Statement by the Consulting Actuary

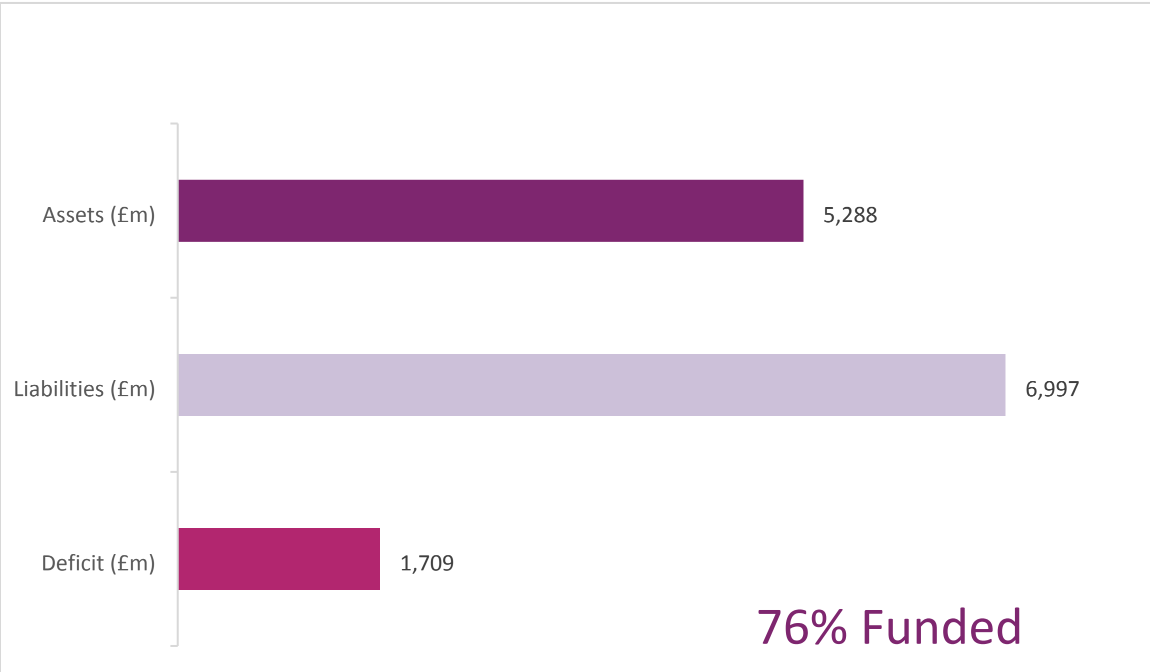
Accounts for the year ended 31 March 2016

This statement has been provided to meet the requirements under Regulation 57(1)(d) of the Local government Pension Scheme Regulations 2013.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,288 million represented 76% of the Fund's past service liabilities of £6,997 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £1,709 million.

The valuation also showed that a common rate of contribution of 12.8% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.



After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,330 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £79 million per annum increasing at 2.6% per annum (equivalent to 9.4% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. The certified contribution rates for each employer also included specific allowances (zero for some employers) to meet the additional liabilities arising from ill-health and voluntary early retirements. With effect from 1 April 2015, the certified contribution rates for certain employers were adjusted to reflect their inclusion in an ill-health captive arrangement implemented by the Fund.

Payments to cover additional liabilities arising from early retirements on the grounds of redundancy or efficiency (or ill-health/voluntary early retirements where the employer's allowance is exceeded) will also be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service Liabilities (Funding Target)	For future service liabilities (Common Contribution Rate
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases (long term)	4.35% per annum*	4.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

*allowance was also made for short-term public sector pay restraint over a 3 year period

The assets were assessed at market value.

The next triennial valuation of the Fund is due as at 31 March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purpose of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology for funding purposes.

To assess the value of the benefits, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases*	3.75% per annum*	3.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

*includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3& p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £8,674 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to reduce the liabilities by c£445 million. Adding interest over the year increases the liabilities by c£286 million, and allowing for the net benefits accrued/paid over the period increases the liabilities by c£10 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all of the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is £8,525 million.

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Mercer Limited
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