

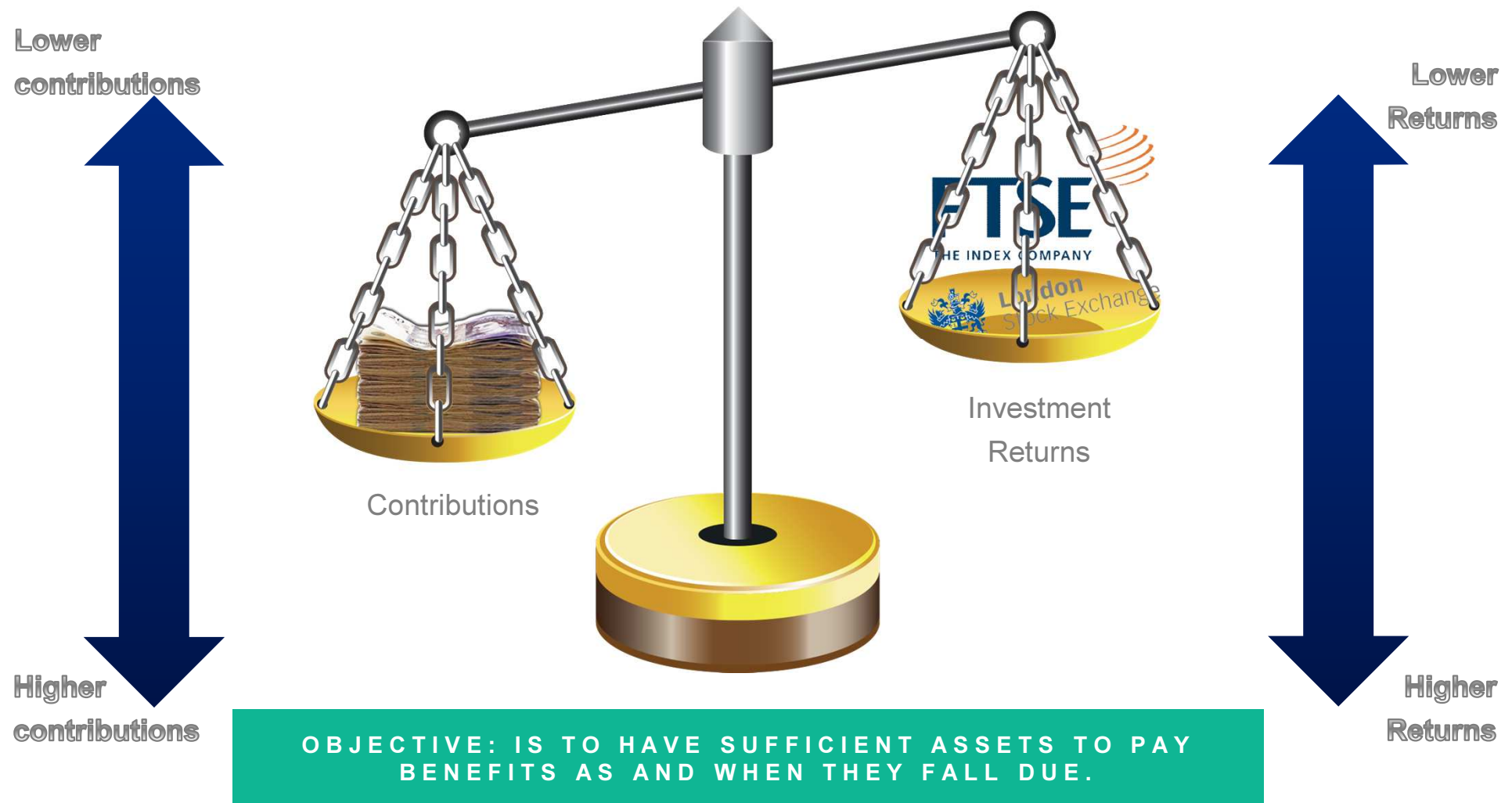
WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

ACTUARY'S UPDATE

December 2015



PURPOSE OF AN ACTUARIAL VALUATION FINANCING THE BENEFITS



KEY ISSUES AFFECTING FUNDING AND RISK MANAGEMENT

CASHFLOWS AND
INVESTMENT STRATEGY

FALL IN MARKET YIELDS VS
EXPECTED RETURNS FROM
STRATEGY

AFFORDABILITY VS SOLVENCY

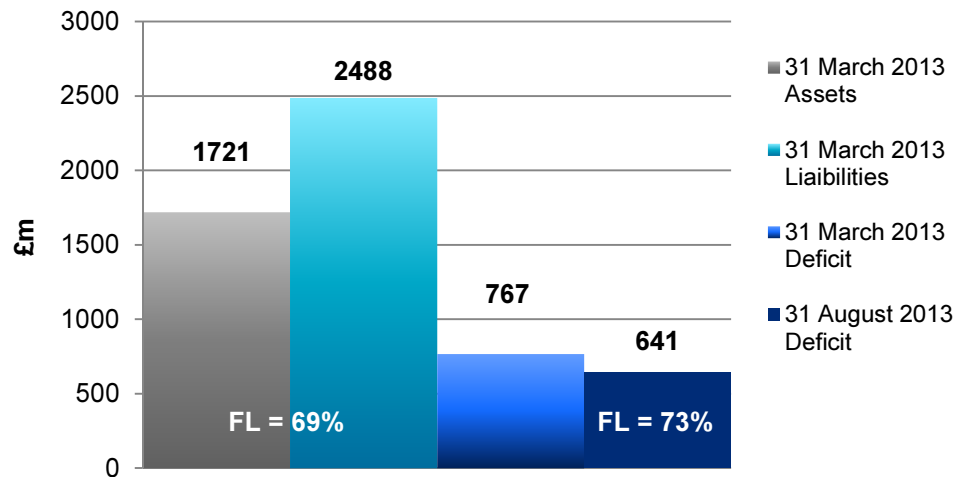
TRANSPARENCY AND FLEXIBILITY

COMMUNICATION WITH
STAKEHOLDERS AND
BENCHMARKING

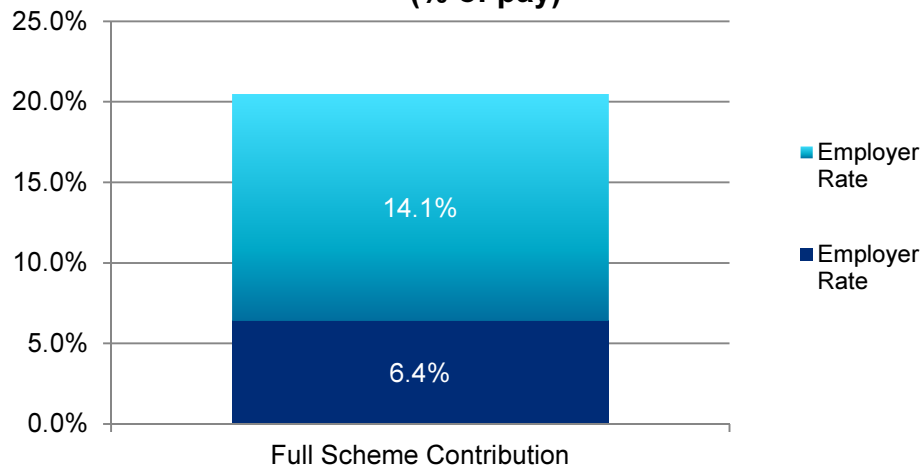


2013 VALUATION RESULTS - RECAP WHOLE FUND

Funding Position at 31 March 2013



**Average Future Service Contribution Rate
(% of pay)**



Current average future service contributions
(14.1% of pay) = c£46m pa

Average Recovery
period (Whole Years)

21

Certified Average Deficit
Payment (increasing with
assumed pay growth)

2015/16 - £34m

2016/17 - £37m

2017/18 - £39m

Total average contributions in 2015/16 = c£80m

Note: Future service contributions are based
on a payroll of £325m

2016 VALUATION

THE GOOD, THE NOT SO GOOD AND THE PRESENTLY UNKNOWN



- Fund's investment performance
- Payment of deficit contributions
- From a funding perspective, extension of short-term public sector pay restraint (now 1% p.a. to 31 March 2020)
- Actual CPI inflation since 2013



- Continued low interest rate environment, leading to low(er) return expectations (e.g. discount rate)
- Continued uncertainty regarding employer budgets / affordability
- Impact of NI contribution increase



- Impact of actual membership experience over 2013-2016 and post 2016 trends e.g.
 - Longevity
 - Actual Salary "increases"
 - Leavers
 - Future Fund profile
 - Impact of asset pooling
- Alignment of past/future service assumptions?

FUNDING STRATEGY CONSIDERATIONS

FINANCIAL AND DEMOGRAPHIC ASSUMPTIONS

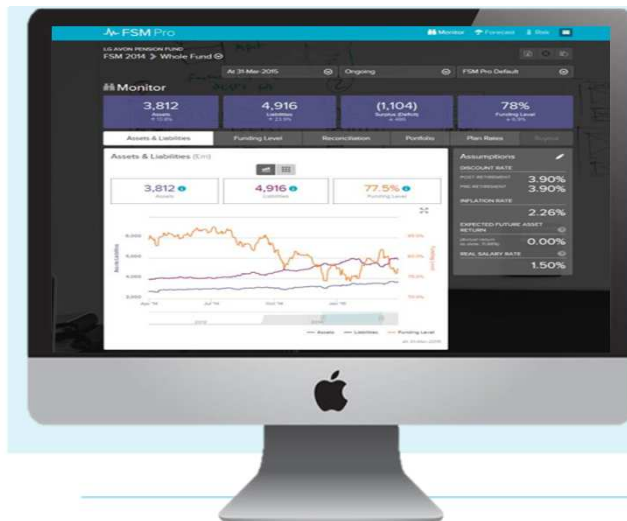
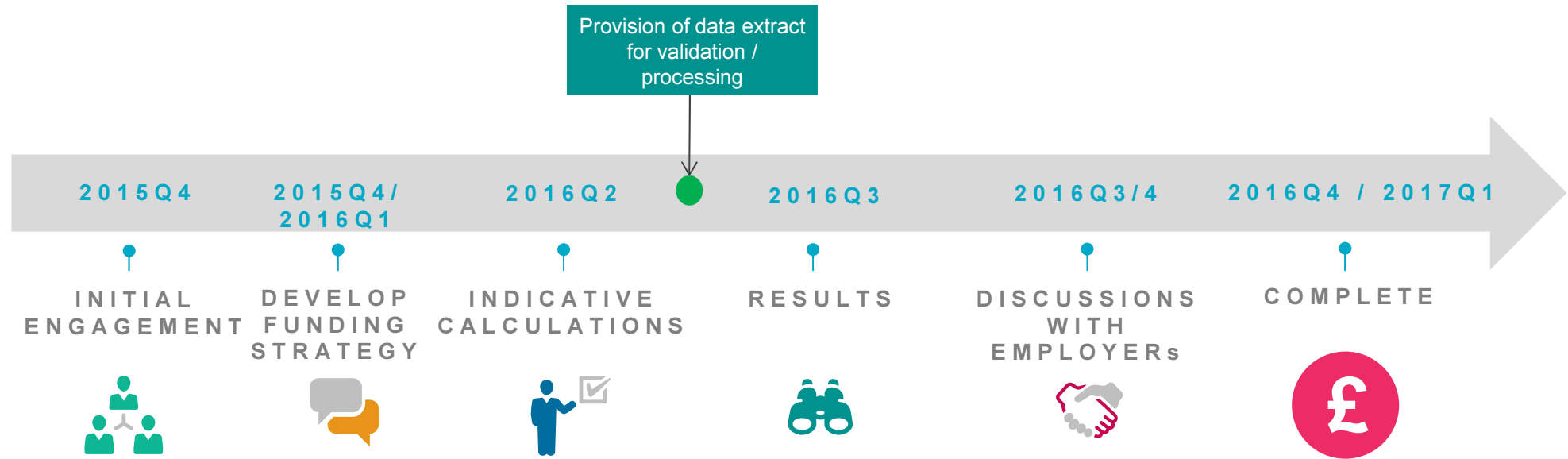
RECOVERY PERIOD

PHASING OF INCREASES

STABILITY/AFFORDABILITY

COVENANT

2016 VALUATION TIMELINE



MONITORING AND UPDATES



MAKE
TOMORROW,
TODAY

