

Teesside Pension Fund

Funding Update Report as at 31 March 2018

Prepared for Middlesbrough Borough Council as Administering Authority of the Teesside Pension Fund

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Funding update as 31 March 2018

Overall View

At 31 Mar 2018



Your funding level has worsened since last year, and the Total Employer Contribution Rate has increased. However the Fund still remains in surplus.

This is due to the asset return experienced over the year being worse than expected, along with the fall in the real discount rate which has put a higher value on the liabilities.

At 31 Mar 2018

Funding Level

112%

At 31 Mar 2018

Surplus

£421.1M

Compared to

at 31 Mar 2017

Funding Level

118%

Compared to

at 31 Mar 2017

Surplus

£588.0M

Compared to

at valuation date

Funding Level

100%

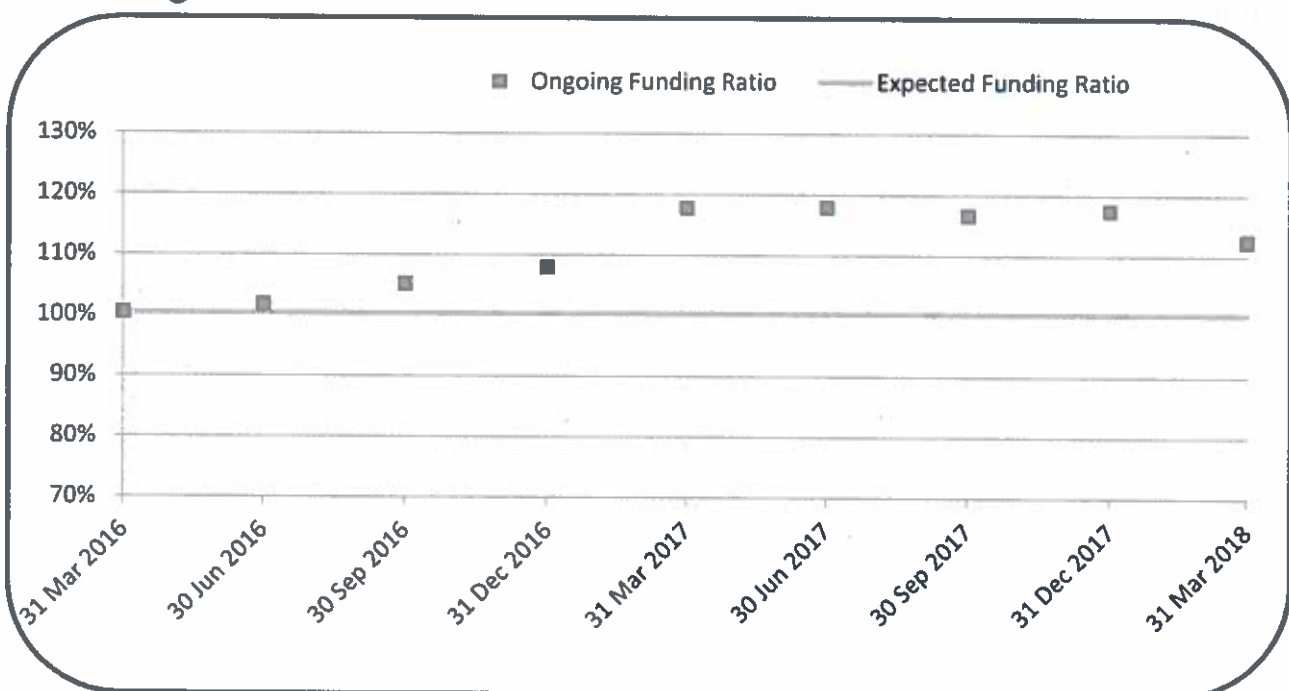
Compared to

at valuation date

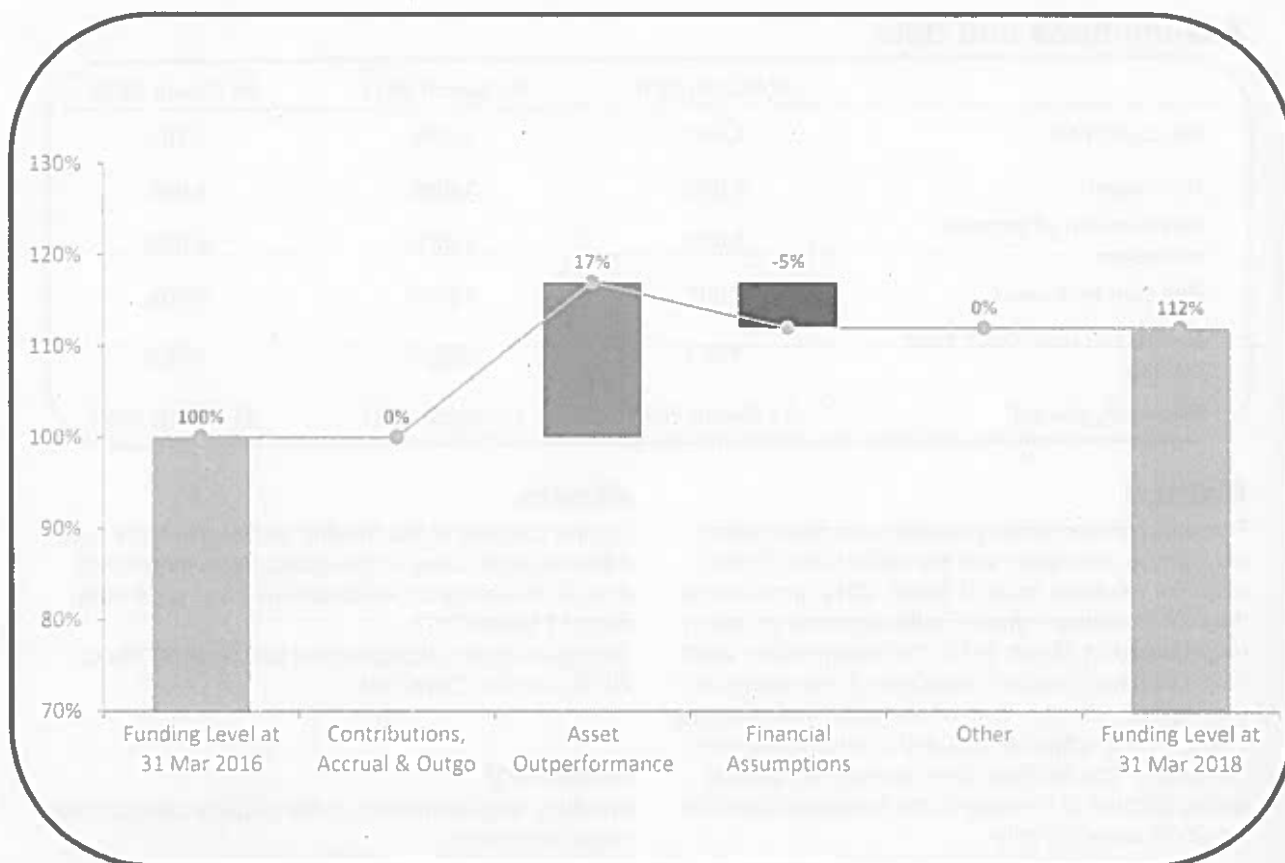
Surplus

£11.1M

Funding Ratio



Analysis



Employer contributions

Future Service Rate
At 31 Mar 2018

17.3%

Compared to
at 31 Mar 2017

16.7%

Compared to
at valuation date

15.7%

Total Employer Contribution Rate
At 31 Mar 2018

11.2%

Compared to
at 31 Mar 2017

8.2%

Compared to
at valuation date

15.6%

Background information

Assumptions and Data

	31 March 2018	31 March 2017	31 March 2016
Discount rate	4.40%	4.50%	4.70%
Pay growth	3.00%	3.00%	3.00%
Revaluation of pension accounts	2.00%	2.00%	2.00%
Pension increases	2.00%	2.00%	2.00%
Salary roll (£M) Over Year ending	397.8	390.0	378.6
Recovery period	31 March 2037	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 in the 2016 valuation only.

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. 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 used the un-audited value of the assets (excluding AVCs and DC investments, which are invested separately) as at 31 March 2018.

The latest asset value provided was as at 31 March 2018 and was £3,897.8M.

Glossary

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

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

Asset Outperformance displays the actual 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 (also affecting assumed salary increases).

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.

Actuarial compliance and terms of reference

Requirement for report

This report has been requested by Middlesbrough Borough Council as Administering Authority of Teesside Pension Fund. It has been prepared under the terms of the agreement between the Middlesbrough Borough Council and Aon on the understanding that it is solely for the benefit of the addressee.

TAS compliant

This report and the work relating to it comply with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work'.

This report should be read in conjunction with:

- The report on the most recent actuarial valuation of the Fund dated 31 March 2017

The compliance is on the basis that Middlesbrough Borough Council as Administering Authority of the Teesside Pension Fund is the addressee and the only user of this report and that the report is for information only and is not to be used to make any decisions on the contributions payable or investment strategy.

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