Middlesbrough

TEESSIDE PENSION FUND

Actuarial Assumptions

Valuation Objectives

- Review the financial position of the Fund
- Set the employer contribution rates
- Meet the legal & regulatory requirements on actuarial valuations

Valuation Objectives

It's about the size of the Fund & expected cash flows:

- Cash inflows from contributions & investment income
- Cash outflows to pensioners

Key Assumptions

- Life expectancy/mortality
- Inflation
- Wage growth
- Projected investment performance
- Discount rate

Life Expectancy

Actuary standard tables:

- Light (largest pensions)
- Normal
- Heavy (smallest pension)

At the 2013 Valuation, TPF moved from the Heavy Table to the Normal Table

Inflation

- LGPS pensions increase with CPI
  - Higher CPI/bigger pension rise
- CARE Scheme
  - Career average revalued earnings
  - Earning increased each year by CPI

Wage Growth

- An annualised rate of increase for:
  - Cost of living rises
  - Pay grade increments
  - Anticipated promotion pay rises (final salary scheme only)
- Higher wage growth:
  - Higher, immediate payroll contribution cash inflows
  - Higher eventual pension cash outflows

Projected Investment Performance

- AON Hewitt's Capital Market Assumptions (see handout)
- Expected CMA returns applied to the Customised Benchmark over the "Trajectory Period"

Discount Rate

The discount rate set at the 2013 valuation was 5.4% – outcome from applying the CMA to the customised benchmark

Valuation Outcome

3 key decisions:

- Solvency target – 100%
- Trajectory period – 11 years
- Probability of funding success – 70%