Pensions Committee

2pm, Wednesday 18 December 2013

Contribution Stability Mechanism 2013

Item number	5.3
Report number	
Wards	All

Links

Coalition pledges	
Council outcomes	CO26
Single Outcome Agreement	

Alastair Maclean

Director of Corporate Governance

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Executive summary

Contribution Stability Mechanism 2013

Summary

This report provides an update on the work undertaken to progress a Contribution Stability Mechanism for the main Lothian Pension Fund.

Recommendations

Pensions Committee is requested to approve the Contribution Stability Mechanism from 1 April 2014 as detailed in Appendix 1.

Measures of success

The principal objective of the Fund is to ensure its long-term solvency. The Fund therefore targets full funding on an ongoing basis over the long-term. Employer contribution stability is also a policy commitment of the Fund.

Financial impact

The proposed contribution stability mechanism, if implemented, would provide certainty of pension contributions to certain Fund employers for future years, together with appropriate assurance of funding level to the Fund.

Equalities impact

There are no adverse equality impacts arising from this report.

Sustainability impact

There are no adverse sustainability impacts arising from this report.

Consultation and engagement

The Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is integral to the governance of the Funds.

Pensions Committee and Consultative Panel members attended a training session on 12 November 2013. This included a specific session covering the setting of employer contribution rates and the rationale for the proposed contribution stabilisation measures.

Consultation on the proposed contribution stability mechanism has been undertaken with the Fund employers. The outcome of this consultation is covered in the main report.

Background reading / external references

None

Report

Contribution Stability Mechanism 2013

1. Background

1.1 The Funding Strategy Statement of Lothian Pension Fund states “The policy of the Fund is to operate a contribution stability mechanism on an ongoing basis subject to regular reviews”.

1.2 At its meeting on 24 September 2013, Pensions Committee noted the report “Funding and Contribution Stability”. This report outlined the ongoing work to develop suitable contribution parameters.

2. Main report

Financial Modelling – Key Assumptions

2.1 In developing the proposed contribution stability mechanism the Fund commissioned, from its Actuary, detailed financial modelling of liability and asset cashflows under a range of employer contribution scenarios. Forecasts were made over the long term horizon relevant to the Local Government Pension Scheme.

2.2 Key financial assumptions reflected a prudent approach to funding obligations. The assumed replacement ratio of new entrants reflects an anticipated long term reduction in the public sector workforce.

2.3 Expected investment returns and the future level of gilt yields are critical elements of the modelling. Additional scrutiny of these financial assumptions was achieved using an independent adviser to the Fund’s Investment Strategy Panel. Investment return expectations reflect the Fund’s recent adoption of a lower volatility investment strategy.

2.4 The modelling work enables quantification of the likelihood that a given contribution strategy would lead to the Fund being fully funded in the long term. The Actuary needs to satisfy professional requirements that valuations be carried out in compliance with the actuarial principles of prudence, affordability, stewardship and stability.

2.5 Accordingly, the Fund’s Actuary has confirmed that this financial modelling provides suitable assurance for his approval of the proposed contribution stability mechanism.

2.6 The financial modelling report is shown in full at Appendix 2 “Asset-liability modelling of stabilised contribution scenarios – 25 October 2013”.

Contribution Stability Mechanism – Proposal and Consultation

2.7 The proposed contribution stability mechanism is detailed at Appendix 1. This was provided to all the Fund’s employers as a consultation document. Face to face discussions have also been held with senior officials from affected employers.

2.8 Initial employer feedback to the proposal has been very positive. Employers welcomed the early notification ahead of the 2014 actuarial valuation and also the proposed stability. An oral update on any recent responses to the consultation will be provided to the Pensions Committee.

2.9 The contribution rates for the employers who will not be covered by this proposal will be set, as normal, during 2014/15 as part of the 2014 actuarial valuation.

Allowance for Different Employers

2.10 The proposed contribution stability mechanism is applicable to only some employers and is also subject to employer covenant. The Fund is undertaking an employer survey to assess the status of each employer in terms of its financial status, funding sources, changes to organisation etc. This information will assist the Fund in assessing employer covenant.

2.11 As part of this covenant review, it is proposed that the Fund take a proactive approach to updating employer admission agreements, some of which have become out of date.

Cashflow

2.12 The modelling also provided updated cashflow projections based on Fund membership as at March 2013 (slides 51 to 58). They show that due to low salary growth and reduced membership since the projections undertaken in 2010, the Fund is expected to move to a cashflow negative position in the near future. Currently, contributions received by the Fund remain sufficient to pay pension benefits. When cashflow does move negative the Fund will use investment income to pay pensions, rather than reinvesting.

2.13 There continue to be uncertainties affecting the Fund’s cashflow. Employers are expected to reduce workforce numbers further. Scheme reform may also have an impact on cashflow, particularly the option for members to opt for 50% of benefits. The full impact of auto-enrolment will not be known until at least 2017, as the Fund’s largest employers have delayed the full introduction of auto-enrolment until 2017. It will be important to continue to monitor the position.

3. Recommendations

Pensions Committee is requested:

3.1 to approve the Contribution Stability Mechanism for employer contribution rates until March 2021 as detailed in Appendix 1;

3.2 to agree the proposal to take a proactive approach to updating employer admission agreements.

4. Background reading / external references

None

Alastair Maclean

Director of Corporate Governance

Links

Coalition pledges	
Council outcomes	CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.
Single Outcome Agreement	
Appendices	Appendix 1 - Contribution Stability Mechanism 2013 Appendix 2 – Asset-liability modelling of stabilised contribution scenarios – 25 October 2013

Contribution Stability Mechanism 2013

November 2013

Background

The 2011 triennial actuarial valuation set employer contribution rates for the three years to 31 March 2015. Pension schemes, however, have a long-term time horizon. Lothian Pension Fund wishes both to avoid volatility in contribution rates based on fluctuations in short-term funding levels and also, where possible, to assist employers with their budgeting.

The funding objectives as stated in the Funding Strategy Statement include:

- to ensure the long-term solvency of the overall Fund and that of sub-funds;
- to minimise the degree of short-term change in employer contribution rates;
- maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer;
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment;
- to help employers manage their pension liabilities;
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers.

These objectives are desirable individually, but may be mutually conflicting.

The principal issues facing the solvency of the Fund include the ability to finance liabilities as and when they arise, the rate or volatility in the rate of contribution paid by the employers, the pace at which deficits are recovered (or surpluses used up) and the returns on the Fund's investments.

The Fund therefore targets full funding on an ongoing basis over the long term with an acceptable likelihood of success and attempts to keep risks within tolerable limits, whilst ensuring contributions are as affordable and stable as possible.

An explicit commitment has been made to operate a contribution stability mechanism on an ongoing basis subject to regular reviews.

Contribution Stability

The cost of the benefits is not known in advance. The approach to funding determines the pace at which employers pay for the benefits and the ways in which the Fund ensures that it will have enough money to pay the benefits due to its members.

Accordingly, the Fund has received detailed modelling of liability and asset cashflows under a range of employer contribution scenarios from the Fund's actuary. The scenarios included consideration of different levels and duration of contribution stability.

Financial assumptions were tailored to reflect specific factors. These included the anticipated long term level and volatility of gilt yields, equity and other investment returns plus inflation. A reduction in the public sector employer workforce was also reflected. The Fund has thereby taken appropriate steps to assess the implications of potential contribution strategies to ensure compliance with professional standards, the relevant actuarial principles being prudence, affordability, stability and stewardship. The Fund can provide any employer with more detail on the actuarial modelling if required.

Risks to the Fund & Employers

The risk to the Fund in providing contribution stability is that the likelihood of achieving full funding is reduced. This has been a key consideration and the actuarial modelling has provided sufficient comfort on this matter.

The risk to employers is that, if they pay less than the theoretical contribution rates now, they would face increased pensions costs in future years, (As a reminder, however, the contribution rates agreed at actuarial valuations represent minimum contributions. Employers retain the discretion to pay more.)

Conversely, a risk facing employers should the level of stabilised contributions prove to be overly prudent, is that outlays will have been greater than actually required. In this case, employers would benefit from any accrued surplus in future years by reduced contributions.

A further risk to the Fund is the potential inability of employer(s) to finance increased pension costs in the future and stabilising contributions may increase this risk. As a multi-employer scheme, this is, in effect, a risk to all the employers in the Fund. This proposal allows for the specific circumstances of employers in an attempt to manage this risk. (See below)

Allowance for Different Employers

In parallel with the actuarial modelling, ongoing work to assess the financial security offered to the Fund by its respective employers is being undertaken. This includes guarantor and admission agreement reviews, as well as analysis of financial covenant and membership profiles. The strength of the employer covenant influences the extent to which it would be appropriate for the Fund to accord contribution stability to individual or groups of employers.

Councils and other statutory bodies have tax-raising powers, a large membership and will be in existence for a long period of time. There is therefore a low risk that such authorities will fail to meet pension obligations. Other large employers may also offer good financial security to the Fund and some employers with the Fund are guaranteed by the Scottish Government.

Employers to whom the Fund will not accord Contribution Stability:

- Employers which have closed the Lothian Pension Fund to new entrants (or are deemed by the Fund to have closed based on experience).

  As the duration of Fund membership of these employers is finite, it is not considered prudent to offer the discretion of contribution stability to these employers.

- Transfer Admission Bodies (i.e. Public Service Contractors)

  Such employers again have a finite duration of membership of the Fund, i.e. limited to the contract period with the awarding authority. Contractors should continue to pay contributions that target full funding by the end of the participation period.

- Community Admission Bodies included with the smaller employer “pool”

  As part of a pool of employers with similar membership characteristics, a degree of inherent stabilisation of contributions and risk mitigation is already provided. The Fund also has to consider the potential volatility in the smaller employer pool should some employers cease membership and exit the Local Government Pension Scheme.

Contribution Stability Mechanism – Proposal

What level of contributions?

- **“Frozen contribution rate until 31 March 2018 then +0.5% / -0.5% p.a.”**
  i.e. contributions frozen at the total 2014/15 combined rate (as determined by Actuarial Valuation as at 31 March 2011) until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could only vary from this rate by a maximum of 0.5% per annum (or minimum of -0.5% per annum).
- This total rate above would be inclusive of contributions to recover the deficit in the Fund i.e. Past Service Deficit. This Past Service Deficit, however, would continue to be based on fixed monetary sum at each Actuarial Valuation. Suitable actuarial adjustment therefore would be made to the Future Service Rate to achieve requisite parity with total payable 2014/15. This is to guard against significant falls in Fund membership between actuarial valuations.

To Whom ?

- “Open” employers with individual contribution rates as at 2011 actuarial valuation:
  - Subject to assessment by Lothian Pension Fund of employer covenant as satisfactory.
  - Subject to agreement by guarantor(s) to inclusion of employer in Contribution Stability Mechanism.
  - Subject to the impact of the new Local Government Pension Scheme in Scotland from 2015 leading to a materially higher cost of future service benefit accrual as assessed by Lothian Pension Fund.

Continuing inclusion in the Contribution Stability Mechanism between actuarial valuations is subject to ongoing review. Factors which would lead to review / removal of an employer from Contribution Stability Mechanism would be:

- Significant adverse change in financial status (covenant) as assessed by Lothian Pension Fund. This could include, e.g. threatened or actual loss in funding or banking facilities / terms.
- Significant change in active membership payroll from previous actuarial valuation, e.g. payroll falls by more than 20%.
- Employer becomes closed to new entrants (or is deemed closed).

On removal from Contribution Stability Mechanism, an employer would immediately revert to the relevant rate as determined by the most recent actuarial valuation.

Duration of the Contribution Stability Mechanism

- The Contribution Stability Mechanism should be designed to cover a reasonable period of time in order to demonstrate value to its employers and meet its objectives.
- The proposal is therefore that the duration of the Contribution Stability Mechanism should be two actuarial valuation periods, i.e. the remaining period of the Actuarial Valuation as at 31 March 2011 plus six years. The Actuarial Valuation as at 31 March 2011 encompasses the current year 2013-14 and also 2014/15.
- The Contribution Stability Mechanism would therefore apply for:
    - 2014/15, as previously determined by Actuarial Valuation 2011
    - 2015/16, Actuarial Valuation 2014 – year 1
    - 2016/17, Actuarial Valuation 2014 – year 2
    - 2017/18, Actuarial Valuation 2014 – year 3
    - 2018/19, Actuarial Valuation 2017 – year 1
    - 2019/20, Actuarial Valuation 2017 – year 2
    - 2020/21, Actuarial Valuation 2017 – year 3

- However Lothian Pension Fund retains the right to review or withdraw the Contribution Stability Mechanism as protection against extreme adverse financial experience. Lothian Pension Fund shall monitor the overall funding level and theoretical contribution rate on an annual basis to ensure these remain within the acceptable parameters.

Actuarial “sign off”

- Regulations and professional standards require that the Fund’s Actuary be content with the minimum level of contributions levied by the Fund. Suitable assurance has been received from the proposed Contribution Stability Mechanism from the Fund’s Actuary, Hymans Robertson LLP.

Hymans Robertson LLP has carried out an asset liability modelling exercise for the Lothian Pension Fund ("the Fund") as at 31 March 2013, details of which are set out in this report ("the Report"), which is addressed to the Lothian Pension Fund (the Client"). The Report was prepared for the sole use and benefit of our Client and not for any other party; and Hymans Robertson LLP makes no representation or warranties to any third party as to the accuracy or completeness of the Report.

The Report was not prepared for any third party and it will not address the particular interests or concerns of any such third party. The Report is intended to advise our Client on the risks inherent in the current contribution strategy and how these risks might change if we adopted alternative strategies, and should not be considered a substitute for specific advice in relation to other individual circumstances.

As this Report has not been prepared for a third party, no reliance by any party will be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the named Client. Hymans Robertson LLP therefore disclaims all liability and responsibility arising from any reliance on or use of the Report by any person having access to the Report or by anyone who may be informed of the contents of the Report.

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All modelling is subject to inevitable limitations, including the time at which it was done and subjective choices. As such, no inferences should be drawn from this Report without written confirmation from Hymans Robertson LLP.

In order to protect the intellectual capital of Hymans Robertson LLP, various sections of this report have been removed. The information remaining in the report is sufficient to allow the Pensions Committee to understand the extent of the modelling carried out. The report provided to City of Edinburgh Council, as the Administering Authority to the Lothian Pension Fund was complete, and the entirety of the advice provided to the Administering Authority complied with the Technical Actuarial Standards of the Actuarial Profession.

HYMANS ROBERTSON

Lothian Pension Fund
Managing Employer Contribution Rates
For Pensions Committee

Asset/liability modelling

- Richard Warden FFA
- Steven Scott FFA

- 25 October 2013

PUBLIC SECTOR

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Contents

1. Contribution strategy modelling

Addressee and purpose

Addressee and purpose

- This report is addressed to the Lothian Pension Fund (“the Fund”).
- The analysis in this report follows the approach developed by Hymans Robertson, described as comPASS, which effectively carries out asset/liability analysis to compare the potential long term position of the Fund under the current and various alternative contribution strategies. We have considered 6 scenarios, which are described later in this report. All of the scenarios in this report are based on the strategic benchmark investment strategy as at the time the modelling was commissioned.
- The results of this analysis help explain the risks inherent in the current contribution strategy and how these risks might change if we adopted alternative strategies.

comPASS results

- The compass approach investigates the range of outcomes under each scenario in 4 key areas (Prudence, Affordability, Stewardship and Stability).
- In this report, we have concentrated on central and adverse outcomes for funding level and contribution rates depending on the likelihood of particular scenarios over the course of the next 22 years.
- This report shows the results for each scenario as a series of charts and provides commentary on the results.
- This report does not recommend particular stabilisation parameters. We welcome discussion in order to identify the most appropriate stabilisation parameters for the Fund and to identify which types of employers this should apply to.
- Any agreed contribution stabilisation mechanism should be documented in the Funding Strategy Statement (FSS).

1. Contribution strategy modelling

Method and inputs

Method

Our approach to setting contribution rates for long term secure employers is as follows:

1) Decide funding **objectives** e.g. 65% chance of being fully funded in 20 years and contribution rate does not increase by more than say 1% of pay per annum.
2) Measure **current funding level** using consistent market valuation for assets and liabilities;
3) Generate long term **cashflows**;
4) Agree initial level of contributions and future pattern (e.g. fixed % of pay, cash for deficit, variable % pay within a range);
5) Project **future funding level** over next say 22 years (7 valuation cycles) based on

   (a) contribution pattern being tested;

   (b) current investment strategy;

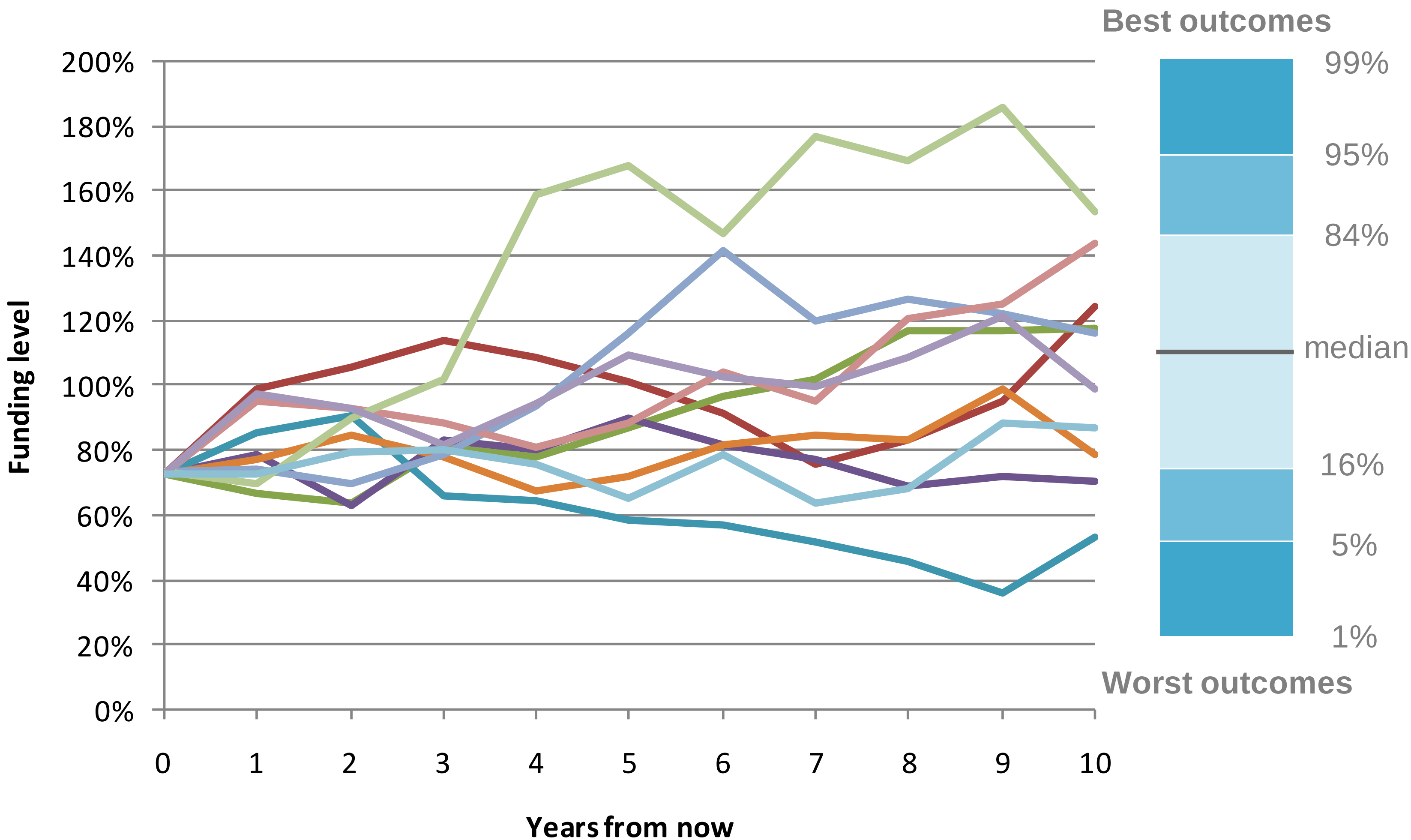
   (c) 5,000 different future outcomes for investment returns, inflation and interest rates (please see description of economic scenario generator in the Appendices).
6) Consider outputs: median outcome for funding level, likelihood of achieving full funding, range of outcomes and outcomes in unfavourable scenarios. Check whether they meet objectives;
7) Repeat with different **contribution strategies** based on current investment strategy to determine the contribution strategy that strikes the best balance between:

   (i) desire for **affordable contributions**;

   (ii) an **acceptable likelihood of success** (e.g. 65% chance of full funding in 22 years); and

   (iii) **tolerance for risk** (e.g. 1/20 chance of future funding level being 40% or less)

Model future funding levels probabilistically



Assess the likelihood of different outcomes

Inputs: data and funding level at start

- The modelling is carried out based on the funding position as at 31 March 2013 .
- **Membership data** was provided as at 31 March 2013.
- **Demographic assumptions** are unchanged from those used at the 2011 valuation of the Fund. For further details, please refer to the 2011 valuation report dated 15 February 2012.
- The starting assets, liabilities and funding level are set out below:

Assumptions	**Flat**	**Yield curve**
Discount rate	4.5%	BoE nominal gilts +1.5% p.a.
Salary growth	4.8%	BoE Inflation curve + 1.5% p.a.
Pension increases (CPI)	2.5%	BoE inflation - 0.8% p.a.
Assets	**£4,095m**	**£4,095m**
Liabilities, split by		
Actives	£2,329m	£2,493m
Deferreds	£596m	£633m
Pensioners	£1,816m	£1,995m
Total	**£4,741m**	**£5,121m**
Funding level	86%	80%
Surplus (deficit)	**(£646m)**	**(£1,026m)**

Important notes:

- Changes in **future longevity assumptions** at the 2014 valuation are likely to increase past and future liabilities. All future benefit accrual is assumed to be under the **current scheme** (i.e. future cashflows do not reflect any 2015 scheme changes) – this may slightly overstate future benefits.

Inputs: strategic benchmark for investments

Asset Class	Long-term LPF strategic benchmark	Revised Allocation (scenario 7 only)
	Current	Lower beta
UK Equities	10.0%	9.0%
Overseas Equities	50.0%	45.0%
Private Equity	5.0%	5.0%
Total Equities	**65.0%**	**59.0%**
Index Linked Gilts (medium dated)	7.0%	7.0%
Corporate bonds (medium dated)	10.0%	10.0%
Total Bonds	**17.0%**	**17.0%**
Commercial Property	8.0%	8.0%
Infrastructure	10.0%	10.0%
Cash	0.0%	6.0%
Total	**100%**	**100%**

1. Contribution strategy modelling

comPASS results

A reminder of the Fund's objectives

- To target full funding on an ongoing basis over the long term with an acceptable likelihood of success
  - e.g. 65% chance of being fully funded on an ongoing basis in 22 years
- keeping risks within acceptable limits
  - e.g. funding level in worst 1 in 20 outcomes no worse than 40%
- while ensuring contributions are as affordable and stable as possible
  - e.g. contribution rate does not increase by more than 0.5% of pay per annum

The above objectives give us a framework against which to assess alternative contribution strategies

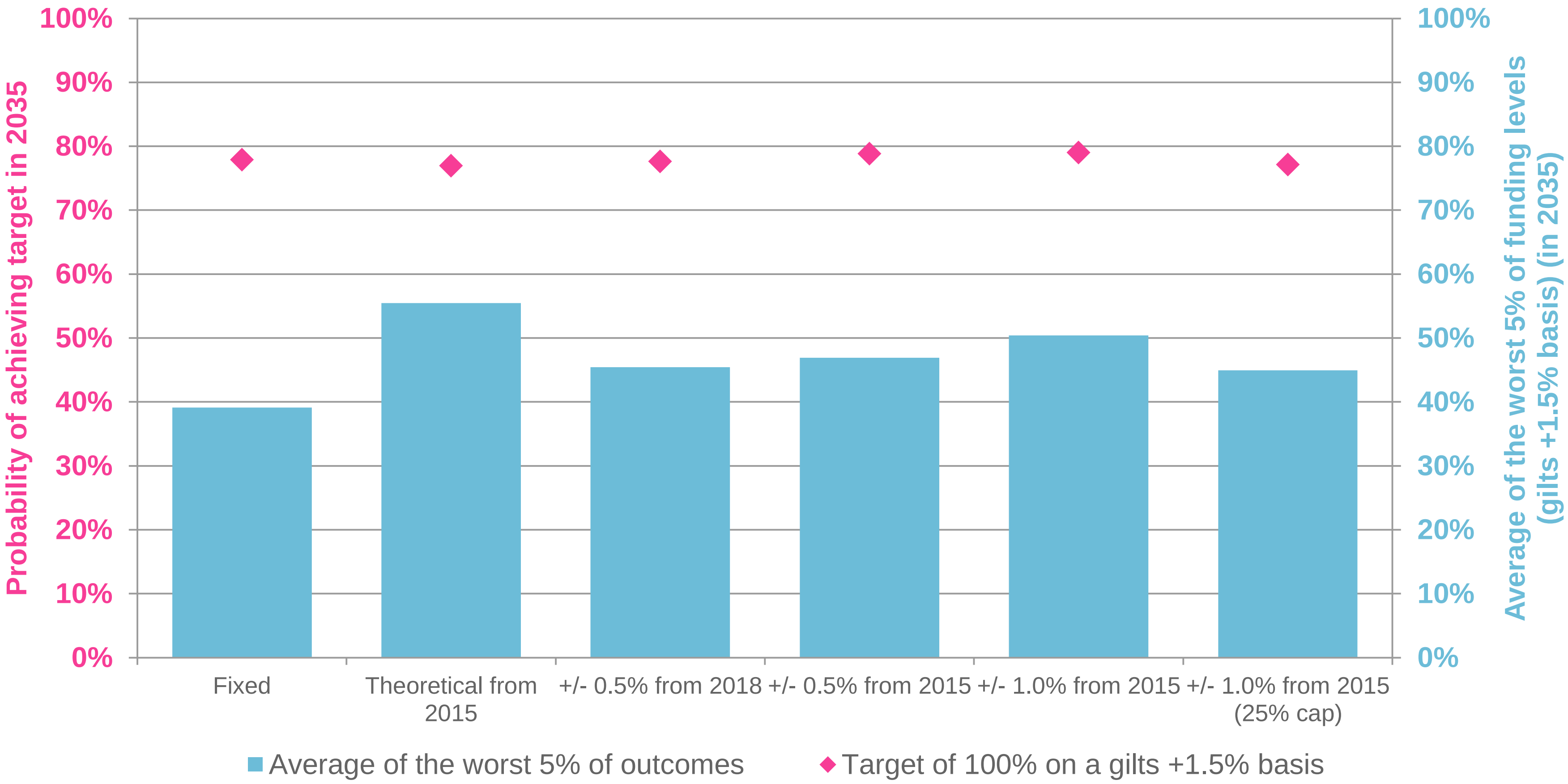
Scenarios tested

Scenario	Investment strategy	Long term stabilisation parameters	Contribution cap (% of pay)
1	Current	Contribution rates fixed at the current level	No cap
2	Current	Theoretical rate from 2015	No cap
3	Current	Frozen rate until 31 March 2018 then +0.5% / -0.5% p.a.	No cap
4	Current	+0.5% / -0.5% p.a. from April 2015	No cap
5	Current	+1% / -1% p.a. from April 2015	No cap
6	Current	+1% / -1% p.a. from April 2015	25%
7	Lower beta	Frozen rate until 31 March 2018 then +0.5% / -0.5% p.a.	No cap

Notes:
- Initial rate of 20.7% p.a. applies under all scenarios.
- 20 year deficit recovery spread period assumed under all scenarios
- Contribution cap is that payable by employers only and includes a contribution to expenses (0.3% p.a. of pay)
- Details of the ‘Current’ and ‘Lower beta’ investment strategy assumptions are set out on page 11.
- The results relating to the ‘Lower beta’ scenario are shown on pages 19 to 22.

Prudence summary – long term outlook

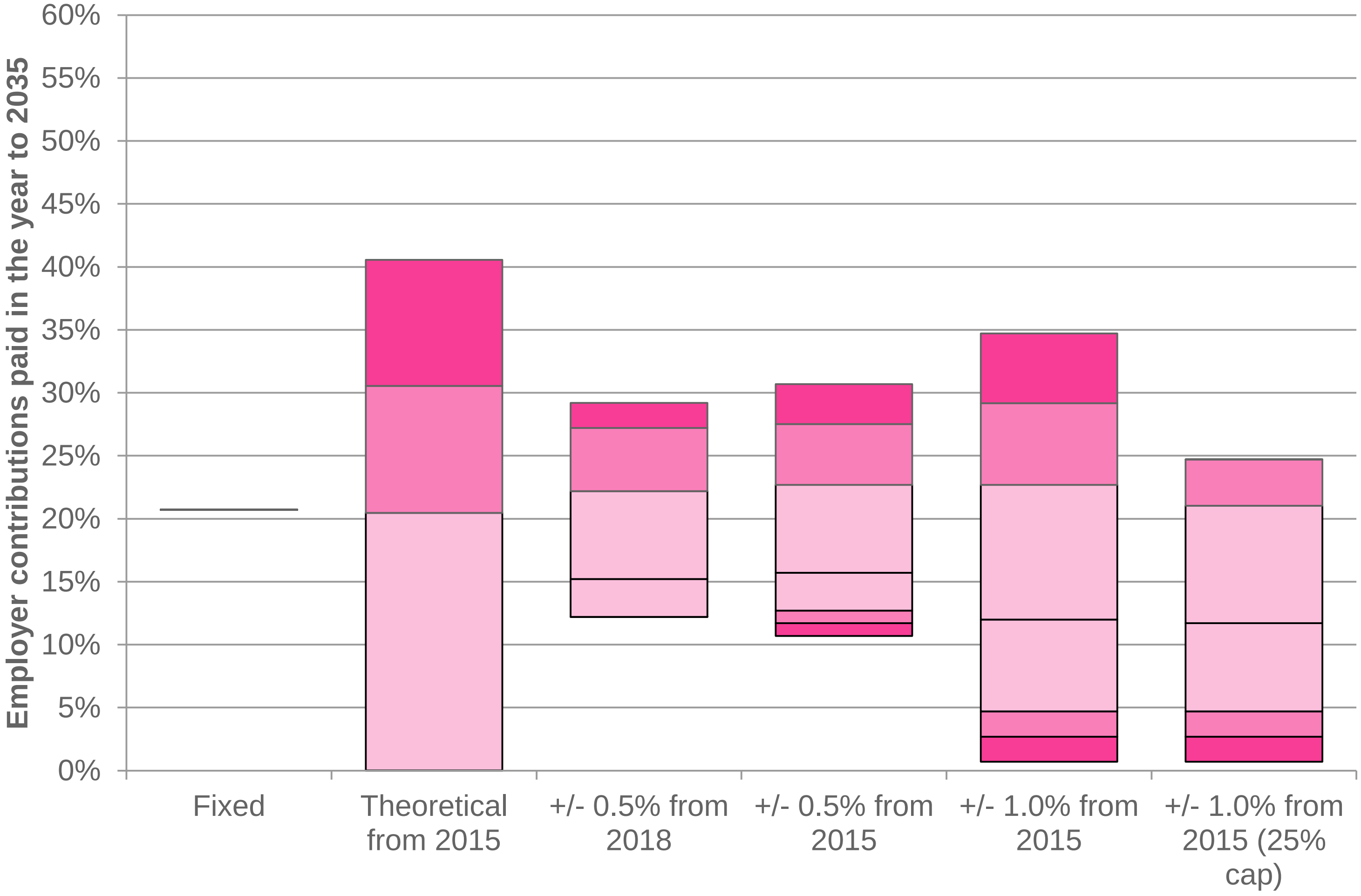
Probability of being above 100% funded in 2035



Application of a fixed rate (scenario 1) increases downside risk

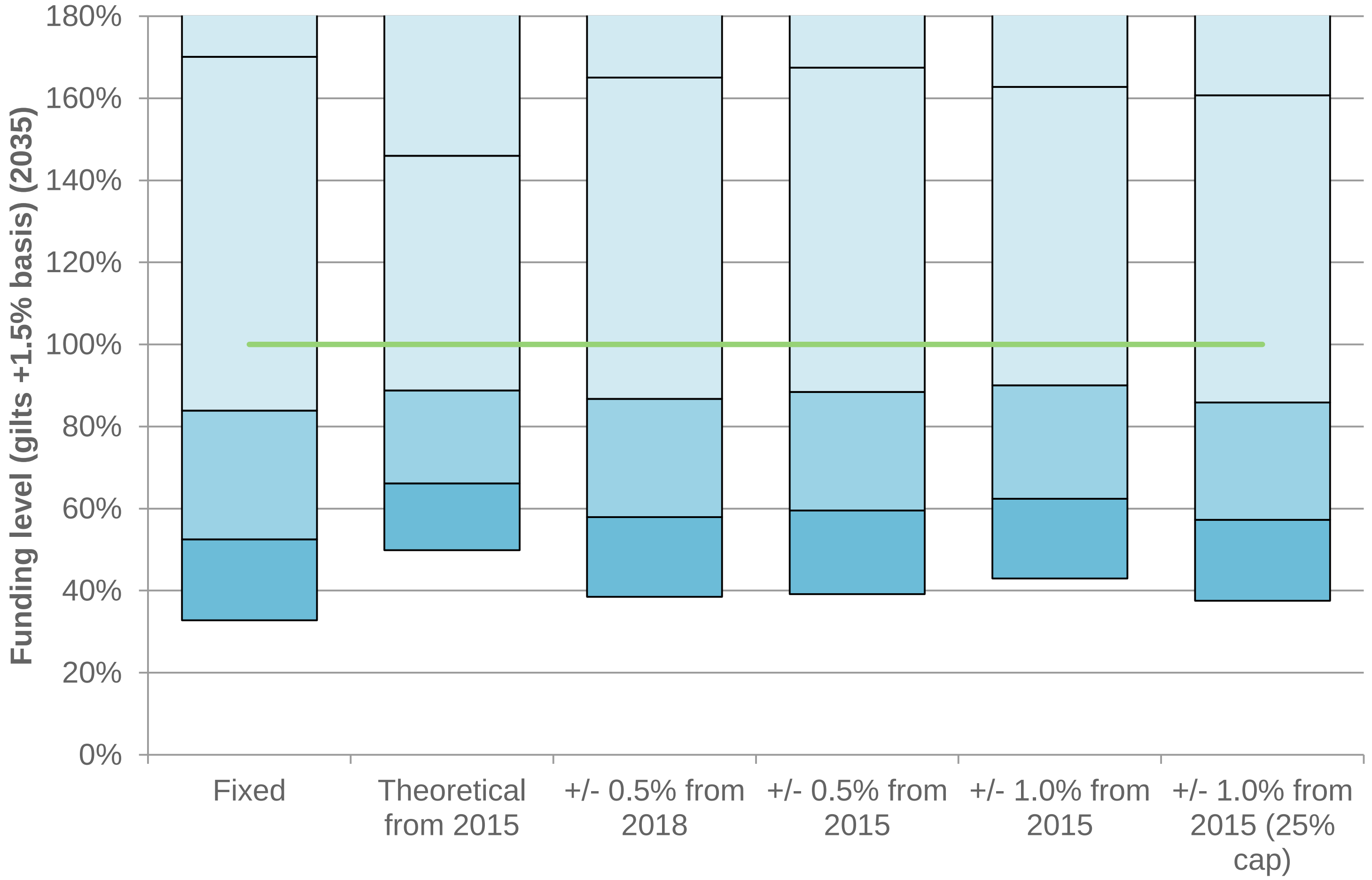
Affordability summary – long term outlook

Contribution rates in 2035



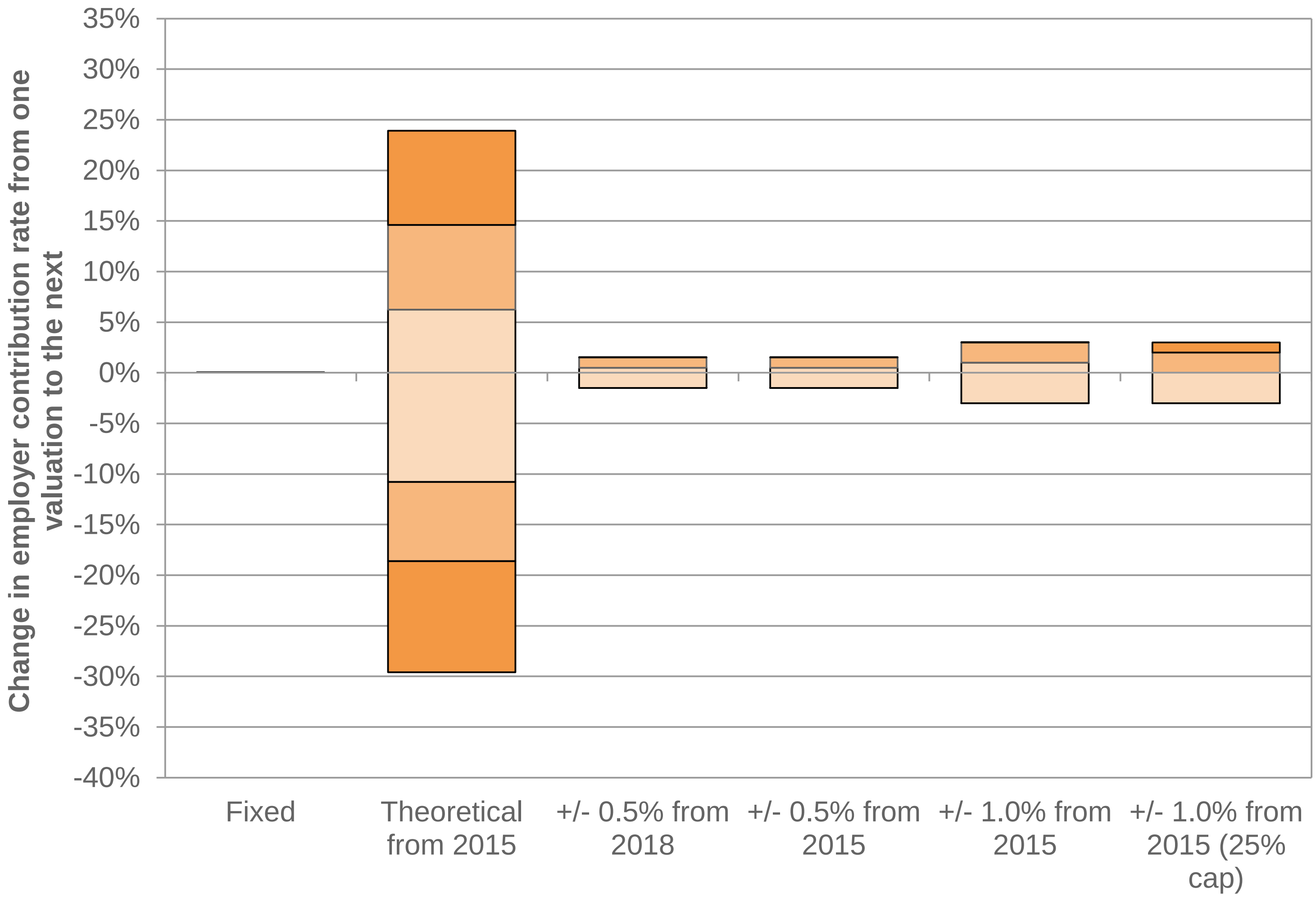
Stewardship summary – long term outlook

Funding level in 2035



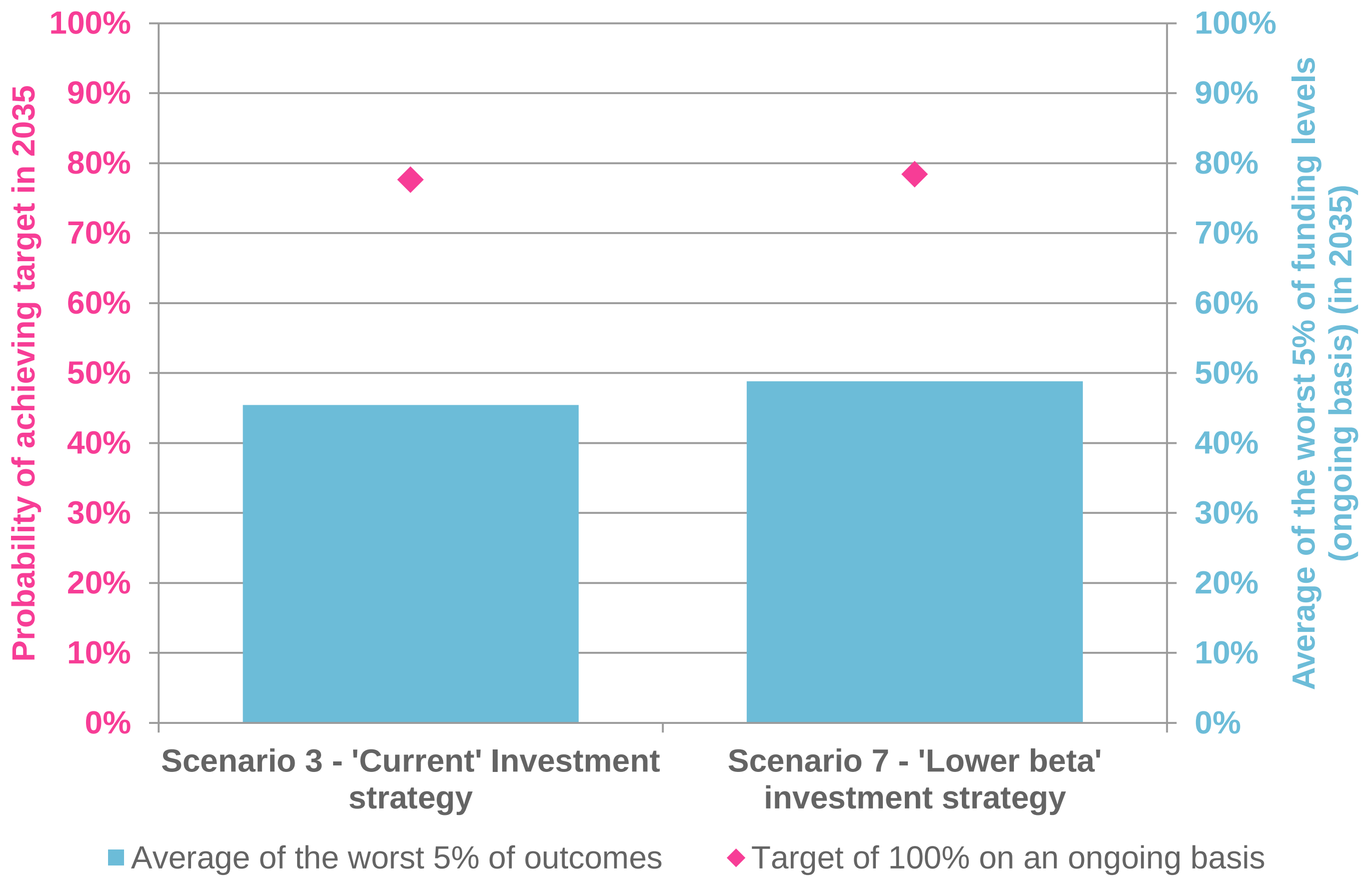
Stability summary

Change in contribution rates



Prudence summary – long term outlook

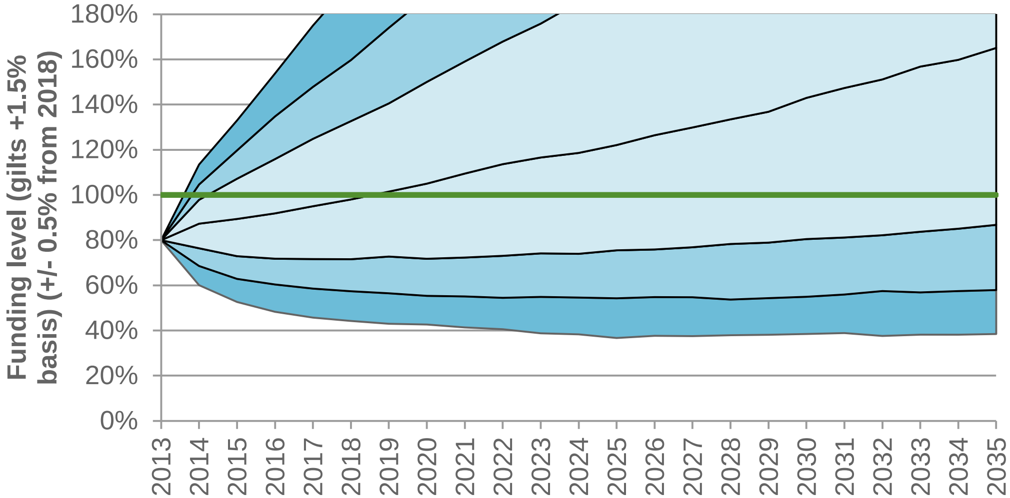
Probability of being above 100% funded in 2035



‘Lower beta’ investment strategy reduces downside risk with similar probability of success

Stewardship – ‘Lower beta’ investment strategy

Potential range in outcomes for the funding level until 2035



Scenario 3

‘current’ investment strategy

Median at 2035 = 165%

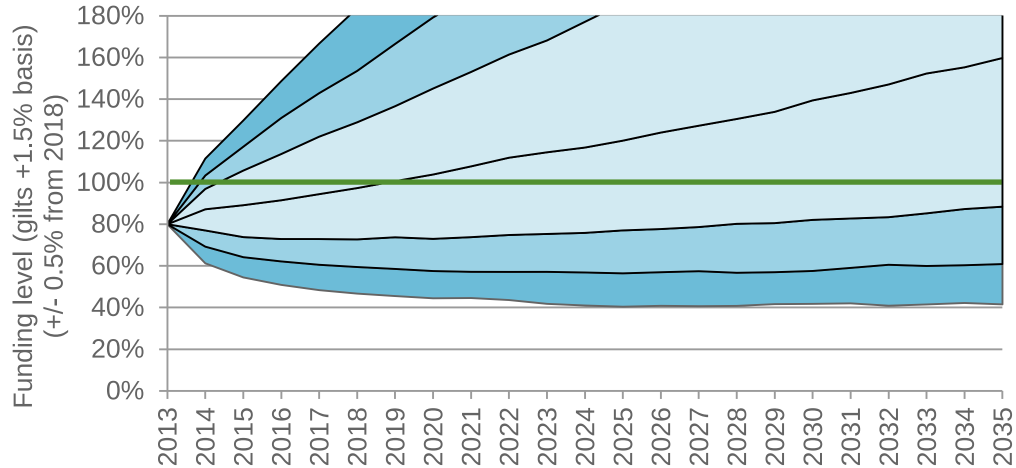
‘Worst’ case = 38%

Scenario 7

‘Lower beta’ investment strategy

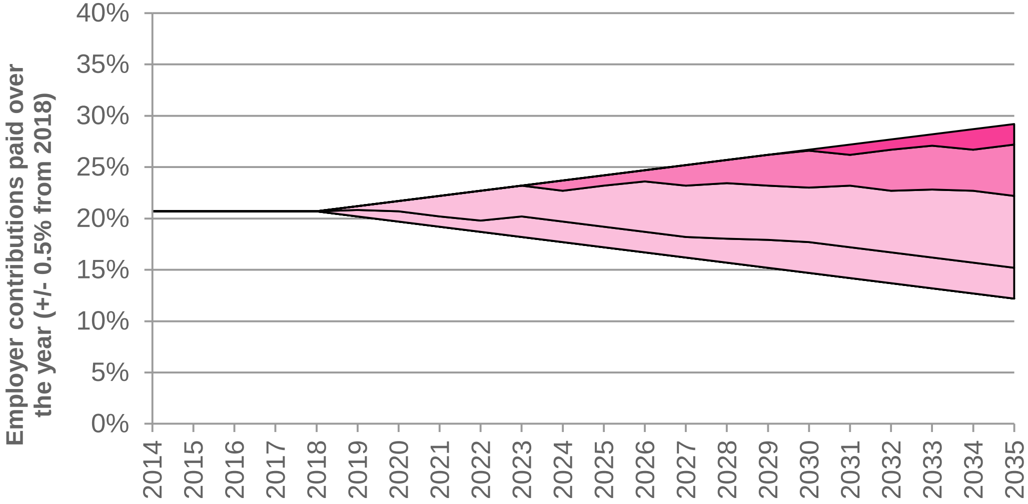
Median at 2035 = 160%

‘Worst’ case = 42%



Affordability – ‘Lower beta’ investment strategy

Range of potential contribution rates until 2035



Scenario 3

‘current’ investment strategy

Median at 2035 = 15%

‘Worst’ case = 29%

(inc expenses)

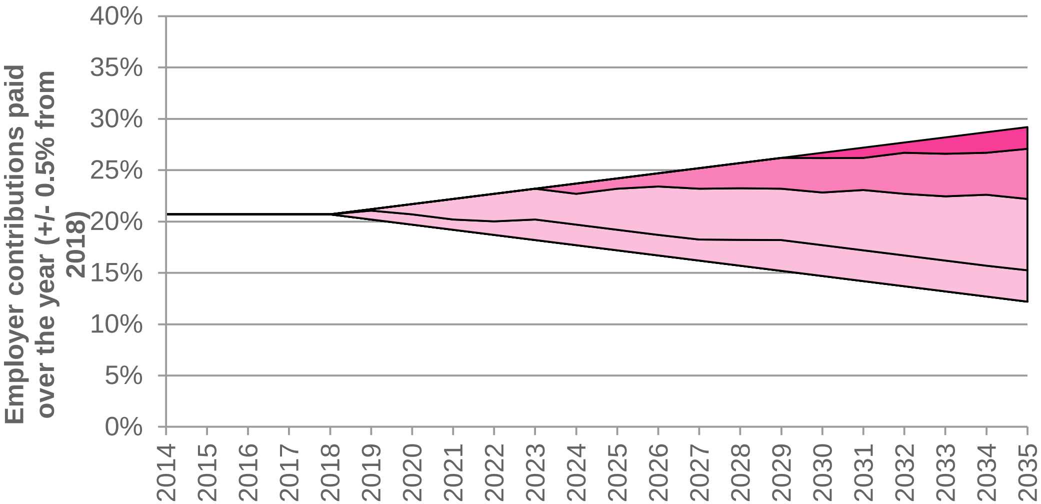
Scenario 7

‘Lower beta’ investment strategy

Median at 2035 = 15%

‘Worst’ case = 29%

(inc expenses)



Note 1 – 1% of outcomes lie outside this range

Commentary on impact of 'Lower beta' investment strategy

- **Prudence** – the 'Lower beta' investment strategy leads to a reduction in downside risk with a similar probability of success.
- **Stewardship** – the 'Lower beta' investment scenario leads to a slightly lower median funding level in the long term (due to lower projected return) and a reduction in downside risk (due to lower projected asset volatility).
- **Affordability** – the modelling suggests no material change in projected contribution rates under the 'Lower beta' investment scenario.

1. Contribution strategy modelling

Summary

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Summary of results

CONTRIBUTION STRATEGY	INVESTMENT STRATEGY	Prudence			Stewardship		Affordability
		LONG TERM LIKELIHOOD OF SUCCESS		AVERAGE OF THE WORST 5% OF FUNDING LEVELS IN 2035	MEDIAN FUNDING LEVEL IN 22 YEARS		AFFORDABILITY (HIGHEST MEDIAN CONTS DURING THE NEXT 22 YEARS)
		FULL YIELD REVERSION	REAL YIELD OF 0.5% p.a. BY 2035*	FULL YIELD REVERSION	FULL YIELD REVERSION	REAL YIELD OF 0.5% p.a. BY 2035*	
Fixed	Current	78%	65%	39%	170%	140%	20.7%
Unconstrained	Current	77%	64%	55%	146%	116%	27.0%
3 year freeze then ±0.5 p.a.	Current	78%	65%	45%	165%	135%	20.7%
±0.5 p.a.	Current	79%	66%	47%	167%	137%	21.7%
±1.0 p.a.	Current	79%	66%	50%	163%	133%	22.7%
±1.0 p.a. capped at 25%	Current	77%	64%	45%	161%	131%	22.7%
3 year freeze then ±0.5 p.a.	Lower beta	78%	65%	49%	160%	130%	20.7%

Please note that RAG ratings are subjective

The criteria for each band was set with the agreement of the Administering Authority

*Alternative figures on a lower yield assumptions were provided to the Administering Authority in response to a detailed technical question

3. Appendices

All appendices, including details of the methodology and assumptions adopted have been removed due to commercially sensitive nature of this.

Reliances and limitations

This document is provided to our client, City of Edinburgh Council, in its capacity as Administering Authority to the Lothian Pension Fund (the "Fund"). It has been prepared by Hymans Robertson LLP to evaluate the suitability of various contribution stability mechanism for future contribution rates.

Individual employer results will differ from whole Fund results.

Hymans Robertson LLP accepts no liability to any party unless we have expressly accepted such liability in writing.

Whilst the results are based on Fund specific information as provided by the Administering Authority, there are some elements of the analysis which are based on a sample fund (which are highlighted as such).

TAS compliance

- Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council and they set the standard for certain items of actuarial work, in terms of the type of information provided and the way it is communicated. As your actuary, we must comply with these standards when presenting the results of the triennial valuation.
- The following Technical Actuarial Standards are applicable in relation to this report and have been complied with in a material and proportionate manner except where specifically stated:
  - TAS R – Reporting;
  - TAS D – Data;
  - TAS M – Modelling; and
  - Pensions TAS