Aon Hewitt
Retirement and Investment

Teesside Pension Fund

Funding Update Report as at 31 March 2017

Prepared for	Middlesbrough Borough Council as Administering Authority of the Teesside Pension Fund
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Date	30 June 2017

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Funding update as 31 March 2017

Overall View

At 31 Mar 2017

Your funding level has improved since the valuation, and the total employer contribution rate has fallen.

This is due to the asset return experienced over the year being better than expected, although offset slightly by a reduction in the real discount rate increasing the value placed on the liabilities.

At 31 Mar 2017

Funding Level

118%

At 31 Mar 2017

Surplus

£588.0M

Compared to

at valuation date

Funding Level

100%

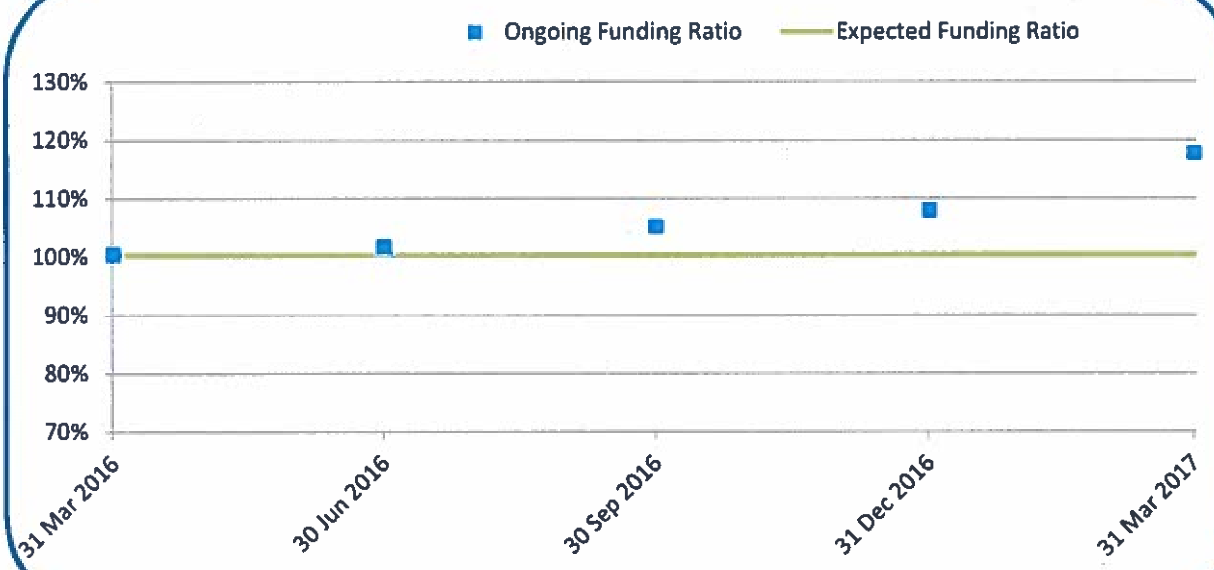
Compared to

at valuation date

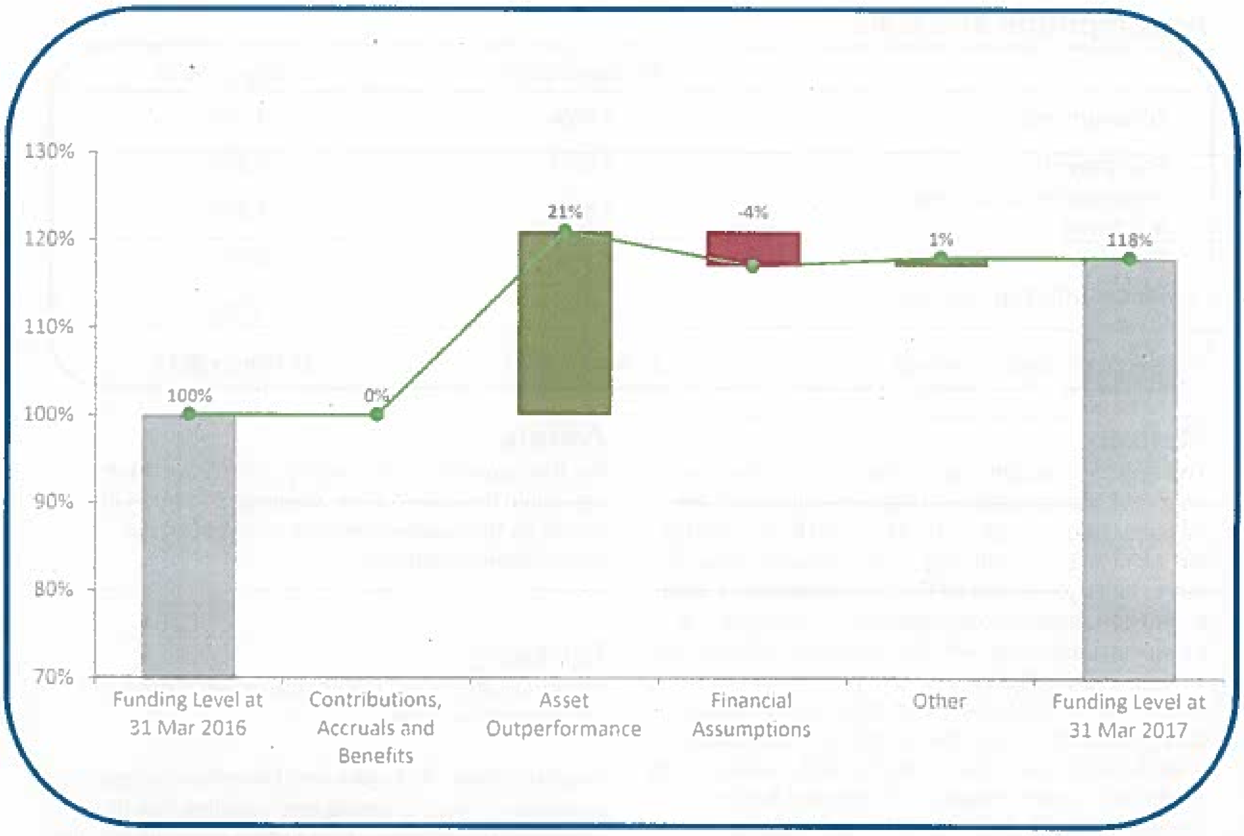
Surplus

£11.1M

Funding Ratio



Analysis



Employer contributions

Future Service Rate At 31 Mar 2017 16.7%	Compared to at valuation date 15.7%
Total Employer Contribution Rate At 31 Mar 2017 8.2%	Compared to at valuation date 15.6%

Background information

Assumptions and Data

	31 March 2017	31 March 2016
Discount rate	4.50%	4.70%
Pay growth	3.00%	3.00%
Revaluation of pension accounts	2.00%	2.00%
Pension increases	2.00%	2.00%
Salary roll (£M) over year ending	390.0	378.6
Recovery period ending	31 March 2037	31 March 2037

Method

The approximate funding update is for information only, and is consistent with the calculations for the actuarial valuation as at 31 March 2016, provided to the Administering Authority in the actuarial valuation report dated 31 March 2017. The assumptions used have been modified only insofar as is necessary to maintain consistency with the valuation, reflecting the change in the effective date and in relevant market conditions. The liabilities have been rolled forward taking account of changes in the key assumptions used for Scheduled Bodies in the 2016 valuation only. As the liabilities in respect of Scheduled Bodies represent a large proportion of the total Fund liabilities, this is a reasonable approximation.
The estimated total contribution rate is shown as an overall percentage of pay for ease of comparison. This is based on the pensionable pay figures shown above. In practice, individual employer rates could be very different based on their own circumstances and shortfall contributions are expressed as monetary amounts for a large number of employers in the Fund.

This update is not formal actuarial advice and does not contain all the information you need to make a decision on the contributions payable or investment strategy. As such it does not fall within the scope of the Pensions Technical Actuarial Standard (Pensions TAS). The information shown is approximate, and becomes more approximate as the projection period lengthens. It reflects changes in market conditions, but not client-specific factors such as material changes in membership numbers or profile. It is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

Assets

For the purpose of this funding update, we have estimated the value of the assets at 31 March 2017, based on the quarterly returns provided by the Administering Authority.

Glossary

Funding ratio is the ratio of the value of assets to the value of liabilities.

Contributions, Accruals and Benefits displays the expected change in assets and liabilities due to employer contributions, new benefit accruals and the payment of benefits.

Asset Outperformance displays the change in the funding level due to actual returns achieved on the assets differing from the assumed rate of return (discount rate).

Financial Assumptions displays the change in the funding ratio due to the impact of a change in the actuarial valuation assumptions for the discount rate and the rate of CPI Inflation.

Other displays the change in funding ratio due to experience. We have only allowed for the expected impact of actual CPI Inflation since the last valuation on the rate of Pension Increases and Salary awards.

Making decisions

You should not rely on this update when making any decision about scheme funding or the investment strategy, without first talking to your usual consultants.

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