fund as set out in the FSS.

- Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

- Scheme Employers have a statutory right to participate in the LGPS and their staff therefore can become members of the LGPS at any time, although some organisations (Part 2 Scheme Employers) do need to designate eligibility for its staff.

A list of all current employing bodies participating in the Fund is kept as a live document and will be updated by the Fund as bodies are admitted to, or leave the Fund.

ENTRY TO THE FUND

Unless agreed otherwise by the Fund, prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Fund. If the risk assessment and/or bond amount is not to the satisfaction of the Fund (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the minimum risk methodology and assumptions.

Some aspects that the Fund may consider when deciding whether to apply a minimum risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;

- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

At the discretion of the Fund, where an admission is in respect of 10 or less LGPS posts the Admitted Body will be admitted to the Fund on a 'Pass Through' basis where the Admitted Body's ongoing contribution requirements are agreed between the Letting Employer and the Admitted Body, without an individual contribution assessment being carried out.

SECOND GENERATION OUTSOURCINGS FOR STAFF NOT EMPLOYED BY THE SCHEME EMPLOYER CONTRACTING THE SERVICES TO AN ADMITTED BODY

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the main Councils, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a 'Related Employer' for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor

"Related employer" is defined as "any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)".

LGPS REGULATIONS 2013: SCHEDULE 2 PART 3, PARA 8

Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to the administering authority from—

(a) a person who funds the admission body in whole or in part;

(b) in the case of an admission body falling within the description in paragraph 1(d), the Scheme employer referred to in that paragraph;

> *(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—*

(i) the transfer of the service or assets by means of a contract or other arrangement,

(ii) a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),

(iii) directions made under section 497A of the Education Act 1996 (116) ;

(c) a person who—

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

In accordance with the above Regulations, the Fund requires a guarantee from the related employer. The related employer may seek a bond from the admitted body taking into account the risk assessment carried out by the Fund Actuary.

ADMITTED BODIES PROVIDING A SERVICE

Generally Admitted Bodies providing a service (including those admitted on a Pass Through basis) will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the minimum risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Fund. This assessment would normally be based on advice in the form of a "risk assessment report" provided by the actuary to the Fund. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the Fund it must also be satisfied (along with the Fund) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Fund, the level of the bond amount will be subject to review on a regular basis. In the case of an Admission Body admitted on a Pass Through basis, the requirement to carry out an assessment of the level of risk on premature termination of the contract may be waived at the agreement of the Fund and the Letting Employer who act as guarantor to the Admission Body.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund's general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer. Please see the Fund's Termination Policy for further details.

An exception to the above policy applies if the guarantor is not a participating employer within the Fund, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the Fund the Fund may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the minimum risk methodology and assumptions.

PRE-FUNDING FOR TERMINATION

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a minimum risk methodology and assumptions as detailed in the Fund's Termination Policy. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum risk basis.

For any employing bodies funding on such a minimum risk strategy a notional investment strategy will be assumed as a match to the liabilities. In particular, the employing body's notional asset share of the Fund will be credited with an investment return in line with the minimum risk funding assumptions adopted rather than the notional investment returns generated by the investment strategy for the employer's investment pot. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Fund, or depending on any case specific circumstances.

APPENDIX D

Worcestershire Pension Fund

TERMINATION POLICY

INTRODUCTION

This document details the Fund's policy on the methodology for assessment of termination payments in the event of the cessation of an employer's participation in the Fund. It supplements the general policy of the Fund as set out in the FSS.

TERMINATION OF AN EMPLOYER'S PARTICIPATION

An employer ceases to participate within the Fund when the last active member leaves the Fund. This includes where the employer ceases to be eligible for membership e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation.

When an employing body terminates for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Fund.

The employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a termination contribution certificate.

When an employer exits the Fund the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at its sole discretion and this will depend on the affordability of the repayments and financial strength of the exiting employer. Once this repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments and exit credits to be paid immediately in full following completion of the termination process (within 6 months of completion of the cessation assessment by the Actuary).
2. At the discretion of the Fund, exit payment instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.
3. Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debt/credit is the responsibility of the original employer through a risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the exiting body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

With the exception of grouped employers (see below), the Fund's policy is that a termination assessment will be made based on a minimum risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees).

TERMINATION ASSESSMENTS

The policy for employers who **have a guarantor** participating in the Fund:

If the employing body (including those admitted on a Pass Through basis) has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the Fund's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the Fund otherwise.

The residual assets and liabilities, and hence any surplus or deficit will normally transfer back to the guarantor of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body.

In circumstances where an exiting employer is expected to still be responsible for all or part of the termination position, an exit payment/exit credit may be payable from/to the exiting employer. This is subject to representation by all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor, in particular any 'risk-sharing' agreements that may exist. In line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representation to the Fund if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Fund.

The information required by the Fund from employers to make a determination on whether an exit credit should be paid where a risk sharing arrangement is in place, and a representation has been made, will be supplied to the interested parties at the appropriate time.

The policy for employers who **do not have a guarantor** participating in the Fund:

A termination assessment will be made based on a minimum risk funding basis. This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become

orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation assessment by the Actuary).

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Fund at their sole discretion) following completion of the termination process.

The Fund can vary the treatment on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the actuary.

The Fund currently groups Town and Parish Councils for contribution rate setting purposes. The Fund's policy is that, on termination of participation within the group, the termination assessment will be based on a simplified share of deficit/surplus approach. This involves disaggregating the outgoing body from the group by calculating the notional deficit/surplus share as at the last actuarial valuation of the Fund, in proportion to the respective payrolls for the body and the group as a whole, and then adjusting to the date of exit. The share of deficit/surplus will be assessed based on the ongoing valuation funding basis for the group as a whole at the last actuarial valuation. The adjustment to the date of exit will normally be made in line with the funding assumptions adopted for the group as at the last actuarial valuation unless the actuary and Fund consider that the circumstances warrant a different treatment, for example, to allow for actual investment returns over the period from the last actuarial valuation to exit.

In addition, for some Multi-Academy Trusts (MAT), a grouped approach has been taken with individual academies within a Trust no longer being separately identifiable on the Fund's administration system or for funding or contribution purposes. On termination of participation of one of the academies within such a MAT, the termination assessment will be based on a simplified share of deficit/surplus approach. This involves disaggregating the outgoing body from the group by calculating the notional deficit/surplus share as at the last actuarial valuation of the Fund, in proportion to the respective payrolls for the employees of the exiting academy and the MAT a whole, and then adjusting to the date of exit. The share of deficit/surplus will be assessed based on the ongoing valuation funding basis for the MAT as a whole at the last actuarial valuation. The adjustment to the date of exit will normally be made in line with the funding assumptions adopted for the MAT as at the last actuarial valuation unless the actuary and Fund consider that the circumstances warrant a different treatment, for example, to allow for actual investment returns over the period from the last actuarial valuation to exit.

Unless agreed otherwise by the Fund, any unfunded liability that cannot be reclaimed from the outgoing grouped body will be underwritten by the group/MAT and not all employers in the Fund. Following termination, the residual liabilities and assets in respect of that body will be subsumed by any guarantor body for the group, or in the absence of a guarantor, subsumed by the group/MAT.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases no termination assessment is required as there will no longer be any orphan liabilities in the Fund. Therefore, a separate assessment of the assets to be transferred will be required.

FUTURE TERMINATIONS

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the

admission agreement is due to cease. Under the Regulations, in the event of the Fund becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Fund that it will cease to be a participating employer. In this case, employing bodies are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. For example, on agreement with the employer, by moving the employer to a lower risk funding basis or a notional minimum risk funding basis. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

MINIMUM RISK TERMINATION BASIS

The minimum risk financial assumptions that applied at the actuarial valuation date (31 March 2019) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Minimum risk assumptions	31 March 2019
Discount Rate	1.5% p.a.
CPI inflation	2.4% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

These financial assumptions will be reviewed on an ongoing basis to allow for changes in market conditions along with any structural or legislative changes.

In particular, since the valuation date it has been announced that RPI inflation is likely to be reformed, with the reform potentially meaning the index is closer to the CPIH inflation measure. This would need to be reflected when deriving an updated market estimate of the CPI inflation. For example, when assessing a termination position (at February 2020) we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.7% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employer's termination position. This adjustment will be kept under review as more details emerge on the reform of RPI.

All demographic assumptions will be the same as those adopted for the 2019 actuarial valuation, except in relation to the life expectancy assumption. Given the minimum risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption. This will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.

The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the rate of improvement in mortality rates to 2.25% p.a. from 1.75% used in the 2019 valuation for ongoing funding and contribution purposes.

APPENDIX E

Worcestershire Pension Fund

COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

> Type of body and its origins
> Nature and enforceability of legal agreements
> Whether there is a bond in place and the level of the bond
> Whether a more accelerated recovery plan should be enforced
> Whether there is an option to call in contingent assets
> Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating

- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the Fund relative to the size of the employer's operating cashflow
- The relative priority placed on the Fund compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis (e.g. the termination basis)
3. Shortened recovery periods and increased cash contributions

4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F

Worcestershire Pension Fund

INVESTMENT POT RISK MANAGEMENT POLICY

In the context of managing aspects of the Fund's financial risks, the Fund has implemented a choice of "investment" pots to offer to employers (with effect from 1 April 2020) which exhibit differential levels of investment risk based on alternative underlying investment strategies. The three available investment pots are called:

- The Higher Risk pot;
- The Medium Risk pot; and
- The Lower Risk pot

This strategy will be reviewed periodically as part of the governance of the Fund's overall risk management framework. This policy should be considered alongside the Fund's Covenant Assessment and Monitoring Policy

INVESTMENT STRATEGIES

The current Fund investment strategy will apply to the "Higher Risk pot". The "Medium Risk pot" and "Lower Risk pot" will give employers the option to reduce the level of investment risk that they wish to take, particularly for those employers that are considering leaving the Fund.

The strategic allocation for the Fund as a whole and for each of the investment pots is set out in the Investment Strategy Statement.

The investment strategy underlying each investment pot will be reviewed formally at each actuarial valuation along with the overall Fund investment strategy. This will also allow for any movements of employers between the investment pots due to changes in funding position, covenant and also at the request of an employer.

In addition, a high level health check will be performed annually allowing for market changes and outlook as well as underlying changes in the maturity and profile of the liabilities of the employers

within each pot. However, a formal review may be undertaken mid-valuation if there is a material shift of employers between pots and/or material shift in the funding position in order to more efficiently manage the overall risk.

The investment pots will be managed within the overall Fund investment strategy as far as possible. If any investment options are unavailable, and are deemed to be desirable, then the Fund will consider obtaining access to these options through the LGPS Central Limited pool or potentially directly.

EMPLOYER ALLOCATIONS

The allocations to each investment pot will be reviewed in detail alongside the actuarial valuation every 3 years. The Fund will take into account the following employer factors when considering overall risk and allocating an employer to a specific pot:

- Employer type e.g. tax raising body, academy, admitted body
- Employer ongoing covenant strength incl. any guarantee or security
- Employer size, maturity and funding position
- Employer status e.g. open/closed to new members and objectives

If, based on a covenant assessment carried out by the Fund, an employer is deemed to have a weaker covenant than other employers in the Fund, or is expected to exit the Fund in the near future, the Fund reserves the right to move an employer (typically following discussions with that employer) into either the Medium Risk or Lower Risk pot to provide some protection against deterioration in funding position for the employer and the Fund as a whole. Any orphaned liabilities, once an employer exits the Fund, will generally be automatically moved into the Lower Risk pot as these liabilities have no sponsoring employer and are ultimately underwritten by all employers within the Fund.

As part of a triennial valuation, any employer can elect to move to a lower risk investment strategy to reduce their level of investment risk exposure and the potential volatility in their future funding position.

The choice of investment pot will be reflected in each employer's asset share, funding basis and contribution requirements.

The above employer factors will be monitored regularly between actuarial valuations and the allocation to a specific investment pot may be reviewed between actuarial valuations in the following circumstances:

- Material change in certain types of employers' funding position
- Material change in an employer's status or covenant
- Request from an employer to move investment pots, subject to the agreement of the Fund

APPENDIX G

GLOSSARY

50/50 Scheme:
In the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Actuarial valuation:
An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Fund to fund the cost of new benefits and make good any existing deficits as set out in the separate FSS. The asset value is based on market values at the valuation date.

Administering Authority:
The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies:
A specific type of employer under the “LGPS” who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark:
A measure against which fund performance is to be judged.

Best estimate assumption:
An assumption where the outcome has a 50/50 chance of being achieved.

Bonds:
Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career average revalued earnings scheme (CARE):
With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Contingent assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

Covenant:
The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

CPI:
Acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS have been linked to the annual change in CPI since April 2011.

CPIH:
An alternative measure of CPI which includes owner occupiers’ housing costs and Council Tax (which are excluded from CPI).

Deficit:
The extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period:
The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount rate:
The rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's future accrual rate:
The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies:
Any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities:
Shares in a company which are bought and sold on a stock exchange.

Equity protection:
An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit credit:
The amount payable from the Fund to an exiting employer in the case where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Fund / Scheme employers:
Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency level:
The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement (FSS):
This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD):
The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor:
A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment pot:
This describes a bespoke notional investment strategy which applies to one or more employers and is dependent on the liability and risk profile. Dictates the financial assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is determined based on the notional investment strategy for the relevant investment pot's investment strategy. This is expressed as an expected return over CPI.

Investment strategy:
The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer:
An employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities:
The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS:
The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Lower risk funding basis:
An approach where the discount rate used to assess the liabilities is determined based on the expected long term return achieved on the Fund's lower risk investment strategy. This is usually adopted for employers who are deemed to have a weaker covenant than others in the Fund, who are planning to exit the Fund or who would like to target a lower risk strategy. This basis is adopted for ongoing contribution rate purposes as the employers' asset share is invested in the lower risk investment strategy.

Lower risk investment strategy:
An investment strategy linked to income generating assets which target a minimum yield above CPI inflation allowing for default, reinvestment risk and any other reasonable margins of prudence deemed appropriate.

Mandatory scheme employers:
Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers. For example, these include councils, colleges, universities and academies.

Maturity:
A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members:
The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis:
An approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities:
Liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Pass through:
Arrangement whereby the risks of participating in the LGPS are retained by the Letting Employer with the Admission Body's contributions being a reflection of the rate of the Letting Employer (subject to any specific adjustment required under the separate contractual arrangement).

Percentiles:
Relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions:
When there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling:
Employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment:
The payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present value:
The value of projected benefit payments, discounted back to the valuation date.

Primary rate:
The contribution rate required to meet the cost of future accrual of benefits, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

Profile:
The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent assumption:
An assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate:
A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the

contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real return or real discount rate:
A rate of return or discount rate net of (CPI) inflation.

Recovery plan:
A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the FSS.

Scheduled bodies:
Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary rate:
The adjustment to the Primary rate to arrive at the total contribution each employer is required to pay. It is essentially the additional contribution (or reduction in contributions) resulting from any deficit (or surplus) attributable to the employer within the Fund.

Section 13 Valuation:
In accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency funding target:
An assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis:
The financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

Appendix H
Rates and adjustments certificate issued in accordance with Regulation 62

Name of fund	Worcestershire Pension Fund

Primary contribution rate

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2020 is [TBC%] of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2020 is set out in the attached schedule.

Secondary contribution rate

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2020 is as follows:

2020/21 £[TBC]million plus [TBC%] of pensionable pay

2021/22 £[TBC]million plus [TBC%] of pensionable pay

2022/20 £[TBC]million plus [TBC%] of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2020 is set out in the attached schedule.

Contribution amounts payable

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule.

Further adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

Regulation 62(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Signature:		
Name:	Paul Middleman	Laura Evans
Qualification:	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date of signing:	31 March 2020	

Appendix I

Schedule to the rates and adjustments certificate dated 31 March 2020

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Scheduled Bodies							
Bromsgrove District Council	16.9%	0.9% plus £647,100	0.9% plus £646,200	0.9% plus £645,300	17.8% plus £647,100	17.8% plus £646,200	17.8% plus £645,300
Combined police	16.4%	£2,227,200	£2,314,100	£2,404,400	16.4% plus £2,227,200	16.4% plus £2,314,100	16.4% plus £2,404,400
Heart of Worcestershire College	17.7%	-0.8% plus £267,000	-0.1% plus £378,000	0.6% plus £488,000	16.9% plus £267,000	17.6% plus £378,000	18.3% plus £488,000
Hereford and Worcester Fire Civilians	17.7%	0.9% plus £256,700	0.9% plus £266,700	0.9% plus £277,100	18.6% plus £256,700	18.6% plus £266,700	18.6% plus £277,100
Hereford College of Arts	17.0%	0.9% plus £46,100	0.9% plus £47,900	0.9% plus £49,800	17.9% plus £46,100	17.9% plus £47,900	17.9% plus £49,800
Herefordshire & Ludlow College	19.4%	0.5% plus £89,700	0.5% plus £93,200	0.5% plus £96,800	19.9% plus £89,700	19.9% plus £93,200	19.9% plus £96,800
Herefordshire Council	17.6%	£4,047,600	£4,205,400	£4,369,400	17.6% plus £4,047,600	17.6% plus £4,205,400	17.6% plus £4,369,400
Malvern Hills District Council	16.2%	0.8% plus £374,300	0.8% plus £388,900	0.8% plus £404,100	17.% plus £374,300	17.% plus £388,900	17.% plus £404,100
Redditch Borough Council	17.9%	0.7% plus £1,521,900	0.7% plus £1,519,700	0.7% plus £1,517,500	18.6% plus £1,521,900	18.6% plus £1,519,700	18.6% plus £1,517,500
Regulatory Shared Services (Bromsgrove)	18.3%	2.1% plus £29,200	2.1% plus £29,200	2.1% plus £29,200	20.4% plus £29,200	20.4% plus £29,200	20.4% plus £29,200

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
South Worcestershire College	19.3%	£46,900	£48,700	£50,600	19.3% plus £46,900	19.3% plus £48,700	19.3% plus £50,600
Town and Parish Councils	19.2%	6.1%	6.1%	6.1%	25.3%	25.3%	25.3%
University of Worcester	15.7%	£396,800	£412,300	£428,400	15.7% plus £396,800	15.7% plus £412,300	15.7% plus £428,400
Worcester City Council	17.5%	0.7% plus £999,400	0.7% plus £998,000	0.7% plus £996,500	18.2% plus £999,400	18.2% plus £998,000	18.2% plus £996,500
Worcestershire County Council	17.2%	1.9% plus £7,821,500	1.9% plus £7,810,300	1.9% plus £7,798,900	19.1% plus £7,821,500	19.1% plus £7,810,300	19.1% plus £7,798,900
Wychavon District Council	17.6%	0.7% plus £908,000	0.7% plus £906,700	0.7% plus £905,400	18.3% plus £908,000	18.3% plus £906,700	18.3% plus £905,400
Wyre Forest District Council	17.4%	0.8% plus £1,217,300	0.8% plus £1,215,500	0.8% plus £1,213,700	18.2% plus £1,217,300	18.2% plus £1,215,500	18.2% plus £1,213,700
Academies							
Advance Trust T/A Kingfisher	15.9%	0.2% plus £18,900	0.2% plus £19,600	0.2% plus £20,400	16.1% plus £18,900	16.1% plus £19,600	16.1% plus £20,400
Advance Trust T/A Newbridge	18.1%	0.3% plus £9,500	0.3% plus £9,900	0.3% plus £10,300	18.4% plus £9,500	18.4% plus £9,900	18.4% plus £10,300
Advance Trust T/A Riversides	13.8%	0.6% plus £26,600	0.6% plus £27,600	0.6% plus £28,700	14.4% plus £26,600	14.4% plus £27,600	14.4% plus £28,700
Advanced Trust Vale of Evesham	17.0%	1.0% plus £189,800	1.0% plus £197,200	1.0% plus £204,900	18.% plus £189,800	18.% plus £197,200	18.% plus £204,900
Alvechurch Academy (WCC)	17.0%	0.4% plus £35,900	0.4% plus £37,300	0.4% plus £38,800	17.4% plus £35,900	17.4% plus £37,300	17.4% plus £38,800
Ashperton Primary Academy Trust	18.4%	0.5% plus £6,900	0.5% plus £7,200	0.5% plus £7,400	18.9% plus £6,900	18.9% plus £7,200	18.9% plus £7,400
Aspire (Free School Trust)	17.5%	0.6% plus £22,700	0.6% plus £23,600	0.6% plus £24,500	18.1% plus £22,700	18.1% plus £23,600	18.1% plus £24,500

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Astwood Bank	20.7%	0.2% plus £17,300	0.2% plus £18,000	0.2% plus £18,700	20.9% plus £17,300	20.9% plus £18,000	20.9% plus £18,700
AVON Reach (Pershore Academy)	18.7%	0.8% plus £183,300	0.8% plus £190,400	0.8% plus £197,900	19.5% plus £183,300	19.5% plus £190,400	19.5% plus £197,900
Badsey First Academy	16.9%	0.3% plus £15,600	0.3% plus £16,200	0.3% plus £16,900	17.2% plus £15,600	17.2% plus £16,200	17.2% plus £16,900
Barrs Court	14.7%	0.9% plus £66,200	0.9% plus £68,700	0.9% plus £71,500	15.6% plus £66,200	15.6% plus £68,700	15.6% plus £71,500
Bengeworth	17.7%	0.3% plus £57,100	0.3% plus £59,300	0.3% plus £61,600	18.% plus £57,100	18.% plus £59,300	18.% plus £61,600
Birchen Coppice Academy	15.2%	1.2% plus £38,600	1.2% plus £40,100	1.2% plus £41,700	16.4% plus £38,600	16.4% plus £40,100	16.4% plus £41,700
Bishop Perwone Church of England College	18.3%	0.3% plus £58,900	0.3% plus £61,200	0.3% plus £63,600	18.6% plus £58,900	18.6% plus £61,200	18.6% plus £63,600
Bordesley MAT	17.5%	1.1% plus £85,800	1.1% plus £89,100	1.1% plus £92,600	18.6% plus £85,800	18.6% plus £89,100	18.6% plus £92,600
Brockhampton Academy Trust	17.9%	£7,000	£7,300	£7,600	17.9% plus £7,000	17.9% plus £7,300	17.9% plus £7,600
Brookfield	17.2%	0.3% plus £43,000	0.3% plus £44,700	0.3% plus £46,400	17.5% plus £43,000	17.5% plus £44,700	17.5% plus £46,400
Burghill	13.6%	0.4% plus £3,900	0.4% plus £4,100	0.4% plus £4,200	14.% plus £3,900	14.% plus £4,100	14.% plus £4,200
Burley Gate (BAET)	24.3%	0.8% plus £16,200	0.8% plus £16,800	0.8% plus £17,500	25.1% plus £16,200	25.1% plus £16,800	25.1% plus £17,500
Canon Pyon	17.2%	0.5% plus £9,800	0.5% plus £10,200	0.5% plus £10,600	17.7% plus £9,800	17.7% plus £10,200	17.7% plus £10,600
Carnforth (Fairfield Worcs)	15.7%	0.7% plus £27,100	0.7% plus £28,200	0.7% plus £29,300	16.4% plus £27,100	16.4% plus £28,200	16.4% plus £29,300
Central RSA Academies Trust	17.0%	0.6% plus £166,400	0.6% plus £172,900	0.6% plus £179,600	17.6% plus £166,400	17.6% plus £172,900	17.6% plus £179,600

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Christopher Whitehead Language College	19.4%	0.9% plus £75,200	0.9% plus £78,100	0.9% plus £81,200	20.3% plus £75,200	20.3% plus £78,100	20.3% plus £81,200
ContinU Plus	17.8%	0.6% plus £23,600	0.6% plus £24,500	0.6% plus £25,500	18.4% plus £23,600	18.4% plus £24,500	18.4% plus £25,500
Crabbs Cross	17.5%	0.3% plus £13,500	0.3% plus £14,000	0.3% plus £14,600	17.8% plus £13,500	17.8% plus £14,000	17.8% plus £14,600
DoW MAT	18.6%	0.5% plus £249,000	0.5% plus £258,700	0.5% plus £268,800	19.1% plus £249,000	19.1% plus £258,700	19.1% plus £268,800
Droitwich Spa High School and Sixth Form Centre	19.3%	0.9% plus £114,100	0.9% plus £118,500	0.9% plus £123,200	20.2% plus £114,100	20.2% plus £118,500	20.2% plus £123,200
Dyson Perrins Church of England Academy	18.4%	£80,200	£83,300	£86,600	18.4% plus £80,200	18.4% plus £83,300	18.4% plus £86,600
Eastnor Academy	18.3%	£2,300	£2,400	£2,500	18.3% plus £2,300	18.3% plus £2,400	18.3% plus £2,500
Fairfield	15.7%	0.2% plus £40,200	0.2% plus £41,800	0.2% plus £43,400	15.9% plus £40,200	15.9% plus £41,800	15.9% plus £43,400
Foley Park Academy	19.1%	0.5% plus £40,600	0.5% plus £42,200	0.5% plus £43,800	19.6% plus £40,600	19.6% plus £42,200	19.6% plus £43,800
Fourstones MAT	19.7%	0.6% plus £185,300	0.6% plus £192,500	0.6% plus £200,000	20.3% plus £185,300	20.3% plus £192,500	20.3% plus £200,000
Hanley and Upton Education Trust	18.8%	0.5% plus £143,000	0.5% plus £148,600	0.5% plus £154,400	19.3% plus £143,000	19.3% plus £148,600	19.3% plus £154,400
Heart Of Mercia MAT	19.2%	0.8% plus £18,200	0.8% plus £18,900	0.8% plus £19,700	20.% plus £18,200	20.% plus £18,900	20.% plus £19,700
Hereford Academy Limited	18.6%	0.6% plus £71,900	0.6% plus £74,700	0.6% plus £77,600	19.2% plus £71,900	19.2% plus £74,700	19.2% plus £77,600
Hollymount	17.4%	0.2% plus £35,600	0.2% plus £37,000	0.2% plus £38,400	17.6% plus £35,600	17.6% plus £37,000	17.6% plus £38,400

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Holmer Church of England Academy	17.0%	0.6% plus £11,100	0.6% plus £11,500	0.6% plus £12,000	17.6% plus £11,100	17.6% plus £11,500	17.6% plus £12,000
Holy Trinity (WCC)	16.9%	0.5% plus £5,500	0.5% plus £5,700	0.5% plus £5,900	17.4% plus £5,500	17.4% plus £5,700	17.4% plus £5,900
Honeybourne	16.9%	0.3% plus £11,800	0.3% plus £12,300	0.3% plus £12,700	17.2% plus £11,800	17.2% plus £12,300	17.2% plus £12,700
John Kyrle High School & Sixth Form Centre	18.6%	0.6% plus £132,600	0.6% plus £137,800	0.6% plus £143,100	19.2% plus £132,600	19.2% plus £137,800	19.2% plus £143,100
John Masefield High School and Sixth Form Centre	20.6%	£59,300	£61,700	£64,000	20.6% plus £59,300	20.6% plus £61,700	20.6% plus £64,000
Kingstone Academy Trust	18.2%	0.4% plus £62,400	0.4% plus £64,800	0.4% plus £67,400	18.6% plus £62,400	18.6% plus £64,800	18.6% plus £67,400
Lady Hawkins School	20.8%	1.6% plus £27,400	1.6% plus £28,500	1.6% plus £29,600	22.4% plus £27,400	22.4% plus £28,500	22.4% plus £29,600
Lickhill Primary	16.7%	1.7% plus £10,600	1.7% plus £11,000	1.7% plus £11,400	18.4% plus £10,600	18.4% plus £11,000	18.4% plus £11,400
Llangrove	23.4%	1.3% plus £6,300	1.3% plus £6,500	1.3% plus £6,800	24.7% plus £6,300	24.7% plus £6,500	24.7% plus £6,800
Lugwardine Primary Academy Trust	20.7%	0.5% plus £18,300	0.5% plus £19,000	0.5% plus £19,800	21.2% plus £18,300	21.2% plus £19,000	21.2% plus £19,800
Marden	17.9%	1.5% plus £12,300	1.5% plus £12,800	1.5% plus £13,300	19.4% plus £12,300	19.4% plus £12,800	19.4% plus £13,300
Matchborough	17.4%	0.8% plus £21,100	0.8% plus £21,900	0.8% plus £22,800	18.2% plus £21,100	18.2% plus £21,900	18.2% plus £22,800
Mercian Education Trust Academy	17.4%	0.5% plus £89,000	0.5% plus £92,400	0.5% plus £96,100	17.9% plus £89,000	17.9% plus £92,400	17.9% plus £96,100
Mordiford	20.0%	0.4% plus £8,300	0.4% plus £8,600	0.4% plus £9,000	20.4% plus £8,300	20.4% plus £8,600	20.4% plus £9,000
Nunnery Wood High School	18.2%	0.7% plus £119,700	0.7% plus £124,400	0.7% plus £129,200	18.9% plus £119,700	18.9% plus £124,400	18.9% plus £129,200

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Oasis - Warndon	16.2%	0.2% plus £40,900	0.2% plus £42,500	0.2% plus £44,200	16.4% plus £40,900	16.4% plus £42,500	16.4% plus £44,200
Ormiston - Tenbury	18.4%	0.7% plus £40,300	0.7% plus £41,900	0.7% plus £43,500	19.1% plus £40,300	19.1% plus £41,900	19.1% plus £43,500
Our Lady of Lourdes	17.0%	0.7% plus £158,500	0.7% plus £164,700	0.7% plus £171,100	17.7% plus £158,500	17.7% plus £164,700	17.7% plus £171,100
Perrywood	18.1%	0.4% plus £48,300	0.4% plus £50,200	0.4% plus £52,100	18.5% plus £48,300	18.5% plus £50,200	18.5% plus £52,100
Prince Henry's Academy	19.1%	0.9% plus £77,900	0.9% plus £80,900	0.9% plus £84,100	20.% plus £77,900	20.% plus £80,900	20.% plus £84,100
Queen Elizabeth Humanities College Academy Trust	18.5%	£43,500	£45,200	£47,000	18.5% plus £43,500	18.5% plus £45,200	18.5% plus £47,000
Regency	16.8%	0.5% plus £98,000	0.5% plus £101,800	0.5% plus £105,800	17.3% plus £98,000	17.3% plus £101,800	17.3% plus £105,800
Ridgeway	15.7%	0.3% plus £3,900	0.3% plus £4,100	0.3% plus £4,200	16.% plus £3,900	16.% plus £4,100	16.% plus £4,200
Rivers Multi Academy Trust	18.3%	0.7% plus £327,100	0.7% plus £339,900	0.7% plus £353,100	19.% plus £327,100	19.% plus £339,900	19.% plus £353,100
Severn Academy Education Trust (Stourport on Severn)	17.3%	£185,500	£192,700	£200,300	17.3% plus £185,500	17.3% plus £192,700	17.3% plus £200,300
South Bromsgrove	18.8%	£77,300	£80,300	£83,400	18.8% plus £77,300	18.8% plus £80,300	18.8% plus £83,400
St Johns	18.4%	0.1% plus £48,800	0.1% plus £50,700	0.1% plus £52,700	18.5% plus £48,800	18.5% plus £50,700	18.5% plus £52,700
St Johns Primary (The Spire C of E)	19.7%	0.4% plus £45,000	0.4% plus £46,800	0.4% plus £48,600	20.1% plus £45,000	20.1% plus £46,800	20.1% plus £48,600
St Marys Broadway	19.9%	£9,600	£10,000	£10,400	19.9% plus £9,600	19.9% plus £10,000	19.9% plus £10,400

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
St Marys Evesham	18.4%	£15,300	£15,900	£16,500	18.4% plus £15,300	18.4% plus £15,900	18.4% plus £16,500
St Matthias Church of England Primary Academy	21.1%	0.5% plus £17,200	0.5% plus £17,800	0.5% plus £18,500	21.6% plus £17,200	21.6% plus £17,800	21.6% plus £18,500
St Michaels (BAET)	18.5%	1.0% plus £19,600	1.0% plus £20,400	1.0% plus £21,200	19.5% plus £19,600	19.5% plus £20,400	19.5% plus £21,200
St Nicholas Owen Catholic Multi Academy Trust	19.5%	0.8% plus £132,200	0.8% plus £137,400	0.8% plus £142,700	20.3% plus £132,200	20.3% plus £137,400	20.3% plus £142,700
St Pauls Church of England Primary School	19.6%	0.4% plus £33,400	0.4% plus £34,700	0.4% plus £36,100	20.% plus £33,400	20.% plus £34,700	20.% plus £36,100
St Thomas Cantilupe	20.0%	0.3% plus £12,400	0.3% plus £12,900	0.3% plus £13,400	20.3% plus £12,400	20.3% plus £12,900	20.3% plus £13,400
Stanley Road (Perry Hall MAT)	18.0%	0.3% plus £58,400	0.3% plus £60,700	0.3% plus £63,000	18.3% plus £58,400	18.3% plus £60,700	18.3% plus £63,000
Steiner Academy	19.1%	0.5% less £1,800	0.5% less £1,900	0.5% less £1,900	19.6% less £1,800	19.6% less £1,900	19.6% less £1,900
Stretton Sugwas Church of England Academy	18.0%	0.9% plus £13,000	0.9% plus £13,500	0.9% plus £14,100	18.9% plus £13,000	18.9% plus £13,500	18.9% plus £14,100
Suckley School	18.5%	0.3% plus £4,200	0.3% plus £4,400	0.3% plus £4,500	18.8% plus £4,200	18.8% plus £4,400	18.8% plus £4,500
Tenbury Primary School (BAET)	20.6%	0.4% plus £25,100	0.4% plus £26,100	0.4% plus £27,100	21.% plus £25,100	21.% plus £26,100	21.% plus £27,100
The Chantry School	20.1%	0.8% plus £56,000	0.8% plus £58,200	0.8% plus £60,500	20.9% plus £56,000	20.9% plus £58,200	20.9% plus £60,500
The Chase School	18.6%	£137,000	£142,200	£147,800	18.6% plus £137,000	18.6% plus £142,200	18.6% plus £147,800

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
The Coppice Primary School	18.6%	0.5% plus £44,400	0.5% plus £46,100	0.5% plus £47,900	19.1% plus £44,400	19.1% plus £46,100	19.1% plus £47,900
The Herefordshire Marches Federation of Academies	17.7%	0.5% plus £99,500	0.5% plus £103,400	0.5% plus £107,400	18.2% plus £99,500	18.2% plus £103,400	18.2% plus £107,400
The Hill Trust (WCC)	18.2%	0.5% plus £46,100	0.5% plus £47,800	0.5% plus £49,700	18.7% plus £46,100	18.7% plus £47,800	18.7% plus £49,700
The Villages MAT	18.2%	0.4% plus £107,800	0.4% plus £112,000	0.4% plus £116,400	18.6% plus £107,800	18.6% plus £112,000	18.6% plus £116,400
Tudor Grange (Redditch)	20.9%	£44,500	£46,200	£48,000	20.9% plus £44,500	20.9% plus £46,200	20.9% plus £48,000
Tudor Grange Academy	16.6%	£53,500	£55,600	£57,800	16.6% plus £53,500	16.6% plus £55,600	16.6% plus £57,800
Vaynor First	17.9%	0.5% plus £28,400	0.5% plus £29,500	0.5% plus £30,700	18.4% plus £28,400	18.4% plus £29,500	18.4% plus £30,700
Walkwood Academy Trust	19.5%	0.7% plus £54,000	0.7% plus £56,100	0.7% plus £58,300	20.2% plus £54,000	20.2% plus £56,100	20.2% plus £58,300
Waseley Hills High School	21.4%	0.2% plus £65,100	0.2% plus £67,600	0.2% plus £70,300	21.6% plus £65,100	21.6% plus £67,600	21.6% plus £70,300
Webheath First School Academy	18.7%	0.6% plus £19,000	0.6% plus £19,800	0.6% plus £20,500	19.3% plus £19,000	19.3% plus £19,800	19.3% plus £20,500
Whitecross Hereford High School	19.4%	0.6% plus £65,300	0.6% plus £67,800	0.6% plus £70,500	20.% plus £65,300	20.% plus £67,800	20.% plus £70,500
Wigmore School	19.8%	0.9% plus £62,900	0.9% plus £65,400	0.9% plus £67,900	20.7% plus £62,900	20.7% plus £65,400	20.7% plus £67,900
Woodfield Academy	20.2%	0.6% plus £64,900	0.6% plus £67,400	0.6% plus £70,100	20.8% plus £64,900	20.8% plus £67,400	20.8% plus £70,100
Woodrush High School and Academy for Students aged 11-18 Ltd	16.0%	0.5% plus £69,200	0.5% plus £71,900	0.5% plus £74,700	16.5% plus £69,200	16.5% plus £71,900	16.5% plus £74,700

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Transferee Admission Bodies							
Action for Children	21.1%	1.4% less £62,100	1.4% less £64,500	1.4% less £67,000	22.5% less £62,100	22.5% less £64,500	22.5% less £67,000
Addaction	24.5%	(£500)	(£500)	(£500)	24.5% less £500	24.5% less £500	24.5% less £500
AIP Aylestone	17.3%	£0	£0	£0	17.3%	17.3%	17.3%
AIP Bewdley	22.9%	£100	£100	£100	22.9% plus £100	22.9% plus £100	22.9% plus £100
AIP WFS Catering	23.9%	£0	£0	£0	23.9%	23.9%	23.9%
Arete	17.8%	0.2% less £1,700	0.2% less £1,800	0.2% less £1,800	18.% less £1,700	18.% less £1,800	18.% less £1,800
Aspens	25.2%	(£200)	(£200)	(£200)	25.2% less £200	25.2% less £200	25.2% less £200
Aspire Living Ltd	21.6%	1.2% plus £10,300	1.2% plus £10,700	1.2% plus £11,100	22.8% plus £10,300	22.8% plus £10,700	22.8% plus £11,100
Aztec Watersports	19.2%	(£2,200)	(£2,300)	(£2,400)	19.2% less £2,200	19.2% less £2,300	19.2% less £2,400
Babcock Training Limited	22.6%	-3.0% plus £75,900	-3.0% plus £78,700	-3.0% plus £81,600	19.6% plus £75,900	19.6% plus £78,700	19.6% plus £81,600
Balfour Beatty Living Places	23.0%	0.5% less £348,400	0.5% less £362,000	0.5% less £376,100	23.5% less £348,400	23.5% less £362,000	23.5% less £376,100
Bespoke Cleaning Services	26.8%	(£300)	(£300)	(£300)	26.8% less £300	26.8% less £300	26.8% less £300
Bromsgrove PFI	21.8%	1.4% less £4,900	1.4% less £5,100	1.4% less £5,300	23.2% less £4,900	23.2% less £5,100	23.2% less £5,300
CAPITA	20.3%	(£23,900)	(£24,800)	(£25,800)	20.3% less £23,900	20.3% less £24,800	20.3% less £25,800
CIVICA (HUB)	22.7%	0.8% less £13,900	0.8% less £14,400	0.8% less £15,000	23.5% less £13,900	23.5% less £14,400	23.5% less £15,000
CIVICA (WDC)	18.8%	2.1% less £180,500	2.1% less £187,500	2.1% less £194,900	20.9% less £180,500	20.9% less £187,500	20.9% less £194,900

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Computer Systems in Education Ltd	26.5%	£100	£100	£100	26.5% plus £100	26.5% plus £100	26.5% plus £100
Cygnet foods	18.2%	3.1% plus £400	3.1% plus £400	3.1% plus £400	21.3% plus £400	21.3% plus £400	21.3% plus £400
ECHO	24.3%	£800	£800	£900	24.3% plus £800	24.3% plus £800	24.3% plus £900
Field Studies Council	24.0%	(£3,400)	(£3,500)	(£3,700)	24.% less £3,400	24.% less £3,500	24.% less £3,700
FitzRoy Support	24.9%	0.6% plus £1,000	0.6% plus £1,000	0.6% plus £1,100	25.5% plus £1,000	25.5% plus £1,000	25.5% plus £1,100
Freedom Leisure	19.7%	0.9% less £9,500	0.9% less £9,900	0.9% less £10,300	20.6% less £9,500	20.6% less £9,900	20.6% less £10,300
Herecad Enterprises Limited	25.7%	(£200)	(£200)	(£200)	25.7% less £200	25.7% less £200	25.7% less £200
JACOBS	23.8%	0.2% less £106,200	0.2% less £110,300	0.2% less £114,600	24.% less £106,200	24.% less £110,300	24.% less £114,600
Kidderminster District Youth Trust	18.5%	0.3% plus £1,100	0.3% plus £1,100	0.3% plus £1,200	18.8% plus £1,100	18.8% plus £1,100	18.8% plus £1,200
Liberata	22.4%	(£97,700)	(£101,500)	(£105,500)	22.4% less £97,700	22.4% less £101,500	22.4% less £105,500
Malvern Hills OEC	18.5%	(£400)	(£400)	(£400)	18.5% less £400	18.5% less £400	18.5% less £400
NHS Redditch and Bromsgrove CCG	24.2%	(£6,200)	(£6,400)	(£6,700)	24.2% less £6,200	24.2% less £6,400	24.2% less £6,700
Place Partnership	21.3%	0.8% less £117,800	0.8% less £122,400	0.8% less £127,200	22.1% less £117,800	22.1% less £122,400	22.1% less £127,200
Ridge Crest	23.7%	£200	£200	£200	23.7% plus £200	23.7% plus £200	23.7% plus £200
Ringway	20.8%	0.2% less £5,700	0.2% less £5,900	0.2% less £6,200	21.% less £5,700	21.% less £5,900	21.% less £6,200

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Rubicon Leisure	18.9%	0.6% plus £17,500	0.6% plus £18,200	0.6% plus £18,900	19.5% plus £17,500	19.5% plus £18,200	19.5% plus £18,900
Severn Arts	21.4%	£8,700	£9,000	£9,400	21.4% plus £8,700	21.4% plus £9,000	21.4% plus £9,400
Shaw Healthcare Limited	24.3%	0.9% less £143,800	0.9% less £149,400	0.9% less £155,200	25.2% less £143,800	25.2% less £149,400	25.2% less £155,200
Sports & Leisure Management	18.9%	£700	£700	£800	18.9% plus £700	18.9% plus £700	18.9% plus £800
Timberdine Nursing & Rehab Unit	25.8%	(£800)	(£800)	(£900)	25.8% less £800	25.8% less £800	25.8% less £900
Worcester Community Trust	22.5%	0.8% less £15,600	0.8% less £16,200	0.8% less £16,800	23.3% less £15,600	23.3% less £16,200	23.3% less £16,800
Community Admission Bodies							
Bromsgrove Housing Trust	20.4%	0.2% plus £59,100	0.2% plus £61,500	0.2% plus £63,800	20.6% plus £59,100	20.6% plus £61,500	20.6% plus £63,800
Encore Enterprises Limited	22.9%	(£6,100)	(£6,300)	(£6,600)	22.9% less £6,100	22.9% less £6,300	22.9% less £6,600
FOCSA Services UK Limited	22.9%	0.7% less £40,700	0.7% less £42,300	0.7% less £43,900	23.6% less £40,700	23.6% less £42,300	23.6% less £43,900
Fortis Living	19.1%	£157,900	£164,100	£170,500	19.1% plus £157,900	19.1% plus £164,100	19.1% plus £170,500
Halo Leisure	16.2%	2.2% plus £95,000	2.2% plus £98,700	2.2% plus £102,600	18.4% plus £95,000	18.4% plus £98,700	18.4% plus £102,600
Herefordshire Housing Limited	16.5%	1.0% less £40,700	1.0% less £42,300	1.0% less £43,900	17.5% less £40,700	17.5% less £42,300	17.5% less £43,900
Malvern Hills Conservators	21.4%	0.4% plus £63,600	0.4% plus £66,100	0.4% plus £68,700	21.8% plus £63,600	21.8% plus £66,100	21.8% plus £68,700
Sports Partnerhip	21.5%	0.3% plus £1,300	0.3% plus £1,400	0.3% plus £1,400	21.8% plus £1,300	21.8% plus £1,400	21.8% plus £1,400

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
The Community Housing Group	19.2%	1.6% plus £423,800	1.6% plus £440,300	1.6% plus £457,500	20.8% plus £423,800	20.8% plus £440,300	20.8% plus £457,500
Wychavon Leisure Community	20.4%	£30,800	£32,000	£33,200	20.4% plus £30,800	20.4% plus £32,000	20.4% plus £33,200

Notes:

1. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS.

2. The employer has chosen to pay their required secondary rate over the three years as one payment. Cash payments in respect of the total £ lump sums are payable by 30 April 2020. The amounts shown each year have been reduced to reflect the early payment.

3. The employer has chosen to pay each year's secondary rate as one payment each year. These annual cash payments are payable by 30 April of the year in which they are due. These amounts have been reduced to reflect this early payment.

4. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions in advance instead of monthly amounts, with either all three years being paid in April 2020 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:

    - Payments made in the April of the certified year will be reduced by 1.97% (i.e. the above amounts will be multiplied by 0.9803) if the employer is in the Higher Risk pot (1.85% and 0.9815 respectively for employers in the Medium Risk pot)
    - 2021/22 payments made in April 2020 will be reduced by 5.78% (i.e. the above amounts will be multiplied by 0.9422) if the employer is in the Higher Risk pot (5.44% and 0.9456 respectively for employers in the Medium Risk pot)
    - 2022/23 payments made in April 2020 will be reduced by 9.45% (i.e. the above amounts will be multiplied by 0.9055) if the employer is in the Higher Risk pot (8.9% and 0.9110 respectively for employers in the Medium Risk pot)

5. Where % contributions are being paid in advance, for these cases the employer will need to estimate in advance the pensionable pay for the entire period (subject to an agreed adjustment with the Administering Authority) and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 30th April as appropriate following the year-end). Consideration will be required for employers in surplus as at 31 March 2019, where any surplus offset would be made up front before any reduction for early payment is applied. Further information on the policy for prepayments can be provided by the

Fund upon request. It should be noted that only certain employers will be able to pay their primary rate in advance due to the operational complexity.

6. Where the secondary rate is a £ deduction to the primary rate due to an employer being in surplus, the total annual contributions payable by each employer will be subject to a minimum of zero i.e. no monies can be refunded to an employer whilst they participate in the Fund.

7. Employers were given the option of whether to pay additional contributions over 2020/23 in respect of the potential additional McCloud costs or any other factors. Where employers did not opt to pay the additional contributions for the McCloud costs, they are expected to make provision for this within their budgets. Once the final remedy for McCloud is known, additional contributions will be required from such employers, which will include allowance for any additional McCloud liabilities built up after 31 March 2019. Employers will therefore be notified of the additional payments required once the remedy has been agreed and the costs are known. This certificate will then be updated if appropriate to reflect these changes to contribution requirements. If an employer has made allowance in their contributions, then no adjustment will be made. Any contribution changes will take effect from a date to be determined by the Administering Authority.

8. Where employers opted to pay the additional contributions for the estimated effect of the McCloud judgment, once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time if the McCloud remedy is substantially different from that currently anticipated, based on the Administering Authority's current knowledge and understanding of the likely outcome it believes that requiring such additional contributions is an unlikely outcome. In the event that additional contributions are required, this certificate will then be updated to reflect these changes. Any contribution changes will take effect from a date to be determined by the Administering Authority.

9. The solvency funding target and primary rate for this employer has been calculated using a real investment return above CPI assumption of 1.4% p.a. which is in line with the returns available in the medium risk investment strategy employer bucket.

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