Our ref: MS/GSG

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Your ref:

Date 12 August 2011

To: Members of the Pensions Authority
cc: Appropriate Officers
Press

This matter is being dealt with by: Gill Garrety | Direct Line 01226 772806
Email: ggarrety@syjs.gov.uk | Fax No 01226 772899

Dear Member

SOUTH YORKSHIRE PENSIONS AUTHORITY
14 APRIL 2011

A meeting of the Pensions Authority will be held on **14 April 2011 at 10.00 at the offices of the South Yorkshire Joint Secretariat, 18 Regent Street, Barnsley**
Please note that car parking for Members will be available at the rear of the building.

The agenda is attached.

Yours faithfully

M V Oades
Deputy Clerk and Solicitor

Enc

SOUTH YORKSHIRE PENSIONS AUTHORITY

14 APRIL 2011 AT 10.00 AM AT OFFICES OF THE SOUTH YORKSHIRE JOINT SECRETARIAT, 18 REGENT STREET, BARNSLEY

Agenda: Reports attached unless stated otherwise

	Item	**Page**
1	Urgent Items. To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
2	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
3	Announcements.	
4	Declarations of Interest.	
5	Apologies.	
6	Minutes of the Authority held on 17 February 2011	1 - 6
7	Work Programme	7 - 10
8	Chair Feedback	
9	Section 41 Member Feedback of Issues from District Councils	
10	Members' Training and Education: External Conferences and Seminars	11 - 12
11	Budget Development	Verbal Report
12	Review of Risk Policy	13 - 22

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011

PRESENT: Councillor Andrew Sangar (Chair)
Councillor David Baker, Mr Glyn Boyington, Councillor Elsie Butler, Councillor Bob Ford, Councillor Keith Goulty, Councillor John Hesketh, Councillor Barry Johnson JP, Councillor Bryan Lodge, Councillor Brian Perrin, Councillor Garry Weatherall, Councillor Peter Wootton and Councillor Richard Wraith (Vice-Chair)

Apologies for absence were received from:

Officers: Gary Chapman (Principal Pensions Manager), John Hattersley (Fund Manager), Stuart Lunn (Member Services Manager), Ralph Milne (Corporate Strategy Officer) and Bill Wilkinson (Clerk & Treasurer)

28/11 Urgent Items.

None

29/11 Items to be considered in the absence of the public and press.

RESOLVED – That agenda item 16 (Debt Write-offs) be considered in the absence of the public and press but that all remaining items be considered in the presence of the public and press.

30/11 Announcements.

The Chair announced that Stuart Lunn would retire from the Joint Secretariat shortly and that this would be his last meeting of the Authority.

31/11 Declarations of Interest.

None.

32/11 Apologies.

None.

33/11 Minutes of the Authority and Boards held on:

a) Pensions Authority held on 13 January 2011

RESOLVED – That the minutes of the meeting of the Authority held on the 13 January 2011 be signed by the Chair as a correct record.

b) Corporate Planning and Governance Board held on 3 February 2011

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on the 3 February 2011 be noted.

34/11 Work Programme

The Authority noted its work programme for 2011.

35/11 Chair Feedback

The Chair of the Authority commented that he had recently managed to have a half hour discussion with Steve Webb, Minister of State, Department of Work and Pensions. The Chair had emphasised to the Minister the funded nature of the Local Government Pension Scheme compared to the unfunded nature of the other public sector schemes and that the average pension paid was about £4,000. The Minister's response had been non committal though the Chair thought he had accepted the point about it being a funded scheme.

At the request of a member the Chair said he thought that the Local Government Pension Scheme had served councils well; he felt that some reforms were needed but he did not wish to see any sudden changes.

36/11 Section 41 Member Feedback of Issues from District Councils

None

37/11 Revenue Estimates 2011/12

The Authority noted that its draft budget approved on 25 November 2010 had been endorsed by the South Yorkshire Leaders.

The Authority had been concerned not to weaken the Pension Service's resources at a time when employers were shedding staff on a large scale with the consequent increase in demands for advice and administration. The Leaders had acknowledged the Authority's views but asked that that the costs of the service be kept under review during 2011/12 and that opportunities to improve value for money or achieve efficiency savings should continue to be pursued.

It was suggested that, taking into account the proposals for changes in the management arrangements (agenda item 15) the opportunity should be taken to look fundamentally at the administration of the Fund. Changes already agreed included the deletion of a senior post consequent on a promotion to the Assistant Treasurer position on the latter's retirement; a change in the chief officer function as a result of the retirement of the Clerk and Treasurer; and, additionally, an expectation that the new Assistant Treasurer would consider opportunities for cost and efficiency savings if it was considered appropriate.

RESOLVED –

1 That the position be noted and that the budget for 2011/12 at £5,685,700 be formally approved.

2 That as the year progresses the Chief Officer report to the Authority on opportunities for cost savings and efficiency gains.

38/11 FRC: UK Stewardship Code and FSA Requirements Regarding Compliance Disclosure

The Authority considered a statement regarding its compliance with the Financial Reporting Council's UK Stewardship Code.

The Financial Reporting Council's Stewardship code had been considered by the Authority's Investment Board last September. Following consultation the Financial Service's Authority (FSA) it had to prepare and publish a statement. Such a statement was now considered.

RESOLVED – That approval be given to the Authority's compliance disclosure statement regarding the UK Stewardship Code and that a report to that effect be presented to the next meeting of the Investment Board for information.

39/11 Treasury Policy and Strategy Statement 2011/12

The Authority considered the treasury management procedures and strategy followed by the Authority. The report reviewed the credit ratings and risk controls adopted by the Authority, the borrowing limits appropriate to the Authority and the short term forecasts being used by the Authority.

RESOLVED – That the Authority:

a) adopts the Annual Investment Strategy and recommendations set out in Appendix I; and

b) in accordance with Section 3(1) of the Local Government Act 2003 approves an Affordable Borrowing Limit, on a rolling basis for the forthcoming year and two successive years as outlined in Appendix II, of £250,000 being the maximum amount the Authority can afford to borrow; and

c) keep the above under review.

40/11 Review of Corporate Strategy

The Authority considered a draft Corporate Strategy for 2011/14. It was acknowledged that this and its objectives could need significant changes in the light of the Hutton Report due in March 2011. This was being considered now as the Corporate Strategy Officer's contract was to terminate at the end of March.

RESOLVED –

1 That the minor amendments to the wording of the current Corporate Strategy be made, as outlined in the draft Corporate Strategy 2011-14, enabling existing strategic objectives to be simply rolled forward.

2 That this situation be reviewed in light of any changes resulting from the March 2011 report produced by Independent Public Service Pensions Commission (IPSPC) led by Lord Hutton of Furness.

<u>41/11</u> <u>Equal Opportunities Policy</u>

The Authority considered adopting an equal opportunities policy document for consultation with employees upon the policy proposals and developing the necessary detailed procedures in due course.

RESOLVED – That the draft policy be approved and officers authorised to consult further on the proposals.

<u>42/11</u> <u>Management Arrangements</u>

The Authority considered an update on the arrangements that would operate following the planned retirement of senior managers. These arrangements were to be regarded as interim since those services provided by the Joint Secretariat needed to be considered along with issues affecting the services; for example the Police Authority was to be replaced by a Police and Crime Commissioner.

At the request of a member the Clerk and Treasurer commented on the accountability of the Joint Secretariat to the four district councils via the Joint Secretariat Management Board (including a representative of this Authority).

The post of Principal Pensions Manager would be deleted when the postholder was promoted as a consequence of the retirement of the Assistant Treasurer at the end of March 2011. The Clerk and Treasurer would formally retire from full time employment on 28 February 2011 but would continue in a different capacity for an interim period so providing cover for the statutory treasurer role pending a permanent appointment. It was proposed that the Clerk and Treasurer's current responsibilities as the Fund's Head of Service would be transferred to the Fund Manager in due course.

This had been discussed to some extent as part of the consideration of the Revenue Estimates item (minute 27/11). When the Clerk and Treasurer ceased acting as the Fund's Head of Service the existing linkage between his salary and those of the Fund's senior managers would no longer be relevant and it was proposed the latter be converted into so called 'spot' salaries instead. It was also suggested that job titles be reconsidered to reflect the changed situation.

All of these arrangements would be the subject of discussions with the individuals' trades unions.

As in the earlier discussion the view was expressed that there should be a more fundamental look at the administration of the Fund.

RESOLVED –

1 That the position be noted and that agreement to the interim and longer term arrangements be confirmed.

2 That members of the Authority be kept informed of developments by email.

3 That a letter of appreciation be sent to David Wilkinson on his retirement.

43/11 Exclusion of Public and Press

RESOLVED – That, under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following business, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, and the public interest not to disclose information outweighs the public interest in disclosing it.

44/11 Debt Write-Offs

The Authority considered the circumstances in which outstanding rent accounts relating to two premises within the Fund's commercial property portfolio had arisen.

RESOLVED – That approval be given to the write off of £39,995.88 being rent due on the Fund's properties.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings

South Yorkshire Pensions Authority

Work Programme

Updated 29.3.2011

South Yorkshire Pensions Authority – cycle of future meetings

Responsibilities	17 February 2011	14 April 2011	9 June 2011 AGM/ Ordinary Meeting	October 2011	December 2011
Strategic Overview of Business	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context
	S41 feedback	S41 feedback	S41 feedback	S41 feedback	S41 feedback
Training & Development					
Board Scrutiny	Call-Ins	Call-Ins	Call – Ins	Call – Ins	Call – Ins
Corporate Governance	Budget Development	Budget Development	Budget Development	Budget Development	Budget Development
	Budgets and Revised Estimates	Annual Review of Risk Policy	CPGB Audit Committee Functions Annual Report		Budgets and Revised Estimates
	FSA Stewardship Code Compliance				Risk Register Review
Review of Strategies	Treasury Management Strategy Annual Report				Review of Corporate Strategy
Business	Equality Policy	Final Actuarial Valuation Results	Appointment of Chair and Vice Chair	Health & Safety SLI Report	
	Write Offs	Fund AGM Report	Membership of the Authority	FoIA Annual Report	
	Management Structure	Meeting Cycle Dates	Appointment of Boards and Committees	FoIA Publication Scheme	

Updated 29.3.2011

South Yorkshire Pensions Authority – cycle of future meetings

	17 February 2011	14 April 2011	9 June 2011	October 2011	December 2011
		Hutton Report Update	Questions in Meetings of District Councils		
		Abolition of Audit Commission	Annual Report on Member Training and Development		
			Bribery Act 2010		

Updated 29.3.2011

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 APRIL 2011

Report of the Clerk and Treasurer

MEMBERS' TRAINING AND EDUCATION: EXTERNAL CONFERENCES AND SEMINARS

1) Purpose of the Report

To bring to Members' attention training opportunities.

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2) Recommendations

That Members consider whether or not they wish to register for the conferences.

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3) Background Information

3.1 Notice has been received of the following training opportunities:-

National Association of Pension Funds

The NAPF is holding its local authority annual conference at the Belfry golf course in Warwickshire over the 16th to 18th of May. It is open to non-NAPF members. Items on the agenda include updates on the Hutton Report, the future of the LGPS and the practical implication of implementing the Stewardship Code. There are also break-out sessions on individual topics that are led by external sponsors. There are two keynote speakers announced so far: Lord Hutton and the Parliamentary Under Secretary of State for Communities and Local Government Bob Neill MP.

Because the Authority is not a NAPF member the fee per attendee is £415.00 (including two nights accommodation but excluding VAT).

LGE Annual 'Trustees' Conference

The eighth annual trustees' conference will take place over 8th and 9th June at the Marriott Highcliff hotel in Bournemouth. The conference will have a lunchtime to lunchtime format and Bob Neill MP (again), has agreed to give the keynote address. Highlights of the rest of the programme include:

- Outcomes of the 2010 Valuations in England and Wales and the outlook for Scotland and Northern Ireland
- Legal update – the case load gets heavier
- NEST, auto-enrolment and the LGPS
- Managing Contribution Increases
- Scheme Design – another new-look scheme?
- New Scheme – New Investment Strategy?
- Census 2011 – The Longevity Gap

The conference fee is all inclusive. This includes all meals and overnight accommodation at a total cost of £475 plus VAT per delegate.

3.2 If any Member wishes to enrol for either of the above please contact Gill Garrety in the Joint Secretariat on 01226 772806.

4) <u>Implications</u>

4.1 Financial

Travel to and from the event(s) has to be organised separately and is not budgeted for.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

It is an expectation of the Myners' Principles that Members are adequately trained to carry out their responsibilities on the Authority. Accordingly, the Authority has determined that Members' training be approached prudently but vigilantly. There is, of course, a risk that if Members are not properly or adequately trained the performance and reputation of the Authority might be impaired.

W. J. Wilkinson
Clerk and Treasurer

Officer responsible for the report:

John Hattersley, Fund Director
Contact telephone: 01226 772887

Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority in Barnsley

Other sources and references: NAPF; LGE

SOUTH YORKSHIRE PENSIONS AUTHORITY

14 April 2011

Report of Clerk and Treasurer

REVIEW OF RISK POLICY

1. Purpose of the Report

To present the current Pensions Authority Risk Policy for consideration and agreement .

2. Recommendations

Members are recommended to agree continued use of the existing Risk Policy.

3. Background Information

3.1 The current Risk Policy was agreed by the Pensions Authority meeting of 15 April 2010.

3.2 This Policy does not address detailed risk management processes, which by their nature may need more regular revision. Since April 2010 processes have been fully documented in the Risk Management Handbook which is aimed at officers and their operational needs.

3.3 This approach is good practice because it makes the Policy much more focused, which we hope assists Members in its consideration.

3.4 As agreed last year only the Policy document is being presented to the Authority for agreement. This allows officers to update the Handbook as and when required without the need for Members to consider internal management processes, which remain framed within the requirements of this policy document.

4. Implications and risks

There are no financial, legal, diversity or risk implications attached to this report.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Maureen Oades, Deputy Clerk and Solicitor

01226 772856: mvoades@syjs.gov.uk

Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

Other sources and references:

SOUTH YORKSHIRE
PENSIONS AUTHORITY

RISK MANAGEMENT POLICY

APRIL 2011

Contents

Section 1- Overview

1.1 Risk Management is central to any organisation’s strategic management and is a fundamental element of good Corporate Governance. It is a means of maximising opportunities and minimising the costs and disruption caused by undesirable events. The internal control arrangements of an organisation should have the management of significant risks as a principal aim and should link all policies and procedures, which taken together support its effective and efficient operation and enable it to respond to significant business, operational, financial and other risks.

1.2 The South Yorkshire Pensions Authority (“the Authority”) recognises that they have a responsibility to ensure that there is an effective framework in place for managing risk and maximising opportunity. Such a framework is an enabler for control of the Authority’s assets and liabilities and protection of employees and the community against potential losses. It also helps to minimise uncertainty in achieving its goals and objectives.

1.3 The Authority must be satisfied that there are sound systems of internal control for the management of risk in place.

Section 2 – Aims, Objectives, Approach and Benefits

2.1 The key aims of the strategy are to ensure that the Authority:

- Meets specified governance requirements
- Realises the Business Benefits of formal Risk Management processes

2.2 Key objectives are to:

- Further integrate risk management into the culture of the Organisation (“the Organisation” refers to the Pensions Administration Division, the Pensions Investment Division and the South Yorkshire Joint Secretariat).
- Manage risk in accordance with best practice and adhere to national guidance
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources
- Protect the Authority’s assets
- Anticipate and respond to changing political, economic, sociological, technical, environmental, legal and organisational requirements
- Exploit opportunities
- Preserve and enhance the effectiveness of service delivery
- Inform policy and operational decisions by identifying risks and their likely impact
- Protect the corporate image and reputation of the Authority
- Maintain effective stewardship of the Authority’s funds and demonstrate good corporate governance

2.3 Approach – the Authority will achieve these objectives by:

- Approving this Risk Management Policy and keeping it under review
- Ensuring that appropriate resources are allocated to risk management activities
- The Clerk and Treasurer establishing and maintain the risk management framework identified in this Policy
- Embedding the Risk Management Process as outlined in this Strategy document.
- Establishing clear roles and responsibilities for all stakeholders
- Providing risk management training and awareness sessions to Members and Officers
- Fully integrating risk management into the organisation's management processes e.g. Planning process, Business Continuity, Partnership arrangements, Financial Planning
- Actively maintaining awareness of current best practice via other organisations, publications and networking

2.4 Benefits expected:

- A framework for consistent and controlled activity
- Improved decision making, planning and prioritisation through structured understanding of business activity and associated threats / opportunities
- An aid to appropriate allocation of funding and resources
- Protection of assets and the organisation's image / reputation
- Helps to optimise operational efficiency
- Helps to develop and support people and the organisation's knowledge base

Section 3 – Governance – Risk Management Roles & Responsibilities

3.1 **Pensions Authority**

Role:

- To ensure that a comprehensive approach to risk management is developed and implemented by the authority
- To oversee the effective management of the Authority's risks by the Organisation; and
- To approve the Authority's risk strategy.

Responsibilities:

- Helps to develop and support people and the organisation's knowledge base
- To gain a broad understanding of risk management and its benefits;
- To challenge officers to ensure that risks are considered and documented in all reports.

- To consider the Corporate Risk Register on an annual basis to inform the annual review of the Strategic Plan

3.2 **Corporate Planning and Governance Board**

Role:

- To oversee the development of the Authority's Risk Register;
- To oversee the effective management of risks by officers by receiving and considering quarterly monitoring reports on risk from officers; and
- To get involved in the identification of high level, strategic risks.

Responsibilities:

- To require officers to develop and implement an effective framework for risk management; and
- To require officers to report significant risks on a regular basis.

3.3 **Clerk and Treasurer**

Role:

- To support and develop the risk management culture of the Authority and the Organisation;
- To develop and maintain a risk management framework within the Organisation; and
- To report to the Authority periodically on the operation of the risk management framework.

Responsibilities:

- To ensure there is a written strategy in place for managing risk;
- To ensure the Organisation has clear structures and processes for risk management which are successfully implemented;
- To ensure the Organisation has developed a corporate approach to the identification and evaluation of risk which is understood by all staff;
- To ensure the Organisation has well defined procedures for recording and reporting risk;
- To allocate resources for the maintenance of the Authority's risk register
- To ensure that regular reports are presented to the Authority (or Boards as appropriate) of significant risks facing the Authority;
- To provide advice on the risk implications of any decisions Members of the Authority are required to make;
- To ensure there are well-established and clear arrangements for financing risk*;*
- To ensure the Organisation has developed a programme of risk management training for relevant staff; and
- To ensure that Members receive sufficient and appropriate information and training on risk management.

In discharging these responsibilities the Clerk and Treasurer is supported by the Assistant Treasurer and the Fund Manager and senior officers of the Joint Secretariat. Risk management is a standing item on the monthly meetings of the Pensions Planning Group, which is chaired by the Clerk and Treasurer.

3.4 **Pensions Planning Group**

Role:

- To develop, maintain and oversee risk management and reporting within the Organisation; and
- To maintain the Authority's Risk Register.

Responsibilities:

- The identification and evaluation of significant risks that should be reported and monitored at a corporate level;
- The registration of key risks on Authority's Risk Register; the register to be maintained and updated by the Risk Co-ordinator appointed by the Clerk and Treasurer; and
- Action planning to mitigate the impact of risks on the achievement of the Authority's objectives.
- Ensure that risk controls and scores are reviewed on a regular basis by the functional teams.
- To identify "risk owners" for the significant risks who will be responsible for managing the risk and ensuring that the actions identified to mitigate the risk are carried out.
- To produce and regularly update the Risk Management Handbook as a guide for individuals involved in the process and will also act as a source of information for all staff (i.e. induction/training aid).

3.5 **Strategic Risk Owners**

- To complete all actions identified by the Pensions Planning Group.
- To report to the Pensions Planning Group on progress of work on the actions to mitigate the risk.

3.6 **Functional Teams**

The Functional Teams within the Organisation will be responsible for:

- Identifying the operational risks to the achievement of the Authority's objectives;
- Evaluating those risks, prioritising them and recommending the appropriate action to the Pensions Planning Group;
- Notifying significant risks identified by their Teams to the Pensions Planning Group;
- Monitoring all operational risks on Team Risk Registers.

- Undertaking a regular review of risk controls and scores for all current risks.
- Providing guidance and training for staff on risk awareness.

3.7 **Internal and External Audit**

- The risk management process will be subject to both Internal and External Audit. Activity will be co-ordinated to avoid duplication.
- Internal Audit will provide advice on risk management processes.
- Internal Audit will review the risk registers on an annual basis and incorporate risk areas into the Internal Audit Plan as appropriate.

Signed by the Chair of South Yorkshire Pensions Authority on behalf of the members of the Authority.

Councillor ______________________________ Chair

Dated ______________________________ 2011

Policy Review Dates

Date	Version	Author	Comment
November 2009	V1.0	Maureen Oades - SYJS	Draft Policy
April 2010	V2.0	Ralph Milne - SYJS	Revised Draft Policy
April 2011	V3.0	Ralph Milne - SYJS	Policy re-confirmed

Date of the next Review: MARCH 2012

Owner: Maureen Oades

Contacts:

Maureen Oades – Deputy Clerk & Solicitor, SYJS, 01226 772856
Email - MOades@syjs.gov.uk

SOUTH YORKSHIRE PENSIONS AUTHORITY

14 April 2011

2010 Triennial Valuation Report

1. Purpose of the Report

To advise Members of the final outcome of the 2010 Triennial Valuation exercise.

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2. Recommendations

Members are recommended to note the contents of the report

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3. Information

3.1 At the November meeting of the Committee, Members received a presentation from the actuary on his initial findings from the valuation exercise. In summary, his assessment revealed a notional deficit of £1,085M representing a funding level of 79% and an average employer's future accrual contribution rate of 12%.

3.2 Following discussions with the actuary Members agreed the actuarial assumptions to be used in the actuary's final calculations and concluded that the deficit would be recovered over the next 25 years.

3.3 The actuary has now completed his calculations and his final report is attached for information. Members will see that the funding level remains at 79%. Bespoke employer contributions rates and deficit/surplus adjustments as displayed in Appendix I to the report have been set to reflect their individual circumstances.

3.4 Members should note that, following representations from the Treasurers of BMBC and SCC, The Chair and Vice Chair agreed to exempt those authorities from the standard requirement to apply inflationary indexation to their deficit recovery payments, on the basis that the resulting underpayment would be made good during the three years contributions period following the 2013 valuation. This arrangement was also offered to and taken up by DMBC and RMBC. Note 2 to the contribution certificate (Appendix I) formalises this arrangement and the Funding Strategy Statement has been amended accordingly.

3.5 A copy of the valuation report has been forwarded to the Secretary of State as required by the pension regulations.

4. Implications

There are no financial, legal, diversity or risk implications other than those noted above.

Gary Chapman
Head of Pensions Administration
Phone 01226 772954
E-mail GCapman@sypa.org.uk

Background papers used in the preparation of this report are available for inspection in the Pensions Administration Unit.

MERCER

South Yorkshire Pension Fund

Actuarial valuation report as at 31 March 2010

Consulting. Outsourcing. Investments.

March 2011

South Yorkshire Pension Fund

Actuarial valuation as at 31 March 2010

MERCER

Consulting. Outsourcing. Investments.

Summary

An actuarial valuation of the South Yorkshire Pension Fund has been carried out as at 31 March 2010.

The key conclusions from the valuation are:

- The Fund showed a deficit of £1,085m at the valuation date based on the assumptions made for calculating its funding target. This measure compares the Fund's assets with the value of the past service benefits at 31 March 2010. It represents a funding level of 79% relative to the Fund's funding target.

- Based on the assumptions made for assessing the cost of future accrual, the Common Contribution Rate (i.e. the average employer contribution rate in respect of future service only) was 12.0% of Pensionable Pay.

- If the actuarial assumptions were to be based purely on the returns available on conventional and index-linked gilts (a so-called "least risk" basis) the deficiency would have increased to £2,856m.

- If the deficit is recovered through additional employer contributions over a 25 year period then the total employer contribution required to meet the deficit emerging from the valuation is £62.1 m per annum (in 2011/12 terms) increasing in line with CPI (the first increase applying on 1 April 2012).

- Where an additional allowance has been made for certain employers for an increased investment return assumption over the duration of the recovery plan, this has offset the certified employer deficit contribution requirement, as specified in the Funding Strategy Statement, (FSS). Contributions for each separate employer will be levied as a combination of a percentage of payroll in respect of future accrual of benefits and £ amounts in respect of deficit contributions under the recovery plan (or surplus adjustments). These contributions will commence from 1 April 2011.

- The recommended employer contributions for the period 1 April 2011 to 31 March 2014 are set out in Appendix I to this report. Employee contributions are payable in addition to the employer contributions. These contributions are adequate to meet the funding objective based on the actuarial assumptions detailed in this report. No additional contributions are required from employers to meet normal scheme expenses since allowance for these are included in the recommended contributions.

- A partial allowance has been made in the employer contributions for certain employers in relation to the anticipated costs of non-ill health and voluntary early retirements over the 3 years from 1 April 2011. The allowance is shown in Appendix I. Contribution rates will be reviewed whenever these allowances are exceeded. Additional capital contributions will be paid by all employers on top of the rates shown in respect of early retirements on the grounds of redundancy/efficiency or when costs arise through flexible retirement.

- Any further possible adjustments to contributions for employers in the inter-valuation period are noted on the Certificate in Appendix H.

Signature

Fund Actuary Paul Middleman

Date of signing 30 March 2011

Qualification Fellow of the Institute and Faculty of Actuaries

Compliance Statements

This report is addressed to the Administering Authority and has been prepared in accordance with the version of the Board for Actuarial Standards' 'Guidance Note 9: Funding Defined Benefits – Presentation of Actuarial Advice' current at the date this report is signed. Technical Actuarial Standard R: Reporting Actuarial Information and Technical Actuarial Standard D: Data issued by the Board for Actuarial Standards also apply to this report and the report complies with their requirements, where relevant.

However the following aspects of GN9 are not relevant to the LGPS in the current circumstances and so have not been reported on:

- Paragraph 3.4.16 of GN9 requires the actuary to include the certification of technical provisions in relation to a valuation under Part 3 of the Pensions Act 2004. As Part 3 of the Pensions Act 2004 does not apply to the LGPS, this report does not comply with paragraph 3.4.16 of GN9; and

- Paragraph 3.5 of GN9 requires the actuary to report on the value of the liabilities that would arise had the Fund wound up on the valuation date (based on the cost of buying out the accrued benefits with insurance policies). As the LGPS is a statutory scheme, there is no regulatory provision for scheme wind up and the scheme members have a statutory right to their accrued benefits. Therefore the concept of solvency on a buy-out basis does not apply. Accordingly, this report does not comply with paragraph 3.5 of GN9.

The calculations in the report use methods and assumptions appropriate for reviewing the financial position of the Scheme and determining the appropriate contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor does Mercer accept liability to the Administering Authority if the advice is used for any purpose other than that stated (for example for accounting disclosures or corporate mergers/acquisitions).

The data for the actuarial valuation was provided by the Administering Authority and its accuracy has been relied upon. Whilst reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data which is incomplete or inaccurate.

The report may be disclosed to participating employers and others who have a statutory right to see it. It may also be disclosed, if the Administering Authority and Mercer consent, to any other third parties.

Contents Page

Appendices

1

Introduction

1.1 This report sets out the results of the actuarial valuation of the South Yorkshire Pension Fund ('the Fund') as at 31 March 2010. The valuation has been carried out on the instructions of South Yorkshire Pensions Authority (the "Administering Authority") in accordance with the requirements of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008, as amended (the "Administration Regulations").

Purpose of valuation

1.2 The primary aims of the valuation are to review the financial position of the Fund and to determine appropriate employer contributions to the Fund for the future.

1.3 In particular, the valuation aims:

- to assess the Fund's funding position relative to its funding objective;
- taking the above into account, to determine the appropriate future level of employer contributions.

1.4 Under the provisions of the Administration Regulations employer contributions are calculated by the actuary having regard to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). In accordance with the LGPS Regulations, the FSS has been determined by the Fund's Administering Authority, having taken the advice of the Fund's Actuary and after consultation with those parties as it considers appropriate.

Funding objective

1.5 The Administering Authority has reviewed its approach to funding strategy and this is published in the Funding Strategy Statement. Consistent with the FSS the funding objective for the valuation is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. This approach is also considered appropriate to comply with the requirement of the Administration Regulations to secure the solvency of the Fund.

1.6 The funding objective is the same as at the previous valuation.

1.7 The methodology and assumptions by which the funding target and contribution rates are calculated have also been determined in accordance with the Fund's FSS.

1.8 The FSS specifies a maximum period for achieving full funding of 25 years. This compares to a maximum period of 21 years adopted at the 2007 valuation in accordance with the then published FSS. The maximum deficit recovery period has been extended to 25 years in order to assist with the overall aim of stabilising (or minimising the increase in) deficit recovery lump contributions for employers where possible, in line with the FSS. For each individual employer, the funding objective, method and assumptions depend on the particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the FSS. The FSS also specifies any transitional arrangements ("phasing") for the implementation of revised employer contribution requirements.

Previous actuarial valuation

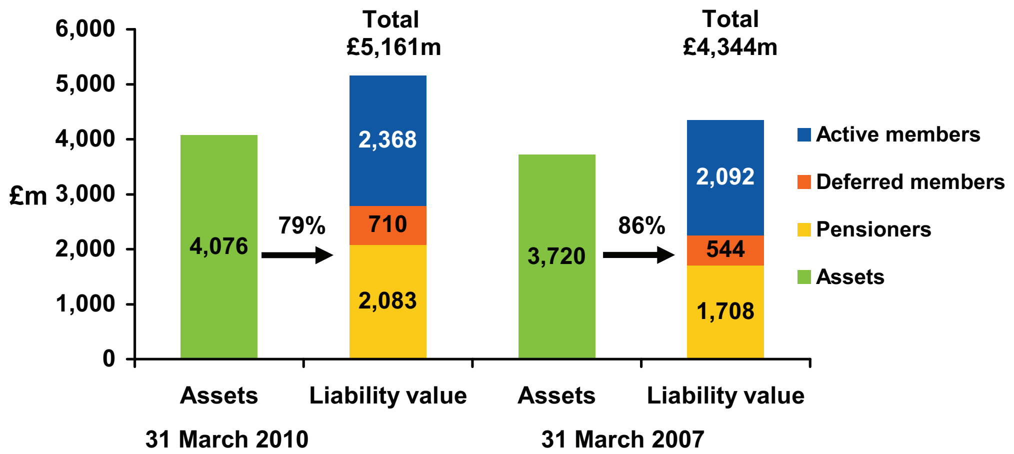
1.9 The previous actuarial valuation of the Fund was carried out as at 31 March 2007 by ourselves.

1.10 At the previous valuation a normal contribution rate for benefits and expenses of 11.8% of pensionable pay was determined. In addition, the overall deficit disclosed at the previous valuation equated to annual deficit recovery contributions of £43.2m payable over 21 years (in 2010/11 monetary terms and linked to the increase in the Retail Prices Index). The report on the 2007 actuarial valuation sets out the agreed contribution rates for individual employers for the period 1 April 2008 to 31 March 2011 (the corresponding rates for the year to 31 March 2008 being shown in the 2004 actuarial valuation report). Appendix F includes the amounts of employer contributions which have actually been paid since the last actuarial valuation.

2

Funding results – funding target

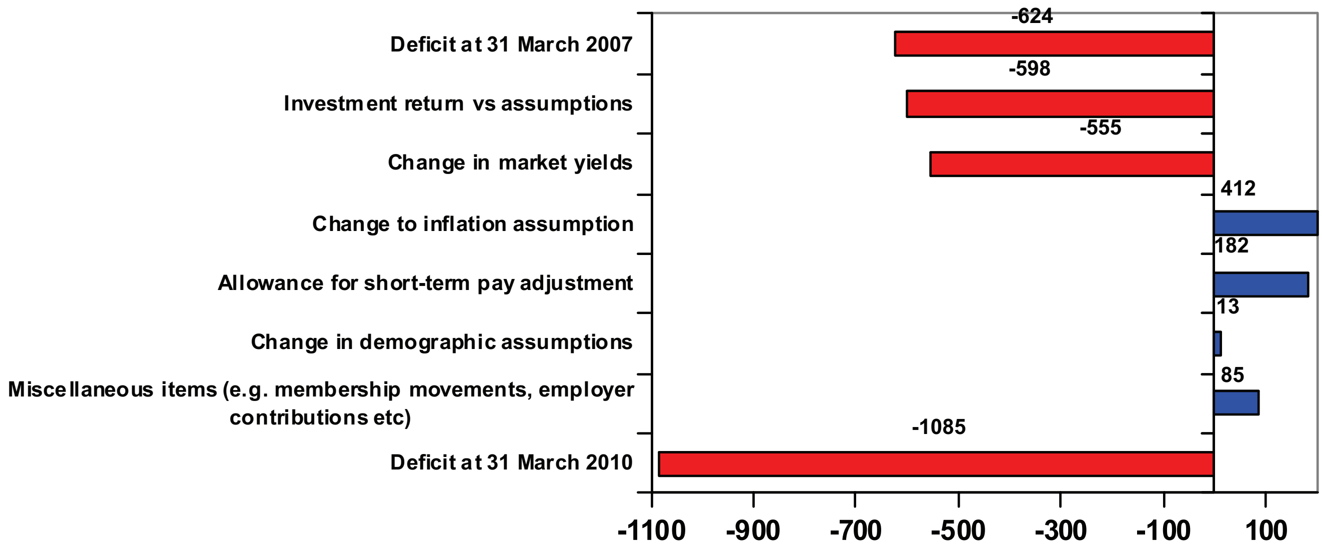
2.1 The market value of the Fund's assets at the valuation date is compared with the value of the Fund's past service liabilities (the funding target) below. The funding position at the previous valuation is shown for comparison.



2.2 The shortfall against the funding target at the valuation date was £1,085 million (£624m at the 2007 valuation). This represents a funding level of 79% relative to the funding target (86% at 2007).

Analysis of change in funding position

2.3 The key factors influencing the change in the value of the liabilities since the previous valuation are shown below (figures in £m):



2.4 The above analysis highlights a number of material developments affecting the Fund since the previous valuation:

- Liabilities have increased due to changes in market yields
- The change from RPI to CPI indexation for pension increases has beneficially impacted funding and almost offset the negative impact of the yields change.
- Revision of the demographic assumptions adopted for the 2010 valuation, specifically rates of mortality, ill health retirements, and allowance for dependants' benefits, has overall acted to place a slightly lower value on liabilities and so acted to improve the funding position.
- Allowance for lower-levels of pay growth in the short-term in line with the pay restraint proposals by Government, compared to the overall long-term pay growth assumptions has acted to place a lower value of the liabilities and so acted to improve the funding position.

2.5 It also highlights the key differences between what was assumed at the previous valuation and experience since then:

- Investment returns have been below the level required to keep pace with the assumptions adopted at the previous valuation.

3

Funding results – contribution requirements

3.1 This section provides details of the contribution requirements assessed for the Fund as a whole. The contributions payable by the employers for the period 1 April 2011 to 31 March 2014, and the timing and frequency of the contributions, have been certified in Appendices I and H respectively as is required in accordance with the Administration Regulations.

3.2 These contributions have been determined using the funding objective described in Section 1, and are made up of the following elements:

- a contribution to cover the cost of the future service accrual (including death benefits and expenses), known as the “Common Contribution Rate”;
- an adjustment to address any imbalance of assets relative to the funding target.
- an allowance for the costs of future ill health and voluntary early retirements, where applicable.

3.3 In practice, each employer’s position is assessed separately. The individual rates shown in Appendix I take into account the differing circumstances of each employer and the funding plan, as laid down in the Funding Strategy Statement, in particular in relation to deficit recovery period, assumed level of investment returns over the deficiency recovery period, and implementation of changes in employer contributions where these are required.

Common Contribution Rate

3.4 The table below shows the first of these elements. This cost is calculated as the value of benefits expected to accrue to the membership in respect of one year’s service based on projected salaries. To this is added an allowance for expenses.

The figures are expressed as percentages of Pensionable Pay (as defined in Appendix H) and apply for the period to the next formal actuarial valuation.

	2010 %	2007 %
Normal contribution rate for retirement and death benefits	18.0	17.7
Allowance for administrative expenses	0.4	0.5
Total normal contribution rate	18.4	18.2
Average member contribution rate	6.4	6.4
Employer normal contribution	12.0	11.8

Analysis of change in Common Contribution Rate

3.5 The key factors influencing the change in the CCR since the previous valuation in 2007 are shown below.

Analysis of movement in normal contribution	%
Employer's normal contribution at 31 March 2007 valuation	11.8
Change in financial and demographic assumptions	+0.3
Change in membership profile/miscellaneous	-0.1
Employer's normal contribution at 31 March 2010 valuation	12.0

Contributions to address shortfall

3.6 The funding objective is to achieve and maintain a funding level of 100% of liabilities (the funding target). Adopting the same method and assumptions as used for calculating the funding target, the deficit of £1,085 million could be eliminated by annual lump sum payments of £62.1m (in 2011/12 terms) for 25 years linked to the increase in CPI (the first increase applied on 1 April 2012. This compares to, at the 2007 valuation, annual lump sum payments of £43.2m payable over 21 years (in 2010/11 terms) linked to the increase in the Retail Prices Index.

3.7 The Schedule to the Rates and Adjustments Certificate (attached as Appendix I) sets out the contributions for each employer over the three year period to 31 March 2014 towards the funding target, (i.e. either additional deficit lump sum contributions or surplus adjustments). The corresponding figures for 2010/11 are set out in the report on the actuarial valuation of the Fund as at 31 March 2007. Contribution requirements for the period from 1 April 2014 onwards will be revised as part of the next actuarial valuation as at 31 March 2013 and will be confirmed in the Rates and Adjustments Certificate and Schedule accompanying that valuation report.

4

Method and assumptions

Funding method

4.1 The funding method adopted is known as the projected unit method under which the salary increases assumed for each member are projected until the member is assumed to leave active service.

4.2 Under the projected unit method, if the membership profile remains stable in terms of age and sex, and the assumptions are borne out, then the normal future service contribution rate (as a percentage of salaries) will remain stable. The method therefore implicitly allows for new entrants replacing leavers.

4.3 For those employers which are closed to new entrants an alternative method is adopted, known as the attained age method. This method makes advance allowance for the anticipated future ageing of the current closed membership group.

4.4 The method as specified above is the same as was used at the previous valuation.

Assumptions

4.5 The financial and demographic assumptions used to assess the funding target, the normal cost of benefit accrual and the recovery plan are set out in Appendix D. A number of changes have been made to the assumptions used, compared with the previous valuation, as noted below and in Appendix D.

4.6 The table below sets out a summary of the market (gilts) yields at the valuation date, implied inflation and inflation adjustment assumptions, together with the equivalent details at the date of the previous valuation:

	31 March 2010	31 March 2007
Long-dated gilt yield	4.5%	4.4%
Long-dated index-linked gilt yield	0.7%	1.3%
Market expectation for long-term inflation (RPI basis)	3.8%	3.1%
Adjustment for Inflation Risk Premium (IRP)	-0.3%	-0.3%
Adjustment for long term structural difference between CPI and RPI indices	-0.5%	n/a
Adjusted CPI / RPI inflation	3.0%	2.8%

4.7 The assumptions to which the valuation results are particularly sensitive are shown below.

	2010 funding target	2010 normal cost	2007 funding target	2007 normal cost
Investment return pre-retirement	6.5% p.a.	6.7% p.a.	6.4% p.a.	6.5% p.a.
Investment return post-retirement	5.5% p.a.	6.7% p.a.	5.4% p.a.	6.5% p.a.
Long-term Salary increases*	4.75% p.a.	4.75% p.a.	4.3% p.a.	4.3% p.a.
Pension increases in payment	3.0% p.a.	3.0% p.a.	2.8% p.a.	2.8% p.a.
Retired members' mortality – base tables	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments (as per Appendix D)		PA92 YoB tables +2 years	
Retired members' mortality – future improvements	CMI 2009 model methodology with 1% p.a. long term trend		CMI Medium Cohort model	

* see 4.9 below also

4.8 The mortality rates shown above relate to members retiring in normal health. At this valuation, members retiring in ill-health are assumed to be 3 years older than the above tables (5 years older assumed at the 2007 valuation).

4.9 In determining the Funding Target at this valuation, a short-term pay growth adjustment has also been applied. This adjustment was in line with the format of the proposed public sector pay restraints as announced by the Government and differs from the approach adopted to determine the Funding Target at the last actuarial valuation.

4.10 At this valuation, 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 the standard 3/80ths cash sum. 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. This assumption is unchanged from the last actuarial valuation.

4.11 The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target. with the exception that, during the period of the recovery plan, for certain employers an increased investment return on existing assets and future contributions is assumed, as specified in Appendix D.

4.12 As an illustration of the mortality rates adopted for the valuation, the future life expectancies for a male/female at age 65 are shown in the table below:

Pensioners	Life expectancy currently aged 65	
	2007 valuation assumption	2010 valuation assumption
Males normal health	20.4	21.2
Female normal health	23.2	24.0
Males ill health	16.3	18.9
Female ill health	19.0	21.5
Male dependants	20.4	19.7
Female dependants	23.2	22.9

4.13 The basis of valuing the assets (market value) is consistent with the assumptions used in assessing the funding target liabilities and the recovery plan.

5

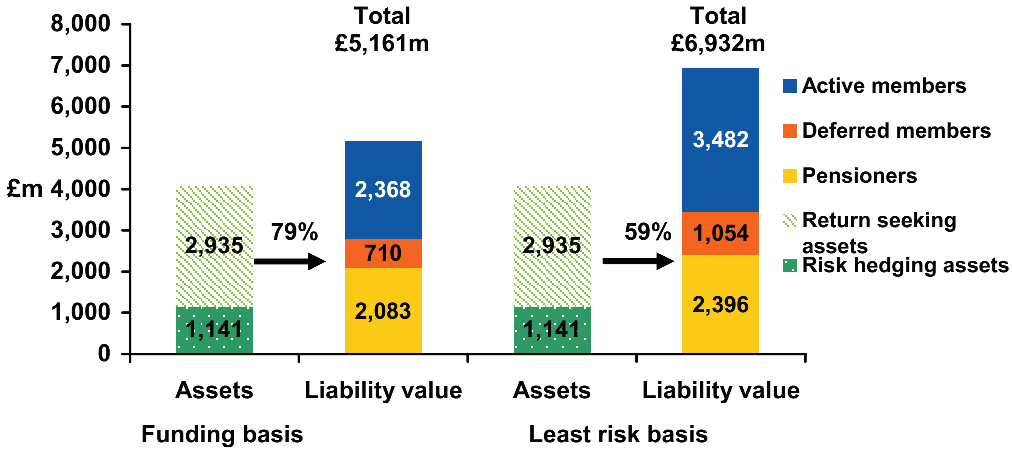
Least risk funding results

5.1 The results of the 2010 valuation show the funding target to be 79% covered by the current assets.

5.2 In assessing the value of the Fund's liabilities (the funding target), allowance has been made for asset out-performance as described in Section 4, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Statement of Investment Principles (SIP).

5.3 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 closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

5.4 If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the Fund investments. On this basis of assessment, the assessed value of the Fund's liabilities at the 2010 valuation would have been significantly higher, by approximately 34% and the declared funding level would be correspondingly reduced to approximately 59%. This is illustrated in the following chart, which also shows the assets of the Fund broken down into return seeking and risk hedging classes (based on the current target asset distribution), giving a broad indication of the degree to which a risk based investment strategy is being adopted in funding for the liabilities.



On a least risk basis the deficiency at the valuation date is £2,856 million which compares to a deficit on the ongoing basis of £1,085 million.

5.5 Departure from a least risk investment strategy, in particular to include equity and other risk based return seeking investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

6

Variability and risks

6.1 The employer contributions set out in the Schedule to the Rates and Adjustments Certificate have been determined as described in section 3 of this report. These in turn depend on the financial and demographic assumptions used as described in section 4.

6.2 The funding of defined benefits is by its nature uncertain. 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.

6.3 It is likely, especially in the short-term, that the assumptions will not be borne out in practice. It is therefore important to consider the potential impact on the employer contribution rates of actual experience differing from what has been assumed. The details in this section do this, based on the valuation results for the Fund as a whole.

Sensitivity to key assumptions

6.4 Real investment return, salary increase and life expectancy assumptions impact significantly on the funding position and the following table illustrates the sensitivity to variations in these key assumptions over the long term. The base point is the funding level of 79%. Each row of the table considers one change in isolation, with all other assumptions being unaltered. An equivalent change in the assumption in the opposite direction would change the funding level value by the equivalent amount in the opposite direction.

Change in assumption	Revised funding level at 31 March 2010
Inflation increases by 0.25% p.a.	76%

Change in assumption	Revised funding level at 31 March 2010
Real Salary growth reduced by 0.25% p.a.	80%
Life expectancy increased by 1 year	78%

6.5 Similarly these assumptions impact significantly on the cost of the benefits accruing over the year. The following table illustrates the sensitivity to variations in these key assumptions over the long term. The starting point is the normal contribution rate of 12.0% of Pensionable Pay. Each row of the table considers one change in isolation, with all other assumptions being unaltered. As before, a change in the assumption in the opposite direction would give rise to a change in the employer normal contribution rate of an equivalent amount in the opposite direction.

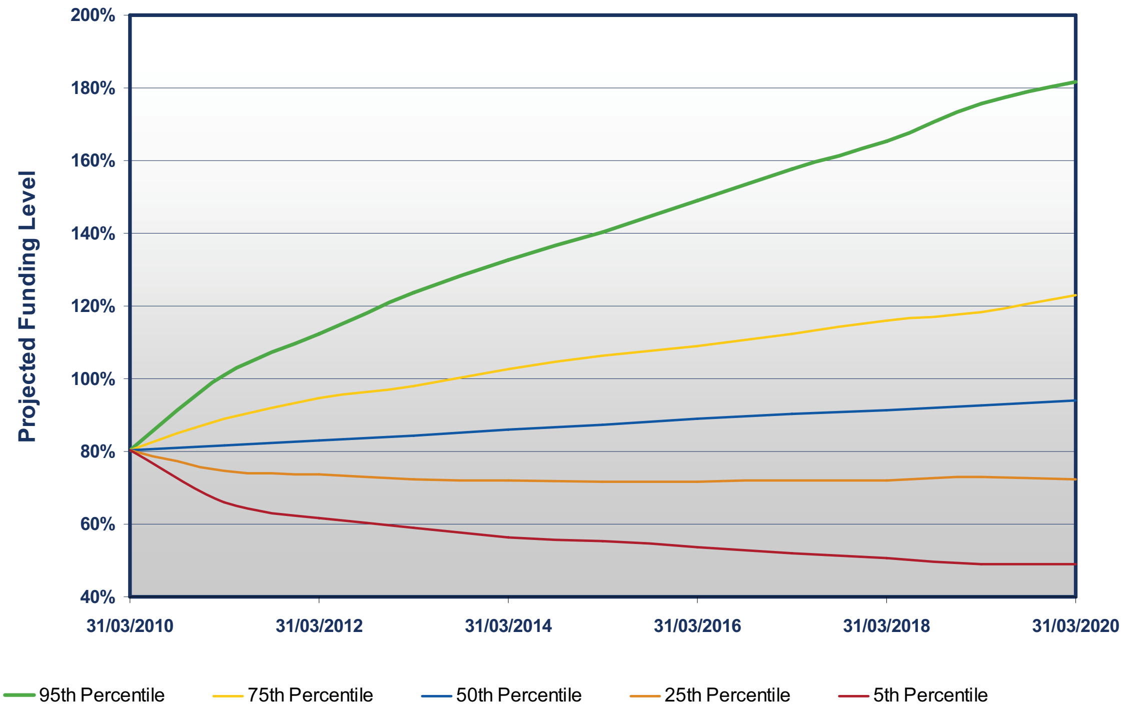
Change in assumption	Revised employer normal contribution rate at 31 March 2010 (% of Pensionable Pay)
Inflation increases by 0.25% p.a.	13.3
Real Salary growth reduced by 0.25% p.a.	11.5
Life expectancy increased by 1 year	12.2

Funding level sensitivity to investment markets

6.6 The chart overleaf shows a “funnel of doubt” funding level graph. This illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation, due to possible changes in various risk factors such as investment markets and interest rates.

6.7 Using a simplified model, the chart shows the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the funding level at each point in time being better than the funding level shown, and a 95% chance of the funding level being lower).

6.8 The chart adopts the 2010 actuarial valuation results as a starting point, and allows for the planned contributions into the Fund based on the valuation and funding strategy. The chart assumes median investment returns in line with “best estimate” market expectations and variability of those returns broadly in line with historic experience. It assumes continuation of the Fund’s current investment strategy, over the projection period.



Risks that the funding objective will not be met

6.9 The Administering Authority's policy for meeting the funding objective carries a number of risks outside of the Administering Authority's control. The following paragraphs comment on some potentially material risks.

6.10 If any employer becomes unable to pay contributions or to make good deficits in the future, the Fund's assets will be lower than expected and the funding level will be worse than expected. If the reason for the employer not paying the agreed contributions is one of financial difficulties, then the Administering Authority's focus would switch to the need to secure as far as possible that any debt from the employer on it exiting the fund can be recovered. This risk can be mitigated by regular employer covenant review, strengthening of covenant as appropriate, and monitoring of changes in employer covenant. In the ultimate default of an employer any shortfall would then become the responsibility of a guarantor or all other employers in the Fund.

6.11 If the future investment return on assets falls short of the rates assumed in the calculation of the funding target and recovery plan, the funding position will be worse than expected. It is likely that an increase in future employer contributions will be required. The analysis shown earlier in this section illustrates the potential volatility of contribution rates and funding levels to future investment returns.

6.12 If market levels and/or market yields change such that the liability values increase by more than the assets, or decrease by less than the assets, the funding position would be worse than expected. An increase in employer contributions would be expected as a result. The same comments would apply if general population mortality studies and analysis of the Fund show that pensioners are living longer, or if improvements in mortality are found to be at a faster rate than allowed for. The analysis shown earlier in this section illustrates the quantitative impact of such changes.

6.13 If members make decisions around their options such that those decisions increased the Fund's liabilities (e.g. by not commuting pensions for cash to the extent assumed), the funding position would be worse than expected. As a result, future employer contributions might then need to be increased.

6.14 There is a specific investment matching risk that is particularly relevant for the Fund. This is the risk inherent in the predominantly equity-based strategy, such that actual asset out-performance between successive valuations could diverge significantly from the investment return assumptions made, as set out in Appendix D.

6.15 As mentioned in Section 5, alternative investment strategies could be followed that would minimise the risk of deterioration in the funding position assessed relative to the funding target, for example by raising the proportion of bond investment. Such a strategy would reduce the risk that changing economic conditions would cause deterioration in the Fund's funding position. It would also tend to produce a more stable contribution rate but at a higher overall level than indicated in Section 3.

Appendix A

Summary of benefits

Local Government Pension Scheme Regulations

The benefits and contributions payable under the Fund are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended). These regulations have replaced the Regulations as were in force at the previous valuation, except for a number of saved regulations as specified by the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

With effect from 1 April 2008 new rules were introduced replacing the 1997 scheme, under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI2007/1166). The principal changes were: the replacement, for future service, of the existing benefits structure based on a pension of 1/80th of Pensionable Pay for each year of pensionable service plus an automatic lump sum of three times this amount by one based on 1/60th of Pensionable Pay for each year of pensionable service; and an increase in the average level of employee contributions from that date. These changes were taken into account at the 2007 valuation.

The following supplementary Regulations have also been laid in relation to the new scheme:

- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI2008/238)
- The Local Government Pension Scheme (Administration) Regulations 2008 (SI2008/239)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI2009/3150)

The following further amendments to the above Regulations have subsequently been issued:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) (Amendment) Regulations 2011 Statutory Instrument No. 561
- The Local Government Pension Scheme (Miscellaneous) Regulations 2010 Statutory Instrument No. 2090
- The Local Government Pension Scheme (Amendment) Regulations 2010 Statutory Instrument No. 528
- The Local Government Pension Scheme (Miscellaneous) Regulations 2009 Statutory Instrument No. 3150
- The Local Government Pension Scheme (Amendment) Regulations 2009 Statutory Instrument No. 1025
- The Local Government Pension Scheme (Administration) (Amendment) Regulations 2009 Statutory Instrument No. 447
- The Local Government Pension Scheme (Administration) (Amendment) Regulations 2008 Statutory Instrument No. 3245
- The Local Government Pension Scheme (Amendment) (No.2) Regulations 2008 Statutory Instrument No. 2989
- The Local Government Pension Scheme (Miscellaneous) Regulations 2008 Statutory Instrument No. 2425
- The Local Government Pension Scheme (Amendment) Regulations 2008 Statutory Instrument No. 1083 (including amendments as per Correction Slip issued in September 2009)

We have made no allowance for other changes which may be introduced in the future.

Benefits recharged to individual employers on a £ for £ basis have been excluded from the calculation of the valuation liabilities.

The benefits that will emerge from money purchase AVCs paid by members, and SCAVCs paid by employers, and the corresponding invested assets in respect of these AVCs and SCAVCs, have been excluded from the valuation.

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. There is no consensus or legislative guidance as to what adjustments have to be made to scheme benefits to correct these inequalities for ongoing schemes (i.e. for schemes other than those which are in the Pension Protection Fund). The valuation makes no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Administering Authority seek further professional advice if it is concerned about this issue.

The Government announced in June 2010 that the rate of increase and revaluation that applies to pensions in payment and deferment in the LGPS and the other public sector schemes will in future be determined by reference to the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI). Historically, CPI increases have on average been lower than RPI increases and, due to the nature of the two calculations, they are expected to remain so over the long term. The change is expected, therefore, to lead to lower increases to pensions, both in deferment and once in payment. This change has been taken into account in determining the financial assumptions adopted at this valuation.

Appendix B

Summary of membership data

Pensionable Employees

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	54,697	55,963	2.3
Annual Pensionable Pay[1] (£000s)	841,323	942,289	12.0
Average Pensionable Pay (£)	15,382	16,838	9.5
Average Age [2] (years)	48.2	48.8	N/A
Average Pensionable Service[3] (years)	11.4	11.7	2.6

Notes: 1 - Pensionable Pay figures include actual pay for part-time employees.

2 - Weighted by accrued pension.

3 - Weighted by salary.

Preserved Pensioners*

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	36,111	43,056	19.2
Annual Pensions inclusive of Pension Increase (£000s)	38,590	47,721	23.7
Average Pension including Pension Increase (£)	1,069	1,108	3.6
Average Age[2] (years)	46.9	47.8	N/A

* including frozen refunds and leaver options pending

Current Pensioners

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	26,803	30,647	14.3
Annual Pensions inclusive of Pension Increase (£000s)	107,088	129,759	21.2
Average Pension including Pension Increase (£)	3,995	4,234	6.0
Average Age[2] (years)	67.3	68.1	N/A

Current Widow/Widower Pensioners etc.

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	4,602	5,005	8.8
Annual Pensions inclusive of Pension Increase (£000s)	9,163	10,994	20.0
Average Pension including Pension Increase (£)	1,991	2,197	10.3
Average Age[2] (years)	73.7	74.4	N/A

In addition there were 345 current dependant pensioners as at 31 March 2010 with pensions in payment totalling £422,000 per annum.

Appendix C

Distribution of membership by employing bodies

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners[1]
2010 Rotherham Ltd	549	143	109
ABM Catering Ltd	2	0	0
Action Housing & Support Ltd	111	111	16
Age Concern Doncaster	1	0	0
All Saints RC School	47	19	12
Anston Parish Council	5	0	1
Armthorpe Parish Council	3	0	0
Askern Town Council	2	2	0
Aston-cum-Aughton Parish Council	1	1	1
Balfour Beatty Workplace	12	3	4
Barnburgh & Harlington Parish Council	1	0	0
Barnby Dun Parish Council	1	0	2
Barnsley Academy	39	9	4
Barnsley BIC Ltd	6	13	6
Barnsley College	300	352	126
Barnsley Development Agency	19	11	3
Barnsley MBC	7,654	6,572	4,906
Barnsley Premier Leisure	150	262	58
Berneslai Homes	529	167	188
Bradfield Parish Council	6	0	7
Brierley Town Council	1	2	3
Broomhill Infant School	11	8	2
Burngreave New Deal for Communities Partnership	6	33	4
Capita - Outstanding Sheffield Programme	38	3	1
Carillion Government Services	41	14	5
Civica - Sheffield BSF PFI 4	8	0	0
Clifford C of E School	12	7	0
Community Action Halfway Home	10	14	0

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners[1]
Compass Contract Service UK (PFI3)	4	0	1
Compass Contract Services UK Ltd (Barnsley Academy)	7	1	0
Compass Contract Services UK Ltd (Sheffield SPRING Academy)	2	0	0
Compass Contract Services UK Ltd (Sheffield PARK Academy)	6	0	1
Compass Scolarest	106	17	52
Compass Scolarest (PFI2)	7	1	1
CRISPIN & BORST - DMBC PFI	20	2	0
DCI Leisure Management - Pools	6	0	0
De Warenne Academy	55	2	0
Dearne Valley College	94	67	30
Dial a Ride	12	22	21
Doncaster College	390	330	178
Doncaster Community Transport	5	4	4
Doncaster Deaf Trust	89	46	71
Doncaster MBC	10,969	8,339	6,089
Doncaster Racecourse Management Company Ltd	1	0	4
Dun Drainage Commissioners	6	3	2
Ecclesfield Parish Council	3	4	0
Edlington Town Council	4	1	3
Forge Community Partnership	13	10	0
Fountains (formerly Connaught Environmental Ltd)	26	0	0
Great Places Housing Association	13	2	0
Groundwork Dearne Valley	16	31	2
Hatfield Town Council	4	1	2
Independent Training Services Ltd	8	5	11
Interserve FM Ltd	7	2	8
ISS Ltd - Sheffield Schools[2]	4	6	7
KGB CLEANING LTD[2]	1	4	0
Kier APS	228	6	13
Kier Group PLC	769	248	172
Kier Managed Services	22	10	3
Kier Support Services - Barnsley Housing Stock Maintenance	2	0	0
LANES FOR DRAINS	2	0	1
Leisure and Community Partnership Ltd - Pools	114	0	1
Leonard Cheshire Foundation	4	7	20
Longley Park Sixth Form College	60	27	2
Maltby Academy (Rotherham)	77	0	0
Mellors Catering Services (Bannerdale)	1	0	0
Mellors Catering Services Ltd	8	3	2
Mitie PFI Ltd	3	5	3
National Childrens Bureau	174	162	51
Northern College	43	35	43
Notre Dame School	58	43	7
Outwood Academy Adwick	79	2	0

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners[1]
Parkwood Academy	51	2	0
Penistone Town Council	6	11	2
Priory Campus Ltd	4	5	2
RED Holdings - Graves Park	1	0	1
Rossington Parish Council	2	0	2
Roth Don and South Humber Mental Health NHS Foundation Trust	24	10	4
Rother Valley Country Park Ltd	16	0	1
Rotherham College of Arts & Technology	233	254	111
Rotherham MBC	9,693	7,439	5,377
Royston & Carlton Community Partnership	1	6	2
Shaw Trust	13	7	8
Sheff H + SC NHS Found Trust	112	42	26
Sheffcare Ltd	42	137	117
Sheffield City Council	12,956	11,516	12,102
Sheffield Community Transport	17	8	7
Sheffield Futures	338	322	75
Sheffield Galleries & Museums	8	8	22
Sheffield Hallam University	1,910	1,898	622
Sheffield Homes	1,022	297	227
Sheffield Industrial Museums Trust Ltd	13	6	4
Sheffield International Venues Ltd	304	291	56
Sheffield Mind Ltd	2	8	6
Sheffield Park Academy	53	19	2
Sheffield Racial Equality Council[2]	2	3	1
Sheffield Springs Academy	55	30	0
Sheffield Students Union	1	6	4
Sheffield Taxi Services	2	1	6
Sheffield Unison	4	1	3
Silkstone Parish Council	1	0	0
South Yorkshire Fire Authority	265	119	151
South Yorkshire Housing Association	8	10	8
South Yorkshire Passenger Transport Authority	1	272	533
South Yorkshire Passenger Transport Executive	323	377	1,304
South Yorkshire Pensions Authority	104	34	33
South Yorkshire Police Authority	2,631	758	662
South Yorkshire Probation Trust	570	336	490
South Yorkshire Training Trust	20	23	6
Sprotborough & Cusworth Parish Council	2	0	1
St Ann's RC Primary School	10	6	4
St John Fisher RC School	17	10	3
St Joseph's Primary School	19	5	2
St Leger Homes of Doncaster	740	112	67
St Patricks RC School	26	15	3
St Theresa's RC School	20	6	1
Stainforth Town Council	2	1	3
Stocksbridge Town Council	3	0	3

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners[1]
Stonham Housing Association	1	2	4
Taylor Shaw (catering Sheff BSF PFI4)	4	2	1
Taylor Woodorw Construction (Cleaning - Sheff BSF PFI4)	4	0	0
Taylor Woodrow Construction (Sheff BSF PFI4)	6	0	0
The Centre for Full Employment	5	19	5
The Hayfield School	52	39	10
The Roundhouse Community Partnership	4	4	1
The Sheffield College	692	389	301
Thomas Rotherham College	59	48	7
Thorne Moorend Town Council	9	3	5
Thrybergh Parish Council	2	0	0
Totley All Saints C of E School	18	12	4
Translinc Ltd	6	2	2
Trinity Academy	56	7	3
Tuscan Connects Ltd	80	13	1
Valuation Tribunal	4	3	4
Veolia Environmental Services PLC	141	22	100
Voluntary Action Barnsley	9	19	10
Voluntary Action Rotherham	2	25	5
Wentworth Castle & Stainborough Park Heritage Trust	12	5	3
Wickersley Parish Council	2	1	0
Willmott Dixon Holdings Ltd[2]	61	12	16
Former Employers with no Active Members	*0*	*824*	*1,188*
Totals	**55,963**	**43,056**	**35,997**

1 Including widow/widower pensioners etc and dependents

2 Terminated after 31 March 2010

Appendix D

Actuarial assumptions used

Funding target assumptions

Financial assumptions

Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") of 2.0% p.a. for the period pre-retirement and 1.0% p.a. post-retirement.

The asset out-performance assumption represents the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the "pre-retirement" (i.e. active and deferred pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

Individual Employers

Having determined the AOAs as above for the Fund overall, it is important to consider how the financial assumptions in particular impact on individual participating employers. As employers in the Fund will have different mixes of active, deferred and pensioner members, adopting a different pre/post retirement investment return approach is equivalent to hypothecating a different equity/bond mix investment strategy for each employer. Such an approach would be inconsistent with the Fund practice, as set out in the FSS, of allocating investment performance pro rata across all employers based on a "mirror image" investment strategy to the whole Fund. In completing the calculations for individual employers therefore, a single, composite, pre and post retirement asset out-performance assumption of 1.4% p.a. has been calculated which, for the Fund as a whole, gives the same value of the funding target as the separate pre and post retirement AOAs.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for 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 Scheme's accrued liabilities but subject to the following two adjustments.

- An allowance for supply/demand distortions in the bond market is incorporated (as per the 2007 valuation) and

- Due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index, as announced in June 2010. This change will apply from April 2011 and the assumptions make due allowance for this revision as advised by the Actuary.

The overall reduction to market implied RPI inflation at the valuation date is 0.8% per annum.

Salary increases – Long Term

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.75% p.a. over the CPI inflation assumption as described above. This includes allowance for promotional increases. This has been modified from the assumption at the previous valuation (of 1.5 % above the RPI inflation assumption) to reflect future expectations, averaged over the long-term, for real salary increases, and the change in inflation assumption from RPI to CPI.

Salary increases – Short Term

A short-term pay growth adjustment has also been applied in line with the format of the expected public sector pay restraints as announced by the Government.

Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. The pension increase assumption is modified appropriately to reflect any benefits which are not fully indexed in line with inflation (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

The mortality assumptions will be 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 scheme. The mortality tables used reflect the Fund's membership profile, and are set out in the summary section below. Members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1% per annum.

Early retirement

Some members are entitled to receive their benefits (or a part of their benefits) unreduced from an age prior to the Fund's normal pension age under the "Rule of 85" provisions of the Regulations. This age will be at some point between ages 60 and 65, depending on the length of a member's pensionable service. The calculations in respect of the relevant service to which these terms apply (basically pre April 2008 service but with transitional protections for certain members) allow for a proportion of the active membership to retire in normal health prior to age 65, as set out below.

	% retiring per annum	**% retiring per annum**
Age	Males	Females
60	24	41
61	15	20
62	21	20
63	22	19
64	26	23

For post April 2008 service (other than protected service) the situation is different since the "Rule of 85" rule has been removed (and for post October 2006 service for new entrants to the Scheme from that date). For this service we have assumed the earliest age at which unreduced benefits become an entitlement is 65, except for those members who have protected status under the transitional provisions.

Other than for certain employers as specified in Appendix I no allowance has been made for voluntary non ill-health early retirements prior to the ages above. Additional contributions (payable by a revised contribution rate) will be made by employers in respect of the costs of these retirements where that exceeds the allowance made. Additional capital payments will be paid by all employers in respect of early retirements on the grounds of redundancy/efficiency or when costs arise through flexible retirement.

Ill health retirement

For certain employers, a small proportion of the active membership has been assumed to retire owing to ill health. As an example of the rates assumed, the following is an extract from the decrement table used:

	% leaving per annum	% leaving per annum
Age	Males	Females
35	0.03	0.02
45	0.07	0.07
55	0.31	0.27

The proportion of ill health early retirements falling into each tier category, split by males and females, has been assumed to be as set out below:

	Tier 1	Tier 2	Tier 3
Males	72%	9%	19%
Females	73%	14%	13%

Withdrawals

This assumption relates to those members who leave the scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

	% leaving per annum	% leaving per annum
Age	Males	Females
25	13.50	14.92
35	3.39	4.18
45	1.69	2.59

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 the standard 3/80ths cash sum. 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.

Proportion married/in civil partnership and age difference

It has been assumed that the proportions of members below will on death give rise to a spouse's/civil partner's/dependant's pension, and that spouses/partners of female (male) members are three years older (younger), on average than the member.

	% spouse/partner	% spouse/partner
Age	Males	Females
25	45	25
35	45	47
45	54	55

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.

Assumptions used in calculating the cost of future accrual

The cost of future accrual (the common contribution rate) has been calculated using the same actuarial assumptions as used to calculate the funding target as set out above except that the financial assumptions adopted are as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and

- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.7% per annum, with a long term average assumption for price inflation of 3.0 % per annum. These two assumptions give rise to an overall discount rate of 6.7 % p.a.

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the common rate of contributions. In market conditions at the effective date of the 2010 valuation this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key assumptions used for calculating funding target and cost of future accrual for the 2010 actuarial valuation

Long-term gilt yields	
Fixed interest	4.5% p.a.
Index linked	0.7% p.a.
Past service Funding Target financial assumptions	
Investment return pre-retirement	6.5 % p.a.
Investment return post-retirement	5.5 % p.a.
CPI price inflation	3.0% p.a.
Salary increases	4.75% p.a.
Pension increases	3.0 % p.a.
Future service accrual financial assumptions	
Investment return	6.7 % p.a.
CPI price inflation	3.0% p.a.
Salary increases	4.75% p.a.
Pension increases	3.0 % p.a.

Post retirement mortality

	Table	Adjustment*
Males normal health pensioners	S1PMA CMI_2009_M [1%]	106%
Female normal health pensioners	S1PFA CMI_2009_F [1%]	97%
Males ill health pensioners	As for male normal health pensioners +3 years	
Female ill health pensioners	As for female normal health pensioners +3 years	
Male dependants	S1PMA CMI_2009_M [1%]	129%
Female dependants	S1DFA CMI_2009_F [1%]	109%
Male future dependants	S1PMA CMI_2009_M [1%]	111%
Female future dependants	S1DFA CMI_2009_F [1%]	103%

* An **age rating** applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

For example, a “+1 year” rating would mean beneficiaries are assumed to have the mortality of someone one year their senior which has the effect of reducing their life expectancy and hence reducing the assessed value of the corresponding liabilities.

A **weighting** applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy.

For example, a “106%” weighting would mean beneficiaries have mortality rates 6% higher than the unadjusted table which reduces the assessed value of the corresponding liabilities.

Other Demographic assumptions

Pre-retirement mortality	PA92 MC YoB tables + 2 years
Commutation	One half of members take maximum lump sum, others take 3/80ths
Ill health retirement and proportions married/civil partnerships	Revised at the 2010 valuation based on up to date detailed analysis of general LGPS experience
Withdrawal and other demographics	As for 2007 Valuation

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the **funding target**, with the exception that, for certain employers, the required contributions are adjusted to allow for the following variation in assumptions during the period of the recovery plan:

Investment return on existing assets and future contributions

An overall additional return of 2.5% p.a. above the liabilities consistent gilt yield of 4.5% p.a. effective as at the valuation date, reflecting the underlying investment strategy of the scheme and, in particular, including the assets of the scheme that underlie the pensioner as well as the non-pensioner liabilities.

This is equivalent to a total rate of investment return of 7.0% p.a. effective as at the 2010 valuation date.

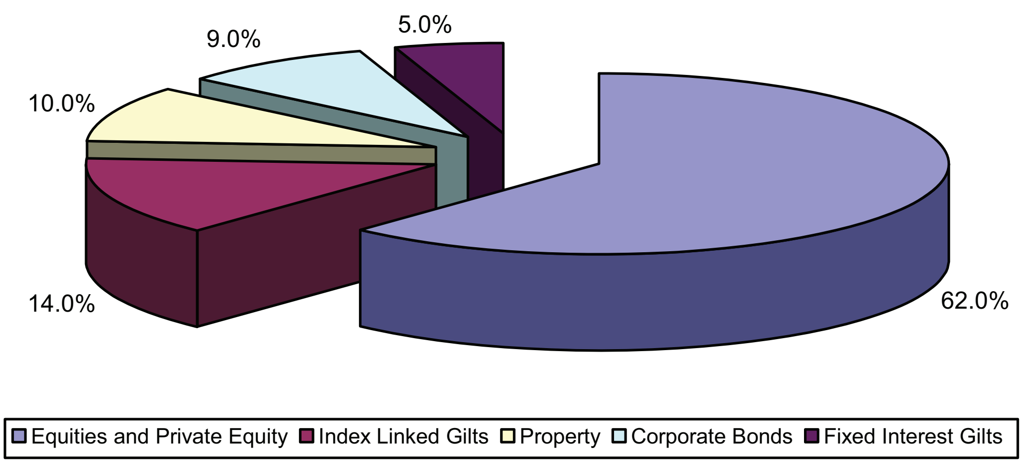
The investment return assumed for the contributions under the recovery plan is taken to apply throughout the recovery period. As a result, any change in investment strategy which would act to reduce the expected future investment returns could invalidate these assumptions and therefore the funding strategy.

The above variation to assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high covenant to support the anticipation of investment returns, based on the current investment strategy, over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where the variation in the assumptions does apply, the resultant deficit recovery lump sum contributions implemented following the 2010 valuation will be subject to a minimum of the deficit recovery lump sum contributions planned for 2011/12 onwards based on the 2007 actuarial valuation.

Appendix E

Summary of assets

Based on the information supplied, the market value of the assets of the Fund (excluding those additional voluntary contribution funds (AVCs) which are separately invested) was £4,076 million on the valuation date. The target distribution of assets by asset class as per the Fund's Statement of Investment Principles was as follows:-



The details of the assets at the valuation date and the financial transactions during the inter-valuation period (as summarised in Appendix F) have been obtained from the audited accounts for the Scheme.

Appendix F

Summary of income and expenditure

INCOME	Year ending 31 March		
	2008	**2009**	**2010**
	£000s	£000s	£000s
Fund at beginning of year	3,719,673	3,713,487	3,082,530
Contributions to Fund:			
Employees	51,263	56,626	58,906
Employers	139,554	149,586	157,008
Early Retirement	8,802	7,418	9,839
Transfer Values received	12,077	13,106	17,286
Investment income	109,196	119,182	100,184
Change in market value of investments	-149,534	-789,702	860,592

EXPENDITURE	Year ending 31 March		
	2008	**2009**	**2010**
	£000s	£000s	£000s
Pensions for members/spouses/partners/dependants	118,608	126,231	136,894
Lump sum benefits	35,948	39,466	46,693
Refunds on withdrawal			
Transfer values paid	15,270	13,775	19,354
Tax	1,571	1,854	1,308
Investment expenses	2,566	2,211	1,871
Administration expenses	3,581	3,636	3,735
Fund at end of year	3,713,487	3,082,530	4,076,490

Appendix G

Experience analysis of the membership of the Fund for the period 1 April 2007 to 31 March 2010

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2010 valuation.

Ill Health Retirements

	Actual	Expected	%
Males	115	50	230
Females	167	80	209
Total	282	130	217

In considering the above it should be noted that the introduction of the 2008 scheme included substantial changes to the eligibility criteria for ill health retirement and so the experience over the period is not expected to be representative of that going forward. The ill health assumptions for this 2010 valuation are in accordance with the analysis and advice reported separately to the Administering Authority, based on observed experience across all Mercer LGPS clients.

Withdrawals

	Actual	Expected	%
Males	3,048	1,621	188
Females	8,671	4,608	188
Total	11,719	6,229	188

Note that actual withdrawals include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

Pensioner Deaths

a. Based on amounts of pension payable

	Actual (£000s)	Expected (£000s)	%
Males	5,799	5,414	107
Females	3,735	3,518	106
Total	9,534	8,932	107

b. Based on number of pensions in payment

	Actual	Expected	%
Males	1,346	1,063	127
Females	1,508	1,367	110
Total	2,854	2,430	117

Appendix H

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund	**South Yorkshire Pension Fund**

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2011 should be at the rate of 12.0 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2011, as set out above, should be individually adjusted as set out in the attached schedule.

Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS regulations for the calculation of employee contributions.

Further Adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring on the grounds of redundancy/efficiency, and each flexible retirement where a cost arises, occurring in the period of the Rates and Adjustments Certificate.

Further individual adjustments will apply in relation to ill-health and voluntary early retirements occurring in the period except to the extent that the liabilities arising have been taken into account when setting the employer's contribution rate.

These additional individual adjustments 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. Additional contributions may be paid if requested by the employer concerned.

The 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.

Regulation 36(8)

No allowance for the costs arising from non-ill health early retirements on the grounds of redundancy/efficiency, or flexible retirements, has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions.

I have also shown on the attached Schedule the allowance made for ill health early retirements and voluntary early retirements over the period of three years beginning 1 April 2008 taken into account when setting the employer's contribution rate. I have assumed numbers of early retirements and average additional liabilities in respect of those early retirements will be such that, over the period of the certificate, the total additional liabilities in respect of each employer will be as set out in the Schedule. The additional liabilities anticipated have been assessed using the method and assumptions set out in this report.

Signature P Middleman

Name Paul Middleman

Date of signing 30 March 2011

Qualification Fellow of the Institute and Faculty of Actuaries

Appendix I

Schedule to the Rates and Adjustment Certificate dated 30 March 2011

Employers	2011/14			
	Individual Adjustment % of pay	**Ongoing Contribution Rate % of pay**	**Additional Payment (Surplus Adjustment) (see note 1) £ p.a.**	**Ill Health and Voluntary Early Retirement Allowance (see note 4) £**
2010 Rotherham Ltd	-0.8 plus £136,000	11.2	£136,000	238,000
ABM Catering Ltd	7.7 less £500	19.7	(£500)	0
Action Housing & Support Ltd	-1.2 plus £49,700	10.8	£49,700	41,000
Age Concern Doncaster	8.5 plus £1,100	20.5	£1,100	0
All Saints RC School	0.0 plus £15,200	12.0	£15,200	13,000
Anston Parish Council	4.7 plus £1,100	16.7	£1,100	0
Armthorpe Parish Council	1.8 plus £100	13.8	£100	0

Employers	2011/14			
	Individual Adjustment % of pay	**Ongoing Contribution Rate % of pay**	**Additional Payment (Surplus Adjustment) (see note 1) £ p.a.**	**Ill Health and Voluntary Early Retirement Allowance (see note 4) £**
Askern Town Council	6.0 plus £200	18.0	£200	0
Aston-cum-Aughton Parish Council	3.3 plus £300	15.3	£300	0
Balfour Beatty Workplace	4.4 plus £4,300	16.4	£4,300	0
Barnburgh & Harlington Parish Council	10.3 plus £100	22.3	£100	0
Barnby Dun Parish Council	10.5 less £400	22.5	(£400)	0
Barnsley Academy	-0.5 plus £17,000	11.5	£17,000	11,000
Barnsley BIC Ltd	5.4 plus £5,100	17.4	£5,100	0
Barnsley College	-1.3 plus £135,400	10.7	£135,400	97,000
Barnsley Development Agency	0.3 plus £1,100	12.3	£1,100	0
Barnsley MBC (see note 2)	0.2 plus £7,720,700	12.2	£7,720,700	2,158,000
Barnsley Premier Leisure	-1.3 plus £53,100	10.7	£53,100	0
Berneslai Homes	-0.2 plus £39,000	11.8	£39,000	236,000
Bradfield Parish Council	5.2 less £3,000	17.2	(£3,000)	0
Brierley Town Council	1.6 plus £4,100	13.6	£4,100	0
Brinsworth Academy (see note 6)	-0.5	11.5	0	18,000
Broomhill Infant School	-0.5 plus £1,000	11.5	£1,000	0
Burngreave New Deal for Communities Partnership	0.4 plus £11,500	12.4	£11,500	0
Capita - Outstanding Sheffield Programme	1.9 less £37,900	13.9	(£37,900)	0

Employers	2011/14			
	Individual Adjustment % of pay	**Ongoing Contribution Rate % of pay**	**Additional Payment (Surplus Adjustment) (see note 1) £ p.a.**	**Ill Health and Voluntary Early Retirement Allowance (see note 4) £**
Carillion Government Services	3.3 plus £5,300	15.3	£5,300	0
Carillion PLC (see note 6)	2.3	14.3	0	0
Civica – Barnsley BSF (see note 6)	tbc	tbc	tbc	0
Civica - Sheffield BSF PFI 4	2.2 less £4,900	14.2	(£4,900)	0
Clifford C of E School	-2.5 plus £2,200	9.5	£2,200	0
Community Action Halfway Home	0.7 plus £9,800	12.7	£9,800	0
Compass Contract Service UK (PFI3)	6.3 plus £800	18.3	£800	
Compass Contract Services UK Ltd (Barnsley Academy)	2.8 less £2,200	14.8	(£2,200)	0
Compass Contract Services UK Ltd (Sheffield SPRING Academy)	3.5 less £400	15.5	(£400)	0
Compass Contract Services UK Ltd (Sheffield PARK Academy)	5.6 less £1,100	17.6	(£1,100)	0
Compass Scolarest (see note 7)	4.7	16.7	0	15,000
Compass Scolarest (PFI2)	4.6 plus £1,000	16.6	£1,000	0
CRISPIN & BORST - DMBC PFI	4.0 less £3,000	16.0	(£3,000)	0
DCI Leisure Management - Pools	-2.4 less £4,000	9.6	(£4,000)	0
De Warenne Academy	0.6 less £13,800	12.6	(£13,800)	12,000
Dearne Valley College	-0.9 plus £22,500	11.1	£22,500	28,000
Dial a Ride	3.5 plus £10,800	15.5	£10,800	0
Doncaster College	0.2 plus £199,200	12.2	£199,200	107,000

Employers	2011/14			
	Individual Adjustment % of pay	**Ongoing Contribution Rate % of pay**	**Additional Payment (Surplus Adjustment) (see note 1) £ p.a.**	**Ill Health and Voluntary Early Retirement Allowance (see note 4) £**
Doncaster Community Transport	5.5 plus £900	17.5	£900	0
Doncaster Deaf Trust	0.4 plus £89,400	12.4	£89,400	0
Doncaster Culture and Leisure Trust (see note 6)	tbc	tbc	tbc	tbc
Doncaster MBC (see note 2)	0.2 plus £8,142,750	12.2	£8,142,750	2,717,000
Doncaster Racecourse Management Company Ltd	5.5 plus £4,000	17.5	£4,000	0
Dun Drainage Commissioners	2.3 plus £2,600	14.3	£2,600	0
Ecclesfield Parish Council	4.2 less £1,900	16.2	(£1,900)	0
Edlington Town Council	3.1 plus £2,200	15.1	£2,200	0
Forge Community Partnership	-1.6 plus £5,500	10.4	£5,500	0
Fountains (formerly Connaught Environmental Ltd)	5.1 less £500	17.1	(£500)	0
Great Places Housing Association	-1.9 plus £7,100	10.1	£7,100	0
Groundwork Dearne Valley	1.5 plus £34,600	13.5	£34,600	0
Hatfield Town Council	4.7 plus £2,200	16.7	£2,200	0
Independent Training Services Ltd	1.4 plus £1,200	13.4	£1,200	0
Interserve FM Ltd	3.7 plus £67,600	15.7	£67,600	0
JLIS – PFI FM sub-contract (BMBC BSF) (see note 6)	tbc	tbc	tbc	tbc
JLIS Non-PFI Contract (see note 6)	tbc	tbc	tbc	tbc
Kier APS	3.5 less £233,300	15.5	(£233,300)	61,000

Employers	2011/14 Individual Adjustment % of pay	Ongoing Contribution Rate % of pay	Additional Payment (Surplus Adjustment) (see note 1) £ p.a.	Ill Health and Voluntary Early Retirement Allowance (see note 4) £
Kier Group PLC	3.3 less £745,600	15.3	(£745,600)	344,000
Kier Managed Services	3.9 less £1,900	15.9	(£1,900)	0
Kier Support Services - Barnsley Housing Stock Maintenance	8.1 less £600	20.1	(£600)	0
Lanes for Drains (see note 7)	2.3	14.3	0	0
Leisure and Community Partnership Ltd - Pools	-1.4 less £63,100	10.6	(£63,100)	24,000
Leonard Cheshire Foundation	4.8 plus £5,900	16.8	£5,900	0
Longley Park Sixth Form College	-1.4 plus £20,800	10.6	£20,800	21,000
Maltby Academy (Rotherham)	-0.9 less £25,300	11.1	(£25,300)	23,000
Mellors Catering Services (Bannerdale)	2.5 less £300	14.5	(£300)	0
Mellors Catering Services Ltd	4.5 plus £10,300	16.5	£10,300	0
Mitie PFI Ltd	1.3 plus £400	13.3	£400	0
Morrison Facilities (see note 6)	1.4	13.4	0	67,000
National Childrens Bureau	-1.2 plus £94,700	10.8	£94,700	107,000
Northern College	1.2 plus £81,100	13.2	£81,100	16,000
Northern Racing College	-1.4 plus £20,600	10.6	£20,600	0
Notre Dame School	-0.9 plus £9,800	11.1	£9,800	17,000
NPS Barnsley	-0.1	11.9	0	62,000
Outwood Academy Adwick	0.2 less £18,900	12.2	(£18,900)	16,000
Parkwood Academy	-1.3 less £20,500	10.7	(£20,500)	16,000

Employers	2011/14 Individual Adjustment % of pay	Ongoing Contribution Rate % of pay	Additional Payment (Surplus Adjustment) (see note 1) £ p.a.	Ill Health and Voluntary Early Retirement Allowance (see note 4) £
Penistone Town Council	6.4 plus £1,100	18.4	£1,100	0
Priory Campus Ltd	4.0 plus £9,800	16.0	£9,800	0
RED Holdings - Graves Park	9.7 less £100	21.7	(£100)	0
Rossington Parish Council	6.1 plus £1,100	18.1	£1,100	0
Roth Don and South Humber Mental Health NHS Foundation Trust	2.6 plus £8,000	14.6	£8,000	0
Rother Valley Country Park Ltd	1.8 less £14,800	13.8	(£14,800)	0
Rotherham College of Arts & Technology	-0.3 plus £54,800	11.7	£54,800	73,000
Rotherham MBC (see note 2)	0.0 plus £7,121,100	12.0	£7,121,100	2,539,000
Royston & Carlton Community Partnership	1.5 plus £3,300	13.5	£3,300	0
Shaw Trust	6.4 plus £2,400	18.4	£2,400	0
Sheff H + SC NHS Found Trust	1.5 plus £105,700	13.5	£105,700	38,000
Sheffcare Ltd	1.8 plus £165,700	13.8	£165,700	15,000
Sheffield City Council (see note 2)	0.1 plus £17,661,000	12.1	£17,661,000	4,110,000
Sheffield Community Transport	4.9 plus £13,000	16.9	£13,000	0
Sheffield Futures	0.4 plus £111,600	12.4	£111,600	88,000
Sheffield Galleries & Museums	4.0 Plus £22,700	16.0	£22,700	0
Sheffield Hallam University	-1.2 plus £1,043,500	10.8	£1,043,500	784,000

Employers	2011/14 Individual Adjustment % of pay	Ongoing Contribution Rate % of pay	Additional Payment (Surplus Adjustment) (see note 1) £ p.a.	Ill Health and Voluntary Early Retirement Allowance (see note 4) £
Sheffield Homes	0.2 plus £132,700	12.2	£132,700	401,000
Sheffield Industrial Museums Trust Ltd	2.2 plus £3,300	14.2	£3,300	0
Sheffield International Venues Ltd	-1.1 plus £93,100	10.9	£93,100	99,000
Sheffield Mind Ltd	6.8 plus £13,000	18.8	£13,000	0
Sheffield Park Academy	-0.2 plus £10,200	11.8	£10,200	17,000
Sheffield Springs Academy	-0.6 plus £4,100	11.4	£4,100	15,000
Sheffield Students Union	7.7 plus £7,900	19.7	£7,900	0
Sheffield Taxi Services	5.5 less £1,100	17.5	(£1,100)	0
Sheffield Unison	1.3 plus £4,600	13.3	£4,600	0
Silkstone Parish Council	-1.9 plus £100	10.1	£100	0
South Yorkshire Fire Authority	-0.4 plus £367,000	11.6	£367,000	111,000
South Yorkshire Housing Association	0.4 plus £21,700	12.4	£21,700	0
South Yorkshire Passenger Transport Executive	-0.4 plus £1,037,800	11.6	£1,037,800	135,000
South Yorkshire Pensions Authority	-0.3 plus £166,700	11.7	£166,700	43,000
South Yorkshire Police Authority	-1.3 plus £1,175,500	10.7	£1,175,500	999,000
South Yorkshire Probation Trust	0.3 plus £530,000	12.3	£530,000	258,000
Sprotborough & Cusworth Parish Council	6.3 plus £1,100	18.3	£1,100	0
St Ann's RC Primary School	1.4 plus £2,100	13.4	£2,100	0

Employers	2011/14 Individual Adjustment % of pay	Ongoing Contribution Rate % of pay	Additional Payment (Surplus Adjustment) (see note 1) £ p.a.	Ill Health and Voluntary Early Retirement Allowance (see note 4) £
St John Fisher RC School	3.0 plus £1,100	15.0	£1,100	0
St Joseph's Primary School	3.5 plus £1,100	15.5	£1,100	0
St Leger Homes of Doncaster	-0.5 plus £201,900	11.5	£201,900	300,000
St Patricks RC School	1.9 plus £6,700	13.9	£6,700	0
St Theresa's RC School	3.0 plus £4,700	15.0	£4,700	0
Stainforth Town Council	1.2 plus £6,600	13.2	£6,600	0
Stocksbridge Town Council	0.4 plus £700	12.4	£700	0
Stonham Housing Association	7.1 less £900	19.1	(£900)	0
SYITA (Properties) Ltd	7.2	19.2	0	0
Taylor Shaw (catering Sheff BSF PFI4)	7.3 less £1,900	19.3	(£1,900)	0
Taylor Shaw (Parkwood)	6.2	18.2	0	0
Taylor Woodrow Construction (Cleaning - Sheff BSF PFI4)	4.0 less £700	16.0	(£700)	0
Taylor Woodrow Construction (Sheff BSF PFI4)	4.2 less £1,800	16.2	(£1,800)	0
The Centre for Full Employment	0.7 plus £12,400	12.7	£12,400	0
The Hayfield School	2.8 plus £10,800	14.8	£10,800	12,000
The Roundhouse Community Partnership	3.5	15.5	0	0
The Sheffield College	1.4 plus £196,000	13.4	£196,000	192,000
Thomas Rotherham College	-0.3 plus £20,600	11.7	£20,600	18,000
Thorne Moorend Town Council	3.6 plus £7,600	15.6	£7,600	0

Employers	2011/14			
	Individual Adjustment % of pay	**Ongoing Contribution Rate % of pay**	**Additional Payment (Surplus Adjustment) (see note 1) £ p.a.**	**Ill Health and Voluntary Early Retirement Allowance (see note 4) £**
Thrybergh Parish Council	2.1 plus £100	14.1	£100	0
Totley All Saints C of E School	2.9 plus £3,300	14.9	£3,300	0
Translinc Ltd	5.1 plus £49,900	17.1	£49,900	0
Trinity Academy	0.5 plus £9,900	12.5	£9,900	15,000
Tuscan Connects Ltd	-1.4 plus £26,100	10.6	£26,100	42,000
Valuation Tribunal	1.1 plus £7,500	13.1	£7,500	0
Veolia Environmental Services PLC	5.0 plus £50,900	17.0	£50,900	62,000
Voluntary Action Barnsley	0.4 plus £8,100	12.4	£8,100	0
Voluntary Action Rotherham	3.1 less £7,300	15.1	(£7,300)	0
Wales High School (Academy Trust) (see note 6)	-0.1	11.9	0	19,000
Wentworth Castle & Stainborough Park Heritage Trust	0.1 plus £17,900	12.1	£17,900	0
Wickersley Parish Council	0.3 plus £400	12.3	£400	0
Willmott Dixon Partnership Ltd (see note 6)	2.0	14.0	0	71,000

Other interested bodies with no pensionable employees

Former Employer	Proportion of Pension Increases to be Recharged %
National Water Council (YWA)	100
Shafton Parish Council	83
Sheffield Alcoholic Advisory Service	100
Youth Association South Yorkshire	60
Sheffield Racial Equality Council	100
Yorkshire & Humberside Regional Examination Board	100

Notes:

1. With the exception of Barnsley MBC, Doncaster MBC, Rotherham MBC and Sheffield CC, the additional lump sum payments or surplus adjustments for 2012/13 should be increased by the 2012 Pension Increase Order and the additional lump sum payments or surplus adjustments for 2013/14 should be increased by the 2012 and 2013 Pension Increase Orders.

2. For the four district councils, under an agreed phasing plan, the lump sum payments will not increase over 2011/14 in line with the Pension Increase Orders. The underpayment of deficit contributions over 2011/14 will be recovered over the three year period following the actuarial valuation as at 31 March 2013 i.e. over 2014/17.

3. The additional lump sum payments are assumed to be payable on a monthly basis. Interest, in line with the regulations, will be applied for late payment.

4. The Administering Authority will monitor the additional liabilities arising in respect of ill health and voluntary early retirements actually occurring over the three years beginning 1 April 2011 for each employer where an allowance is shown above. Where the total additional liabilities for an employer exceed the allowance set out above and the employer does not pay additional capital contributions to meet the additional liabilities, the Administering Authority will require the Fund's actuary to review that employer's contribution rate as set out in Regulation 38(6) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

5. The total annual contributions payable by each employer will be subject to a minimum of zero.

6. These employers were admitted to the Fund after 31 March 2010.

7. These employers are due to exit from the Fund during 2011/12. Termination assessments will then be required in respect of these employers and any termination contributions due notified separately.

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INVESTOR IN PEOPLE

South Yorkshire Pension Fund

Funding Strategy Statement (FSS) as at March 2011

This Funding Strategy Statement (FSS) has been prepared by South Yorkshire Pensions Authority (the Authority) to set out the funding strategy for the South Yorkshire Pension Fund (the Fund), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 ("the Administration Regulations") (as amended) and the guidance papers issued in March 2004 and November 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 provide the statutory framework from which the Authority is required to prepare a Funding Strategy Statement. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund the Authority will prepare and publish their funding strategy;

- In preparing the FSS, the Authority must have regard to :-

    - the guidance issued by CIPFA for this purpose; and

    - their own Statement of Investment Principles (SIP) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);

- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the Local Government Pension Scheme are guaranteed by statute and thereby the pensions promise is secure. 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 Scheme is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), "the Benefit Regulations"). Changes to the benefits under the Scheme took place from April 2008. The required levels of employee contributions are also specified in those Regulations.

Employer contributions are determined in accordance with the Administration Regulations (principally Regulation 36) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the Fund should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

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 Administration Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Authority, after having taken professional advice from its advisors, including the actuary.

The purpose of this Funding Strategy Statement is:

- **to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;**

- **to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and**

- **to take a prudent longer-term view of funding those liabilities.**

The intention is for this strategy 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 in the statement, it must remain a single strategy for the Authority to implement and maintain.

3. Aims and purpose of the Pension Fund

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies

- manage employers’ liabilities effectively

- ensure that sufficient resources are available to meet all liabilities as they fall due, and

- maximise the returns from investments within reasonable and clearly understood risk parameters.

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 scheme benefits, transfer values, costs, charges and expenses, as defined in the Benefit and Administration Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

4. Responsibilities of the key parties

The Authority should:

- collect employer and employee contributions
- calculate benefits correctly and ensure that they are paid promptly
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties
- monitor all aspects of the Fund's performance and solvency and amend FSS/SIP, and
- ensure that administration costs are kept to a minimum.

The Individual Employer should:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- maintain policies on discretions and exercise them within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters, and
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. Solvency issues and target funding levels

To meet the requirements of the regulations the Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay.

The key financial assumptions making up the funding strategy and as adopted for the 2010 actuarial valuation are:

Past Service (current yields basis)	31 March 2010
Asset valuation	Market Value
Asset out-performance assumption (pre-retirement)	2.0%
Asset out-performance assumption (post-retirement)	1.0%
Discount rate (pre-retirement)	6.5%
Discount rate (post-retirement)	5.5%
Pension increases (CPI Price Inflation)	3.0%
Long-Term Earnings inflation	4.75%
Future Service (long term basis)	
Discount rate (pre-retirement)	6.7%
Discount rate (post-retirement)	6.7%
Pension increases (CPI Price Inflation)	3.0%
Earnings inflation	4.75%

A full description and summary of the main financial and demographic assumptions adopted for the 2010 actuarial valuation are shown in the formal report produced by the Actuary for the valuation.

Underlying these assumptions are the following two tenets:

- that the Fund and the major employers are expected to continue for the foreseeable future; and

- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

The current actuarial valuation of the Scheme is effective as at 31 March 2010. The results of the valuation indicate that overall the assets of the Scheme represented 79% of projected accrued liabilities at the valuation date.

Each employer in the Fund has their own unique contribution rate. Past practice had been to express this as a percentage of their pensionable payroll, incorporating a common contribution rate for future benefit accrual adjusted by a further percentage to account for any significant demographic and/or financial variances plus any past service deficit or surplus. Traditionally this had worked well in a climate of steadily increasing employer payrolls but recent experience of changes in employers' workforces (and thus payrolls) supported the need to re-examine this approach. Accordingly, contribution rates since 2005 have been (and will continue to be) expressed in terms of a percentage of payroll for future benefit accrual plus or minus capital payments in respect of any deficit or surplus adjustments. Such an approach brings the following advantages:

- the presentational value of the transparent separation of costs between future benefit accrual and past service liabilities

- greater stability for employers in their budgeting for pension costs, and

- greater certainty of cashflow for the Authority for investment planning

However, the Authority recognises that from an operational point of view some employers may find difficulty with this approach. To alleviate any problems that might be caused the Authority modifies this approach by requiring the actuary to certify the rates in terms of minimum values. By doing so, employers are able to convert the capital payments into a percentage of their payroll thus reverting back to an all-inclusive percentage rate, if they so wish. This is on the proviso that, whatever the actual mechanics employed by individual employers, the sum paid during the Fund's financial year meets, or exceeds, the minimum value required of them. A further advantage of taking this modified line is to enable any employer to advance their return to 100% funded over a shorter period, should their finances permit them to contribute more than their minimum contribution.

The capital payments in respect of any deficit identified by the Actuary at the valuation date (or surplus adjustments) will be subject to annual increases in line with the Consumer Prices Index i.e. the annual Pension Increase Orders. The required capital payment (or surplus adjustment) identified at the valuation date as at 31 March 2010 therefore will be increased by the 2011 Pension Increase Order of 3.1% for 2011/12. Those for 2012/13 and 2013/14 will be increased by the 2012 and 2013 Pension Increase Orders as required.

However, as part of an agreed phasing pattern, for the four district councils, the annual inflationary increase to the required capital payments identified at the valuation date will not be applied for the period 2011/14. The underpayment in deficit contributions arising as a result of the annual indexation freeze for the district councils will be identified by the actuary as part of the actuarial valuation as at 31 March 2013 and recovered by the Fund over the period 1 April 2014 to 31 March 2017 as part of the contribution requirements certified following the 2013 valuation.

With regards to costs for ill-health or voluntary early retirement, for certain employers in the Fund, the actuary has again included an allowance, based upon the employer's workforce and discretionary policies, within the certified contribution rate which is published in the valuation report and monitored by the Authority. Additionally, any "strain" costs generated on redundancy, efficiency or flexible retirements are collected by additional capital payments over a maximum of three years. For those employers for whom the certified contribution rate excludes an allowance for ill-health or voluntary early retirement costs, the Administering Authority will require the Fund's actuary to review that employer's contribution rate on all early retirements occurring during the period of the rates and adjustments certificate issued by the Actuary following the 2010 valuation..

The Authority, following consultation with interested parties, has adopted the following objectives to achieve the funding target:

- the underlying objective is to return the assets of the Fund to a position where they can meet 100% of its liabilities by March 2036

- within this overall target, scheduled and resolution bodies and those admission bodies that are backed by scheduled body guarantees are allowed to extend their recovery period up to the maximum period of recovery, or such shorter period as they may individually decide. Any extension in recovery period up to the maximum is only permissible in circumstances where stability and not a reduction in the level of deficit recovery lump sum contributions would be the outcome (compared to the levels certified at the 2007 actuarial valuation).

    - those "transferor admission bodies" operating outsourced services under a contract which expires within that period are limited to the lifetime of that contract unless the body is in surplus at the valuation date in which case the maximum recovery period will be applied.

- due to their weaker covenant, admission bodies that are not backed by a guarantee will adopt a shorter recovery period (up to March 2031) subject to the following provisos;

    - those with a defined (or expected) lifespan shorter than that period are limited to that shorter period, such known (or expected) events to be declared by the admission body as soon as practicable

    - no allowance for the increased investment return allowance during the recovery period will be made (see later comments)

In determining the deficit recovery period(s) the Authority has had regard to:

- the responses made to the consultation with interested parties on the FSS principles

- the recognition that it would be impractical for each employer to have a bespoke recovery period and therefore some grouping of employer categories is appropriate

- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and

- the Authority's views on the strength of the participating employers' covenants in achieving the objective.

6. Link to investment policy set out in the Statement of Investment Principles

The results of the 2010 valuation show the liabilities to be 79% covered by the current assets, with the funding deficit of 21% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for asset out-performance as described in Section 5, taking into account the investment strategy adopted by the Authority, as set out in the SIP.

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 closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts and is known as the “Least Risk Portfolio“ or LRP.

Investment of the Fund’s assets in line with the LRP would minimise fluctuations in the Fund’s ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in the LRP, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the investments. On this basis of assessment, the assessed value of the Fund’s liabilities at the 2010 valuation would have been significantly higher, by approximately 34% and the declared funding level would be correspondingly reduced to approximately 59%.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

In order to ensure as far as possible that its investment strategy is appropriate for the Fund’s liabilities the Authority has adopted a diversified asset allocation. The strategic asset allocation is adopted only after analysing the Fund’s liability structure in detail. The Fund takes managed risks in order to achieve the performance it needs to meet its objectives. The Authority seeks to understand and control the risks rather than trying to eliminate them. The returns achieved from investment will, to a considerable degree, reflect the risks taken. The risks are assessed in relation to the Fund’s liability structure. The adoption of a strategic asset allocation policy combined with detailed monitoring of tactical management relative to targets and constraints increases the likelihood of achieving the intended outcome. This needs to be done in such a way that allows managers sufficient flexibility to enhance returns. The Authority is well aware of this fine balance and will always have due regard to diversification, the return potential, liquidity, management costs and other impacts when determining what it regards as an appropriate level of risk. It is important to recognise that it is not possible to control the absolute return on investments. Over the longer term, however, by recognising the types of risks outlined the Authority seeks to achieve the returns required to achieve the objectives of this Statement.

The current benchmark (reproduced below) which was adopted in October 2009 stems from the actuarial valuation of March 2007 but is the culmination of a series of discussions and reviews since that date. When determining and reviewing the benchmark strategy the Authority carefully considers the expected return on investments and has concluded that in the longer term the return on equities should be greater than that from other assets. The benchmark return has been comfortably ahead of both price and earnings inflation over recent periods though the Authority is aware that, over the shorter term, returns may vary significantly from one period to another. The Authority regularly reviews its policies but its long term objective is ensure that the investment returns achieved will be at least in line with the assumptions underlying the actuarial valuations and, therefore, be appropriate to the liabilities of the Fund. At the time of preparing this Statement work was still being done to ensure that this benchmark was compatible with the 2010 actuarial assumptions though early indications were that it was.

	%			Range
Bonds	**28**			
UK gilts	5		+-3	2-8
UK Index Linked	14		+-3	11-17
UK Corporate bonds*	8		+-3	5-11
90% Inv grade				
10% high yield				
Emerging Market bonds	1		+0.5	0-1.5
Total bonds			**+-5%**	
Quoted equities	**55**			
UK	27.5		+- 5	22.5-32.5
Overseas*	27.5		+- 5	22.5-32.5
NAm		8.25	+- 5	3.25-13.25
Europe		6.75	+- 5	1.75-11.75
Japan		3.0	+-5	0-8
Pacific		5.5	+-5	0.5-10.5
Other		4.0	+-5	0-9
Private Equity	**3.5**		+-5	0-8.5
Absolute Return	**3.5**		+- 5	0-8.5
Total equities			**+- 5%**	
Property	**10**		+-3	7-13
Cash	**0**		+10	0-10

*Geographical split within overseas equities : 30% North America; 24.5% Western Europe; 11% Japan; 20% Pacific Basin ex Japan; 14.5% emerging markets.

The funding strategy adopted for the 2010 valuation is based on an assumed asset out-performance of 2% in respect of liabilities pre-retirement, and 1% in respect of post-retirement liabilities. Based on the liability profile of the Fund at the valuation, this equates to an overall asset out-performance allowance of 1.4% ahead of the LRP p.a. The Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the investment strategy adopted as set out in the current SIP.

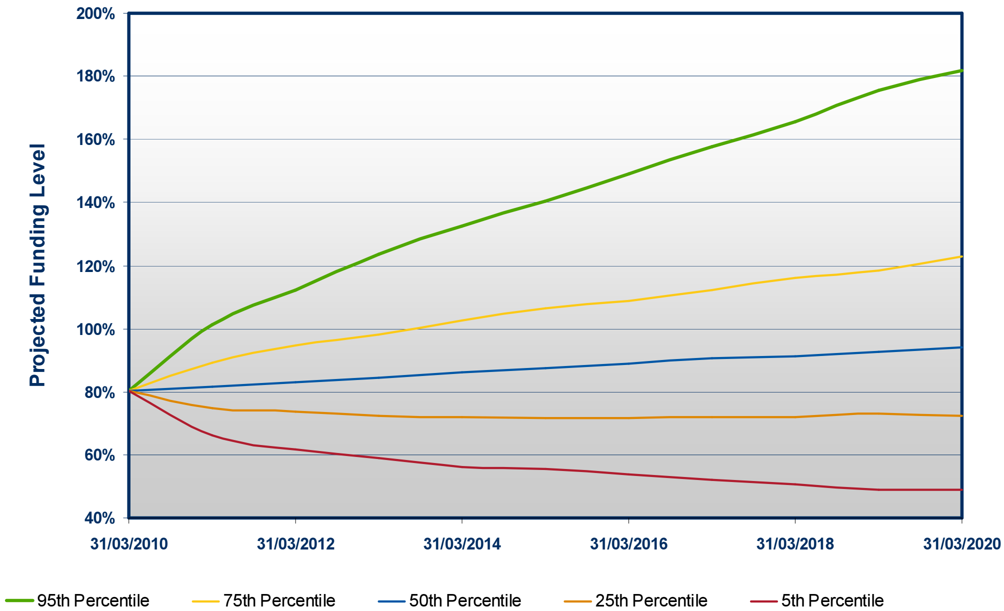
During the recovery period, an increased investment return (IIR) of 2.5% p.a. ahead of the LRP has been allowed for in the calculation of the required deficit recovery contributions for certain employers in the Fund (the asset-out performance for the remaining employers being 1.4% p.a.). The Authority believes that the additional allowance is a reasonable "best estimate" allowance for asset out-performance during the recovery period, based on the investment strategy as set out in the SIP and following analysis undertaken by the Actuary. The additional allowance is applied to those employers which the Authority deems to be of sufficiently high covenant to support the anticipation of investment returns during the recovery period.

7. Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding 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 Authority has been advised by the actuary that one of the Fund's greatest risks to its 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 the overall 1.4% per annum assumed, on the basis of the current liability profile.

The chart below shows a "funnel of doubt" funding level graph, which illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation. Using a simplified model, the chart shows the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the funding level at each point in time being better than the funding level shown, and a 95% chance of the funding level being lower). The graph adopts the 2010 actuarial valuation results as a starting point, and allows for the planned contributions into the Fund based on the valuation and funding strategy. The chart assumes median investment returns in line with "best estimate" market expectations and variability of those returns broadly in line with historic experience.



The CIPFA guidance identifies the following key risks:

Financial

- Investment markets fail to perform in line with expectations
- Market yields move 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 significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements

Regulatory

- Changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or HMRC rules

Governance

- Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large numbers of retirements)
- Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- In relation to the overall governance of the Fund the Authority's governance statement can be found at: http://www.sypensions.org.uk/AZ/G/tabid/282/language/en-GB/Default.aspx

8. Monitoring and Review

The Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employers and trade unions representing the Fund membership.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Authority will monitor the progress of the funding strategy between full actuarial valuations. 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
- if there have been significant changes to the Fund membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employers to such an extent that they impact on or warrant a change in the funding strategy
- if there have been any significant special contributions paid into the Fund.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 April 2011

Report of Clerk and Treasurer

MEETINGS OF THE AUTHORITY AND BOARDS IN 2011/12 – ROLLING PROGRAMME

1. Purpose of the Report

To consider the Authority and Board Meetings during 2011/12

2. Recommendations

Members are recommended to approve the cycle of meetings for 2011/12.

3. Information

3.1 Meetings of the Authority and Boards are currently fixed up to the Annual Meeting on 9 June next.

3.2 Attached as an **Appendix** to this report is a cycle of meetings for the next 12 months from June.

3.3 **It should be noted that this Authority and its Boards meets on Thursdays, the same as Barnsley MBC. Whilst the meetings in the Appendix have been produced against the Barnsley MBC existing cycle it could change after the local elections in May.**

4. Implications and risks

- Financial - None
- Legal - None
- Diversity - None

W J Wilkinson
Clerk and Treasurer

Officer responsible: Gill Garrety, Member Services Officer
South Yorkshire Joint Secretariat
01226 772806 ggarrety@syjs.gov.uk

Background papers: None

Other sources and references: None

APPENDIX

PROPOSED PENSIONS AUTHORITY MEETINGS FROM JUNE 2011

Pensions Authority	Corporate Planning & Governance Board	Investment Board
	2011	
9 June (AGM)	*23 June	
	21 July	
		22 September
20 October		
	17 November	
		8 December
25 November		
	2012	
12 January		
	2 February	
16 February		
		15 March
12 April		
	17 May	24 May
7 June (AGM)		

*Meeting dates already approved

Pensions Advisory Panel

11 October 2011
6 December 2011
17 April 2012
12 June 2012

SOUTH YORKSHIRE PENSIONS AUTHORITY

14 APRIL 2011

Report of the Fund Director

INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION: UPDATE

1) Purpose of the report

To advise Members that the Independent Public Service Pensions Commission has reported and that the Government has broadly welcomed its conclusions.

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2) Recommendation

Members are asked to note the report.

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3) Background information

3.1 Members will be aware that the Chancellor of the Exchequer had commissioned Lord Hutton to Chair an Independent Public Service Pensions Commission (IPSPC) review of public sector pension schemes. He published his final report on 10 March 2011.

3.2 Members have received a copy of the Report and my précis of it by e-mail. A copy of the précis is attached.

3.3 There are twenty seven recommendations to Government in the report. Government has responded by stating that it will set out proposals in the Autumn as to how it will take it forward but it has warned that there should be no cherry-picking on either side. Any changes to the benefit structure are unlikely to be made before April 2014 and the impact upon fund members coming up to retirement before then is unlikely to be significant.

3.4 Members should, however, appreciate that whilst media attention has focused upon the Hutton Report (frequently not recognising the funded nature of the LGPS) the biggest immediate concern regarding the future of the Scheme lies in the proposals regarding the increase in employee contribution rates and the consultation on the Fair Deal Policy. The requirement from HM Treasury to “deliver £900m of extra employee contributions” assumes de-minimus opt-outs. Anecdotal evidence, including the results of this authority’s own internal survey, strongly suggests that opt-outs will be significant (up to 25%). Moreover, these will affect both lower paid and high earner members. There is already evidence of material structural change in fund membership nationally. The implications for future funding levels are material as the maturity profile of the LGPS will be extended. In itself, this will increase the pressure on employee contribution rates going forward and could lead into a self-defeating spiral of weakening fund solvency and reduced pension provision. This will only be exacerbated by changes to the rules governing the transfer of staff out of the public sector.

4) Comments

4.1 The Report has generally been well-received though some commentators view the evolutionary tone, as opposed to radical review, as being a missed opportunity and argue that further action will have to be taken if the longer term affordability of the schemes is to be controlled. However, the fact that it is evolutionary rather than revolutionary means that it will be easier and cheaper to implement. The many cynics who viewed the process as a cosmetic exercise, given that the conclusions had already been set, can point to sections within the report which support that argument.

4.2 There are flaws within the report and it is clear that different sections were written by different contributors. That is not surprising given the width of the subject and the timescales being worked to. The influence of HM Treasury, in terms of wishing to limit, monitor and control taxpayers' costs, is clearly visible. Recommendations such as numbers 6 and 21, referring to data collection, and number 13, referring to transition towards a common scheme design framework, reflect that stress on central supervision. Recommendation 19, argues for an external, independent scrutineer of schemes. These comments do not seem to recognise the differences between funded and unfunded schemes even though recommendation 15 reaffirms the LGPS's funded status. This focus on central control does not sit comfortably with the "localism" agenda or the acknowledgment in section 6 of the report that individual LGPS funds are in many respects models of good practice. Moreover, recommendation 17 addresses the governance of individual funds and argues for better trained and governed boards and the introduction of member nominees.

4.3 Prior to the publication of the interim report there had been much speculation that Hutton would argue for the consolidation of LGPS funds in order to gain administrative efficiencies and a reduction in costs. Such a view would appear to concur with the focus on centralisation though, in fact, no such recommendation is made in the final report. Instead, the report focuses on extending existing co-operative arrangements.

4.4 Throughout the review period Hutton has put forward the argument that current pension arrangements act as an impediment to the transfer of staff to new employers and that the Fair Deal policy needs to be reviewed. There is, however, little evidence put forward to support the assertion. Instead, recommendation refers to an "in principle" assumption that it is undesirable for non-public service workers to have access to public sector pension schemes. It might be a simple case of properly and correctly defining what a public sector worker is (eg is private sector worker employed to deliver a public sector paid for service really not engaged in the public sector?) but the consequences for the LGPS would be considerable if such employees were no longer eligible. It is difficult not to conclude that the report writer didn't fully understand the status of contractors within the schemes. This view is sustained by the fact that in January the Confederation of British Industry (CBI) actually supported the current system of admitted body status within the LGPS as being a cost effective mechanism.

5) Terms of Reference

5.1 The Commission's terms of reference were to conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

5.2 In reaching its recommendations, the Commission was to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;

- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

5.3 As part of the review, the Commission had to consider the case for delivering savings on public service pensions within the spending review period - consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit.

5.4 The Commission's coverage included:

- For civil servants:
  - Principal Civil Service Pension Scheme
  - Principal Civil Service Pension Scheme (Northern Ireland)
- Armed Forces Pension Scheme
- For NHS employees:
  - NHS Pension Scheme
  - NHS Superannuation Scheme (Scotland)
  - Health and Personal Social Services Northern Ireland Superannuation Scheme
- For teachers:
  - Teachers' Pension Scheme (England and Wales) Scottish Teachers' Superannuation Scheme
  - Northern Ireland Teachers' Superannuation Scheme
- For Local Government:
  - Local Government Pension Scheme (England and Wales)
  - Local Government Pension Scheme (Scotland)
  - Northern Ireland Local Government Pension Scheme
- Police Pension Scheme (administered locally)
- Firefighters' Pension Scheme (administered locally)
- United Kingdom Atomic Energy Authority Pension Schemes
- Judicial Pensions Scheme
- Department for international Development – Overseas Superannuation Scheme
- Research Councils' Pension Schemes

6) Implications

6.1 Financial

There are no immediate cost implications arising out of this report.

6.2 Legal

There are no legal implications.

6.3 Diversity

There are no diversity implications.

6.4 Risk

The Authority's mission is to provide the best possible and most cost effective pensions service to all the employing bodies, pensioners, contributors and dependents, incorporating best practice in corporate governance at all times. It is important, therefore, that the Authority is fully aware of potential changes to the structure of the Local Government Pension Scheme and that it has the resources available to enable it to react appropriately.

Officer responsible:-
John Hattersley, Fund Director

Telephone contact 01226 772887

Background papers used in the preparation of this report are available for inspection at the Barnsley offices of the Authority.

Other sources and references: HM Treasury

SOUTH YORKSHIRE
PENSIONS AUTHORITY

NEWS

Independent Public Service Pensions Commission

Lord Hutton's public sector pensions report was published last week and received widespread media coverage. The report is lengthy but can be summarised into 27 recommendations which are reproduced below. The recommendations are preceded with some general observations following publication of the report.

SYPA Comment

1. The media tend to forget that the LGPS is financed differently to the other public sector pension schemes and therefore there was little coverage of the fact that some of the recommendations have already been implemented e.g. tiered contribution rates
2. It is important to recognise that at this stage the report is merely recommending a course of action to Government who will have the final say on what the eventual changes will be.
3. Any changes to the benefit structure of the LGPS are not expected to be made until April 2014 at the earliest and they will be extensively consulted and communicated upon before implementation. There is therefore no cause for concern for members approaching retirement before then.
4. If adopted the recommendations will have little impact on members coming up to retirement in the years immediately following the change and members with static or low career progression may even be better off.
5. Proposals to increase employee contribution rates as a cost saving measure are of immediate concern. Government policy on this will be announced in the coming months with any increases taking place before the new scheme is introduced.

Hutton Report: The 27 recommendations in full

Recommendation 1: The government should make clear its assessment of the role of public service pension schemes. Based on its framework of principles, the Commission believes that the primary purpose is to ensure adequate levels of retirement income for public service pensioners.

Recommendation 2: Pensions will continue to be an important element of remuneration. The Commission recommends that public service employers take greater account of public service pensions when constructing remuneration packages and designing workforce strategies. The government should make clear in its remits for pay review bodies that they should consider how public service pensions affect total reward when making pay recommendations.

Recommendation 3: The government should ensure that public service schemes, along with a full state pension, deliver at least adequate levels of income (as defined by the Turner Commission benchmark replacement rates) for scheme members who work full careers in public service. Employers should seek to maximise participation in the schemes where this is appropriate. Adequate incomes and good participation rates are particularly important below median income levels.

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Recommendation 4: The government must honour in full the pension promises that have been accrued by scheme members: their accrued rights. In doing so, the Commission recommends maintaining the final salary link for past service for current members.

Recommendation 5: As soon as practical, members of the current defined benefit public service pension schemes should be moved to the new schemes for future service, but the government should continue to provide a form of defined benefit pension as the core design.

Recommendation 6: All public service pension schemes should regularly publish data which, as far as possible, is produced to common standards and methodologies and is then collated centrally. This information should be of a quality that allows simple comparisons to be made across Government, between schemes and between individual Local Government Pension Scheme (LGPS) Funds.

Recommendation 7: A new career average revalued earnings (CARE) scheme should be adopted for general use in the public service schemes.

Recommendation 8: Pension benefits should be uprated in line with average earnings during the accrual phase for active scheme members. Post-retirement, pensions in payment should be indexed in line with prices to maintain their purchasing power and adequacy during retirement.

Recommendation 9: A single benefit design should apply across the whole income range. The differing characteristics of higher and lower earners should be addressed through tiered contribution rates. The government should consider the trade off between affordability and the impact of opt outs on adequacy when setting member contribution levels.

Recommendation 10: Members should have greater choice over when to start drawing their pension benefits, so they can choose to retire earlier or later than their Normal Pension Age and their pension would be adjusted accordingly on an actuarially fair basis. Flexible retirement should be encouraged and abatement of pensions in its current form for those who return to work after drawing their pensions should be eliminated. In addition, caps on pension accrual should be removed or significantly lifted.

Recommendation 11: The government should increase the member's Normal Pension Age in the new schemes so that it is in line with their State Pension Age. The link between the State Pension Age and Normal Pension Age should be regularly reviewed, to make sure it is still appropriate, with a preference for keeping the two pension ages linked.

Recommendation 12: The government, on behalf of the taxpayer, should set out a fixed cost ceiling: the proportion of pensionable pay that they will contribute, on average, to employees' pensions over the long term. If this is exceeded then there should be a consultation process to bring costs back within the ceiling, with an automatic default change if agreement cannot be reached.

Recommendation 13: The Commission is not proposing a single public service pension scheme, but over time public service pensions should move towards a common framework for scheme design as set out in this report. However, in some cases, for example, the uniformed services, there may need to be limited adaptations to this framework.

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Recommendation 14: The key design features contained in this report should apply to all public service pension schemes. The exception is in the case of the uniformed services where the Normal Pension Age should be set to reflect the unique characteristics of the work involved. The Government should therefore consider setting a new Normal Pension Age of 60 across the uniformed services, where the Normal Pension Age is currently below this level in these schemes, and keep this under regular review.

Recommendation 15: The common design features laid out in this report should also apply to the LGPS. However, it remains appropriate for the Government to maintain the different financing arrangements for the LGPS in future, so the LGPS remains funded and the other major schemes remain unfunded.

Recommendation 16: It is in principle undesirable for future non-public service workers to have access to public service pension schemes, given the increased long-term risk this places on the government and taxpayers.

Recommendation 17: Every public service pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration. There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules.

Recommendation 18: All public service pension schemes should issue regular benefit statements to active scheme members, at least annually and without being requested and promote the use of information technology for providing information to members and employers.

Recommendation 19: Governance and the availability and transparency of information would be improved by government establishing a framework that ensures independent oversight of the governance, administration and data transparency of public service pension schemes. Government should consider which body or bodies, including, for example, The Pensions Regulator, is most suitable to undertake this role.

Recommendation 20: When assessing the long term sustainability of the public finances, the Office for Budget Responsibility should provide a regular published analysis of the long term fiscal impact of the main public service pension schemes (including the funded LGPS).

Recommendation 21: Centrally collated comprehensive data, covering all LGPS Funds, should be published including fund comparisons, which, for example, clarify and compare key assumptions about investment growth and differences in deficit recovery plans.

Recommendation 22: Government should set what good standards of administration should consist of in the public service pension schemes based on independent expert advice. The Pensions Regulator might have a role, building on its objective to promote good administration. A benchmarking exercise should then be conducted across all the schemes to assist in the raising of standards where appropriate.

Recommendation 23: Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities. Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.

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Recommendation 24: The government should introduce primary legislation to adopt a new common UK legal framework for public service schemes.

Recommendation 25: The consultation process itself should be centrally co-ordinated: to set the cost ceilings and timetables for consultation and overall implementation. However, the consultation on details should be conducted scheme by scheme involving employees and their representatives.

Recommendation 26: The Commission's view is that even allowing for the necessary processes it should be possible to introduce the new schemes before the end of this Parliament and we would encourage the Government to aim for implementation within this timeframe.

Recommendation 27: Best practice governance arrangements should be followed for both business as usual and the transformation process, for each scheme. And there will also need to be the right resource, on top of business as usual, to drive the reforms; particularly given the challenging timescale and scope of the reforms.