

London Borough of Croydon Pension Fund (“the Fund”) Actuarial Statement for 2011/12

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2011/12.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS).

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund’s assets, which at 31 March 2010 were valued at £583 million, were sufficient to meet 66% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £301 million.

Individual employers’ contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions adopted by Mercer for the formal valuation are described in the report dated 31 March 2011.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

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The key financial assumptions used to assess the past service liabilities for the 2010 valuation were as follows:

Financial assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.0%	3.0%
Pay increases *	4.75%	1.75%
Price inflation/Pension increases	3.0%	-

*Those employers for which the public-sector short term pay restraints have been taken into account in the assessment of the Past Service Funding Position are Croydon Council, BRIT School and the Academies.

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with SAPS mortality tables with an allowance for long-term improvements of 1% per annum (in line with the mortality projections model published in November 2009 by the CMI) and member category specific adjustments. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.1 years
Future Pensioners*	22.8 years	25.9 years

*Figures assume members aged 45 at the last formal valuation date.

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Croydon Council, administering authority to the Fund.

Experience over the period since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2012. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation due to falling real bond yields and lower asset returns than expected.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.



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For and on behalf of Hymans Robertson LLP
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