

Teesside Pension Fund

Actuarial Valuation as at 31 March 2010
Valuation Report

Barnett Waddingham
Public Sector Consulting

30 March 2011

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Dear Sirs

Actuarial Valuation as at 31 March 2010

We have carried out an actuarial valuation of the Teesside Pension Fund (“the Fund”) as at 31 March 2010.

The valuation is being carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 (“the Regulations”) as amended. The Fund is part of the Local Government Pension Scheme (“LGPS”).

The purpose of this report is to set out the results of the actuarial valuation of the Fund.

This report is addressed to Middlesbrough Council as administering authority to the Fund. It is not intended to assist any user other than Middlesbrough Council in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.

This report has been written in accordance with “Technical Accounting Standard R: Reporting Actuarial Information” and “Technical Actuarial Standard D: Data” issued by the Board for Actuarial Standards and actuarial guidance note “GN9: Funding Defined Benefits – presentation of actuarial advice”, insofar as they apply to the LGPS.

Our report is set out in the following sections.

1	Introduction	4
2	Valuation Data	5
3	Actuarial Methods and Assumptions	6
4	Financial Assumptions and Experience	8
5	Demographic Experience and Assumptions	12
6	Valuation Results.....	14
7	Comments and Conclusions	16
Appendix 1.	Valuation Method.....	17
Appendix 2.	Valuation Data	18
Appendix 3.	Actuarial Assumptions	20
Appendix 4.	Individual Employer Data as at 31 March 2010.....	27
Appendix 5.	Rates and Adjustments Certificate	33
Appendix 6.	LGPS Benefits	37

1 Introduction

1.1 Purpose of the Valuation

- 1.1.1 The main purpose of the valuation is to review the financial position of the Fund and to determine the rate at which the employing bodies participating in the Fund should contribute in the future to ensure that the existing assets and future contributions will be sufficient to meet future benefit payments from the Fund.
- 1.1.2 The figures in this report count as part of a “planning exercise” for the purposes of the Board for Actuarial Standards’ Technical Actuarial Standard R. This means the primary purpose of the figures is for “budgeting” or “target setting” – in this case setting the future levels of employer contributions payable to the Fund.

1.2 Previous Valuation

- 1.2.1 The last formal actuarial valuation of the Fund was carried out as at 31 March 2007 by ourselves and the results of that valuation were set out in the formal valuation report dated March 2008.
- 1.2.2 The results of the previous valuation indicated that the assets of the Fund represented 98% of the accrued liabilities of the Fund. The Total Required Contribution Rate was certified as 15.2% of payroll which assumed that the past service funding level would be restored over a period of 17 years.

1.3 Changes to the LGPS

- 1.3.1 The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the Consumer Price Index or CPI rather than RPI.
- 1.3.2 Also, it was announced that State Pension Age will be increased to age 66 for both men and women from 2020 which is likely to influence future retirement patterns.
- 1.3.3 A report has recently been issued by an independent pensions commission led by Lord Hutton to investigate pension reform across the public sector. His report contains a number of recommendations which are likely to lead to some changes to the LGPS in future although at this stage it is difficult to assess the detail of what they might be. The Chancellor has also indicated that the level of member contribution should be expected to increase at some point in future. We anticipate that these changes will be closer to being finalised by the date of the next valuation.
- 1.3.4 Full current details of the current benefits and contribution structure are set out in Appendix 6.

2 Valuation Data

2.1 Data Sources

2.1.1 We have used the following items of data as provided by the Middlesbrough Council.

- Membership extract as at 31 March 2010. The membership data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.
- Fund accounts for the 3 years to 31 March 2010.

2.1.2 A summary of the data is set out in Appendix 2.

2.2 Assets

2.2.1 The asset allocation of the Fund as at 31 March 2010 was as follows:

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	1,013,782	43%
Overseas Equities	923,520	39%
Corporate Bonds	-	-
Cash	141,963	6%
UK Gilts	92,842	4%
Overseas Bonds	111,146	5%
Property	88,370	4%
Other assets	-	-
Alternative assets	-	-
Total	2,371,623	100%

2.2.2 We estimate that the annual return on the assets in market value terms for the 3 years to 31 March 2010 was approximately 4.6% per annum.

2.3 Benefits

2.3.1 Since the previous valuation changes to the benefits have been introduced with effect from 1 April 2008.

2.3.2 The benefits being valued including these changes are as set out in the Regulations governing the Local Government Pension Scheme (“the LGPS”) and are summarised in Appendix 6.

3 Actuarial Methods and Assumptions

3.1 Valuation Method

- 3.1.1 For the purposes of this valuation we have, as in the past, adopted an approach which separately considers the benefits in respect of service completed before the valuation date (“past service”) and benefits in respect of service expected to be completed after the valuation date (“future service”). This approach enables us to focus on:-
- 3.1.2 The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service after making allowance for future increases to members’ pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; a funding level of less than 100% indicates a deficit.
- 3.1.3 The future service funding rate i.e. the level of contributions required from the employing bodies to support the cost of benefits building up in future.
- 3.1.4 There are various “funding methods” that can be used to determine the cost of providing benefits. The method we have adopted for employers open to new staff at this valuation is known as the “Projected Unit Method”. The key feature of this method is that in assessing the future service cost we calculate the contribution rate which meets the cost of one year of benefit accrual.
- 3.1.5 For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.
- 3.1.6 This is the same approach as adopted at the previous valuation.

3.2 Valuation Assumptions

- 3.2.1 The next step is to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 3.2.2 Future levels of pay increases will determine the level of benefits to be paid in future in respect of active members as well as the contributions that will be received by the Fund. Once in payment, pension benefits, in excess of Guaranteed Minimum Pensions (“GMPs”) are linked to the Retail Prices Index through increases granted in line with the Pensions (Increase) Act 1971. Although in future pension benefits will be linked to the CPI rather than RPI.
- 3.2.3 The cost of providing for benefits, however, depends not only upon the amount but also the incidence of benefits paid i.e. at what point in the future benefits begin to be paid and, for pension benefits, for how long they continue to be paid.

3.2.4 As money is being set aside now to provide for benefits payable in the future i.e. the benefits are being prefunded, then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets. These assets build up from contributions paid by scheme members and participating employers to the Fund.

3.2.5 The assumptions adopted at the valuation can therefore be considered as:-

- The statistical assumptions which generally provide estimates of the likelihood of benefits and contributions being paid, and,
- The financial assumptions which determine the estimates of the amount of benefits and contributions payable as well as their current or present value.

3.2.6 We examine the assumptions in more detail in the next two sections of our report.

3.3 Funding Model

3.3.1 At this valuation we have used a market related funding model. The key features of the model are as follows:

3.3.2 Assumed future levels of retail price inflation are derived by considering the difference between index-linked gilt and fixed-interest gilt yields at the valuation date, as published by the Bank of England. At this valuation we have also included an adjustment known as an inflation premium. This inflation premium is deducted from the market implied inflation assumption to reflect the expectation that market implied inflation tends to overstate actual retail price inflation.

3.3.3 Pay increases are assumed to exceed future retail price inflation based on past experience and expectations of future experience.

3.3.4 Pension increases are assumed to be in line with CPI rather than RPI. It is assumed that CPI will be 0.5% per annum less than RPI, consistent with the historical average.

3.3.5 The expected future return from equities is based on dividend yields at the valuation date in addition to an allowance for real capital growth in asset values.

3.3.6 Rather than take "spot" yields and market values of assets at the valuation date we have used smoothed yields and asset values spanning the 6 month period around the valuation date.

3.3.7 The discount rate used to discount future payments to and from the Fund and so determine the value placed on the liabilities reflects the risk adjusted expected return that will be earned by the actual investment strategy adopted by the Fund.

3.3.8 Under TAS R a "funding model" is referred to as a "measure".

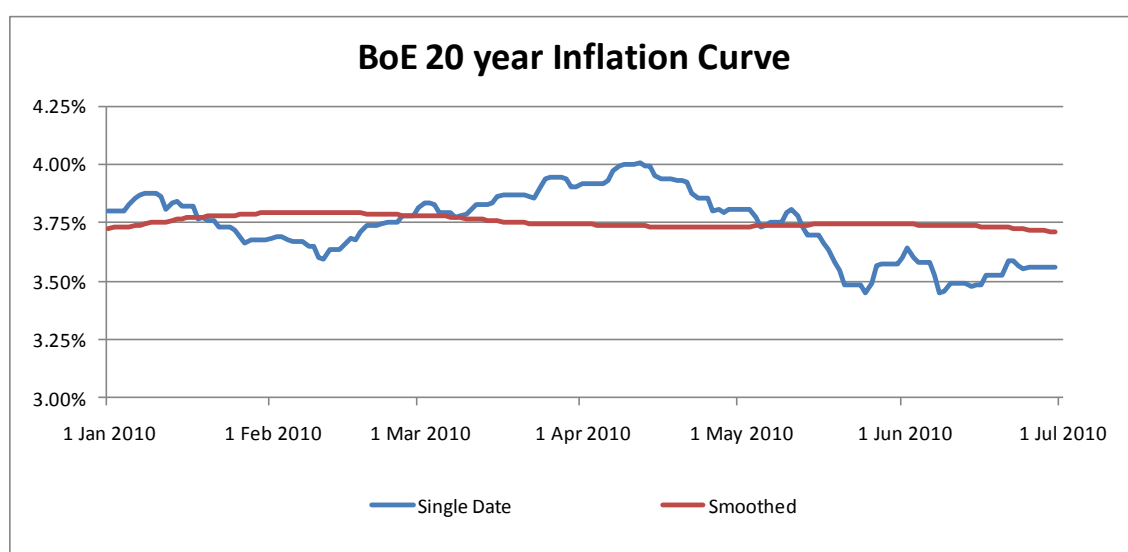
4 Financial Assumptions and Experience

4.1.1 The derivation of the key financial assumptions adopted at this valuation and how they compared as at the previous valuation are set out below. Further details are set out in Appendix 3.

4.2 Future Retail Price Inflation

4.2.1 The base assumption is the future level of retail price inflation. This is derived by considering the difference in yields from conventional and index linked gilts using the Bank of England Inflation Curve and then adjusting by an inflation premium.

4.2.2 The following chart plots the Inflation Curve over the 6 month period spanning the valuation date.



4.2.3 As at the valuation date the spot inflation projection was 3.90% and the average or smoothed level over the 6 months spanning the valuation date was 3.75%. We have used the smoothed level but then reduced by a 0.25% inflation premium adjustment to end up with an RPI assumption of 3.5% per annum.

4.3 Future Pension Increases

4.3.1 Previously, pension increases were assumed to be in line with retail price increases. The 2010 Emergency Budget announced that in future, the pension increase orders will be linked to the CPI rather than RPI. We have therefore assumed that pension increases will be 0.5% less than the price inflation assumption. i.e. 3.0% per annum.

4.4 Future Pay Inflation

4.4.1 As benefits are currently linked to pay levels at retirement, an assumption has to be made about future levels of pay inflation. Historically there has been a close link between price and pay inflation

with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions.

- 4.4.2 The assumption adopted at the previous valuation was that pay increases, over and above increases due to promotion and other increments (or “salary scales”), would exceed price inflation by 2.0% per annum in the longer term. At this valuation we have reduced this assumption to 1.5% per annum.
- 4.4.3 In addition and in anticipation of Government policy we have completed calculations assuming a short term “pay freeze” for 2 years for those earning over £21,000 per annum.
- 4.4.4 At this valuation we have adopted the same salary scales as adopted at the previous valuation.

4.5 Future Investment Returns/Discount Rate

- 4.5.1 To determine the value of accrued liabilities and future contribution requirements at any given point in time it is necessary to discount future payments to and from the Fund. There are a number of different approaches which can be adopted in deriving the discount rate to be used. FRS 17 for example requires that the discount rate is related only to yields from corporate bonds.
- 4.5.2 In our view the discount rate adopted should depend on the purpose of the valuation and the overall funding objectives. The regulations require the actuary to adopt methods and assumptions which produce stable levels of employer contributions. In our view therefore, to help achieve this objective, the discount rate should reflect the expected investment return to be achieved from the underlying investment strategy.
- 4.5.3 In determining the assumption to be made in relation to future investment returns it is necessary to consider the investment strategy of the Fund and the resulting expected future return earned by the assets held.
- 4.5.4 The investment strategy of the Fund is to invest the assets in a mix of equities, bonds and alternative assets.
- 4.5.5 Redemption yields from gilts give an indication of the future rates of return from these asset classes. Redemption yields from corporate bonds are also readily available. There is however no comparable market indicator to derive the market expected future return from investing in equities, property or other alternative assets.
- 4.5.6 It is however possible to model future returns from equities by considering current dividend yields and making an assumptions regarding future growth in capital values.
- 4.5.7 The following table sets out the derivation of the expected return from equities at the valuation date.

Smoothed Equity Returns	March 2010
	% p.a.

Net equity yield	3.3%
Inflation	3.5%
plus assumed real capital return	0.5%
Equity Return	7.3%

- 4.5.8 It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities.
- 4.5.9 Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.
- 4.5.10 We then derive the discount rate as firstly, the weighted average of future expected returns from the various asset classes based on the actual asset allocation as at the valuation date.
- 4.5.11 We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with more than 75% in equity type investments the reduction in discount rate is 50% of the extra return expected from the actual strategy compared to one invested 75% in equity type investments.
- 4.5.12 Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4% per annum.
- 4.5.13 In summary therefore we have adopted the following assumptions.

Financial Assumptions	March 2010		March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.3%	3.8%	7.1%	3.8%
Gilts	4.5%	1.0%	4.7%	1.3%
Bonds & Property	5.6%	2.1%	5.4%	2.0%
Discount Rate	6.9%	3.4%		
Risk Adjusted Discount Rate	6.7%	3.2%	6.6%	3.2%
Pay Increases	5.0%	1.5%	5.4%	2.0%
Price Inflation	3.5%	-	3.4%	
Pension Increases	3.0%	(0.5%)	3.4%	

- 4.5.14 Note that the pay increase assumption is zero for 2 years for those earning over £21,000.
- 4.5.15 The key assumption in determining the valuation of the liabilities is the real discount rate. As we see the real discount rate is broadly similar to the 2007 assumption.

4.6 Intervaluation Experience - Financial

4.6.1 The following table sets out the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation.

Financial Experience	Actual % p.a.	Assumed % p.a.	Difference % p.a.
Investment Return	4.6%	6.6%	(2.1%)
Estimated Pay Increases	5.1%	5.4%	(0.3%)
Price Inflation/Pension Increases	2.9%	3.4%	(0.4%)

4.6.2 The principal conclusions are:

- Investment returns were slightly less than assumed.
- Pay increases and pension increases were also slightly less than expected.

4.6.3 Overall the financial experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a negative factor.

5 Demographic Experience and Assumptions

5.1 Statistical Experience – Active Members

5.1.1 The following table sets out the actual number of membership movements amongst active members during the intervaluation period compared to the assumptions adopted at the previous valuation.

Active Membership Movements	Actual	Assumed	Difference %
Early Leavers	6,111	5,531.9	10%
Deaths in Service	98	103.2	(5%)
Retirements			
Ill health	170	347.1	(51%)
Age	956		
Voluntary	103		
Redundancy	628		
Efficiency	77		
Total	1,934		

5.1.2 There were more early leavers than expected and fewer ill-health retirements than expected.

5.1.3 Overall the demographic experience of the Fund during the intervaluation period compared to the assumptions adopted at the previous valuation was a positive factor during the intervaluation period.

5.1.4 We have adjusted our pre retirement assumptions to better reflect recent actual experience.

5.2 Pensioner Mortality

5.2.1 Mortality investigations over the last few years have concluded that the population across the UK is living longer and that this improvement will continue at a faster rate than seen in the past. Our analysis of LGPS pensioner longevity over the course of the last 20 years or so confirms that pensioners are living longer although experience does vary across the country and from Fund to Fund.

5.2.2 The following table sets out the actual and expected mortality of pensioners during the intervaluation period.

Pensioner Deaths	Pensioners	Dependants	Total
By Number			
Actual	1,068	371	1,439
Assumed	726	197	923
% Difference	47%	88%	56%
By Amount of Pension			
	£(000)	£(000)	£(000)
Actual	2,886	460	3,346
Assumed	3,822	739	4,561
% Difference	(24%)	(38%)	(27%)

- 5.2.3 The number of pensioners dying during the intervaluation period was higher than expected. In terms of the amount of pension ceasing then this was also more than expected.
- 5.2.4 Overall the mortality experience over the intervaluation period had a positive impact on the financial position of the Fund in that the amount of pension ceasing was more than expected.
- 5.2.5 We have reviewed the mortality assumptions adopted at this valuation which bring the assumptions closer to recent experience but also allow for improvements in mortality over the next 20 years.

5.3 Retirement Ages – Active Members

- 5.3.1 At the previous valuation it was assumed that active members will retire as soon as they are able to on unreduced benefits without requiring employer consent – typically satisfying the Rule of 85 but no earlier than age 60 nor later than age 65.
- 5.3.2 Experience suggests that whilst the Rule of 85 is an influencing factor on when active members choose to retire, State Pension Age is also a major factor, as for many active members, they need the additional income payable from the State before they can afford to retire.
- 5.3.3 There are existing plans in place to increase State Pension Age albeit very slowly. The new Government have however indicated that State Pension Age will be 66 from 2020.
- 5.3.4 It is difficult to assess what the impact will be but we have completed calculations assuming that active members will retire 1 year later than the date they would be entitled to retire and receive unreduced benefits.

6 Valuation Results

6.1 Past Service Funding Position and Contribution Rates

6.1.1 The following table sets out the valuation results for the Fund. We show

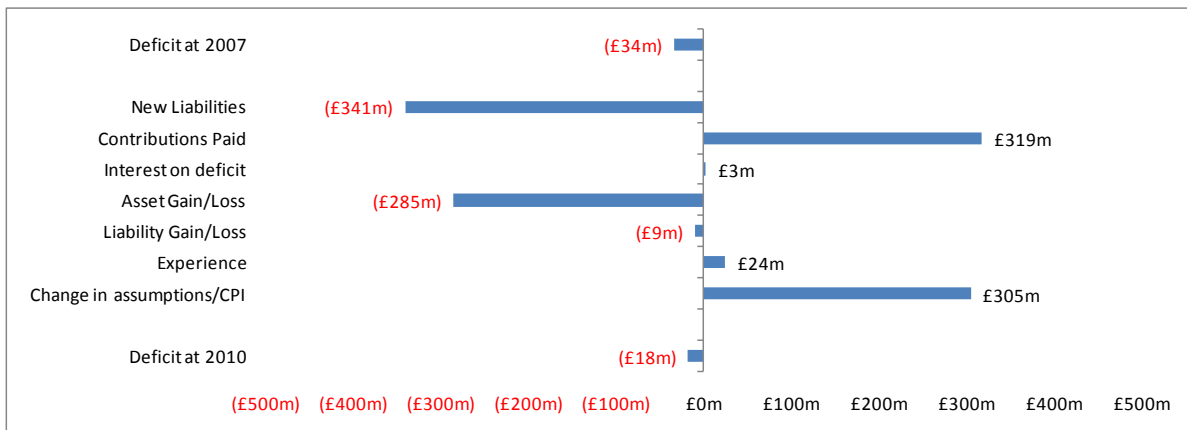
- The past service funding position
- The required average ongoing employer contribution rate for future service benefits
- The required total employer contribution rate to restore the funding position to 100% over the agreed 14 year period following the valuation date.

Past Service Funding Position		£(000)
Smoothed Asset Value		2,232,566
Past Service Liabilities		
Active Members		1,090,652
Deferred Pensioners		249,356
Pensioners		910,174
Value of Scheme Liabilities		2,250,182
Surplus (Deficit)		(17,616)
Funding Level		99%
Employer Contribution Rates		% of Payroll
Future Service Contribution Rate		14.6%
Deficit recovery (14 years)		0.3%
Total Contribution Rate		14.9%

6.1.2 As we see, the funding level was 99% and the average required employer contribution to restore the funding position to 100% over the next 14 years is 14.9% of pensionable pay.

6.2 Reconciliation of Past Service Position

6.2.1 A reconciliation of the intervaluation experience on the past service position in the 3 years to the valuation date is set out in the following chart.



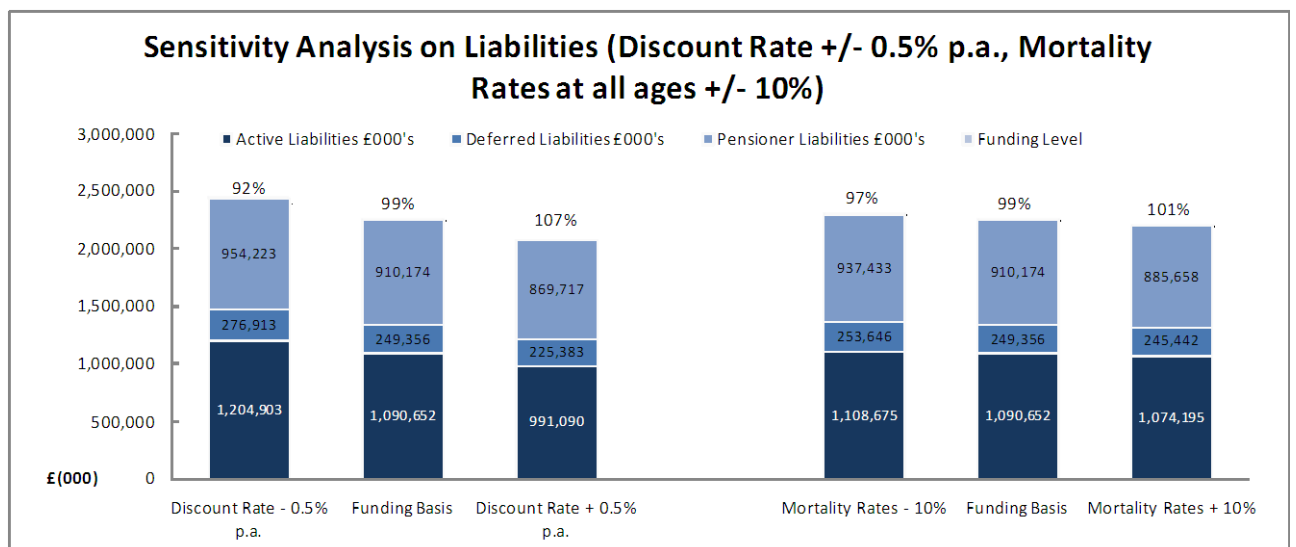
6.2.2 As we can see, overall the deficit was largely unchanged during the intervaluation period.

6.3 Sensitivity Analysis

6.3.1 It is important that it is understood that the valuation results for the Fund are based on the assumptions used to determine the liabilities. Changes to the adopted assumptions will affect the funding position of the Fund.

6.3.2 In order to illustrate this, a number of calculations have been carried out to highlight the sensitivity of the funding position to the assumptions adopted, focusing on the assumptions to which the funding position is most sensitive.

6.3.3 To highlight the sensitivity of the funding position to changes in the discount rate, we have considered the impact of changing this assumption by 0.5% p.a. in either direction. We have also considered the impact of mortality rates at all ages being either 10% higher or lower than assumed. The results of this analysis is shown in the chart below:



7 Comments and Conclusions

7.1 Financial Position

- 7.1.1 The funding level has shown a modest improvement since the 2007 valuation.
- 7.1.2 Whilst investment returns were less than assumed this was offset by the CPI changes and other assumption changes.

7.2 Employer Contribution Rates

- 7.2.1 The contribution rates that we have certified have been set to fund each employer's share of the deficiency in the Fund over the next 14 years.
- 7.2.2 The certified contribution rates for each employer are set out in our certificate in Appendix 5.

7.3 New Employers joining the Fund

- 7.3.1 We would recommend that any new small employers or admitted bodies joining the Fund with no previous interest in the Fund should be referred to us for individual calculation as to the required level of contribution.
- 7.3.2 Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 38.
- 7.3.3 We would be pleased to answer any questions arising from this report.



Graeme D Muir FFA



Alison Hamilton FFA

Appendix 1. Valuation Method

Valuation of Liabilities

Using our assumptions we estimate the payments which will be made from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then calculate the amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called “the present value” (or, more simply, “the value”) of members benefits. Separate calculations are made in respect of benefits arising in relation to service before the valuation date (“past service”) and for service after the valuation date (“future service”).

Past Service Funding Level

A comparison is made of the value of the existing assets with the value of benefits in relation to past service (allowing for future pay and pension increases). If there is an excess of assets over past service liabilities then there is a past service surplus. If the converse applies there is a past service deficiency.

Future Service Funding Rate

The first stage is to calculate the value of benefits accruing to existing active members in the future, by reference to projected pay as at the date of retirement or earlier exit.

For employers that are still open to new staff we have used the Projected Unit Method which considers the benefits accruing in the year following the valuation date. The value of benefits accruing in the year following the valuation date is then expressed as a percentage of payroll over the same period having first deducted the equivalent contribution paid by the active members.

The method described above results in a stable, long term contribution rate over time, if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then the contribution rate calculated at future valuations would be expected to increase.

For employers that are closed to new staff we have used the Attained Age Method. The key feature of this method is that we assess the average contribution required to fund the benefits earned until retirement.

Valuation of Assets

Assets have been valued at a 6 month smoothed market value straddling the valuation date.

Appendix 2. Valuation Data

A summary of the membership records submitted for the valuation is as follows.

Active Members		Number		Actual Pensionable Pay £ (000)		Average £	
	2010	2007	2010	2007	2010	2007	
Full Time							
Males	5,672	6,309	150,164	153,539	26,475	24,337	
Females	6,984	8,553	179,698	195,738	25,730	22,885	
Part Time							
Males	1,226	925	15,214	9,832	12,409	10,629	
Females	11,502	10,728	116,394	100,099	10,119	9,331	
Total	25,384	26,515	461,470	459,208	18,180	17,319	

Pensioners		Number		Annual Pensions £ (000)		Average £	
	2010	2007	2010	2007	2010	2007	
Males	5,473	4,995	34,187	27,709	6,246	5,547	
Females	9,820	8,400	28,471	21,493	2,899	2,559	
Dependants	2,409	2,172	5,243	4,392	2,176	2,022	
Total	17,702	15,567	67,901	53,594	3,836	3,443	

Deferred Pensioners (incl "undecideds")		Number		Annual Pensions £ (000)		Average £	
	2010	2007	2010	2007	2010	2007	
Males	4,513	3,595	8,887	6,826	1,969	1,899	
Females	12,370	8,706	12,788	8,600	1,034	988	
Total	16,883	12,301	21,675	15,426	1,284	1,254	

Notes

- The numbers relate to the number of records and so will include members in receipt of or potentially in receipt of more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2010 PI Order.
- Pensionable pay is actual earnings.

A summary of the assets held by the Fund at the valuation date is as shown below.

Assets at This Valuation	31 March 2010	
	£(000)	%
UK Equities	1,013,782	43%
Overseas Equities	923,520	39%
Corporate Bonds	-	-
Cash	141,963	6%
UK Gilts	92,842	4%
Overseas Bonds	111,146	5%
Property	88,370	4%
Other assets	-	-
Alternative assets	-	-
Total	2,371,623	100%

Revenue Accounts	Year to	March 2010 £ (000)	March 2009 £ (000)	March 2008 £ (000)	TOTAL £ (000)
EXPENDITURE	Retirement Pensions	65,268	59,397	55,017	179,682
	Retirement Lump Sum	22,378	19,546	15,703	57,627
	Death Benefits	2,903	2,298	1,079	6,280
	Leavers benefits	14,121	17,981	7,675	39,777
	Expenses	1,523	1,641	1,358	4,522
	Other Expenditure	-	-	-	-
		106,193	100,863	80,832	287,888
TOTAL					
INCOME	Employees Ctbns	29,010	28,660	25,506	83,176
	Employers Ctbns	81,300	75,581	78,106	234,987
	Transfer Values	11,964	7,169	8,923	28,056
	Investment Income	59,339	71,668	66,634	197,641
	Other Income	62	63	69	194
TOTAL		181,675	183,141	179,238	544,054
Fund Value		£ (000)	£ (000)	£ (000)	£ (000)
Assets at Start of Year		1,700,866	2,047,928	2,014,700	2,014,700
Cashflow		75,482	82,278	98,406	256,166
Change in value		594,707	(429,340)	(65,178)	100,189
Assets at End of Year		2,371,055	1,700,866	2,047,928	2,371,055
Annual Returns					
Approx Rate of Return		38.3%	-17.4%	0.1%	4.6%

Appendix 3. Actuarial Assumptions

The valuation process is essentially a projection of future cashflows into and out of the Fund. The amount of future cashflows out of the Fund i.e. benefits provided will depend on rates of future pay increases and price inflation. The timing or incidence of the cashflows will depend upon future rates of retirement, mortality etc.

As money is being set aside now to provide for benefits payable in the future then part of the cost of providing the benefits can be met from investment returns achieved by the Fund's assets which then build up. The higher the rate of return achieved by the assets the lower the contribution requirement that has to be paid in future to meet the cost of the benefits.

Financial Assumptions

The principal financial assumptions adopted in the valuation are therefore as follows:-

Price Inflation

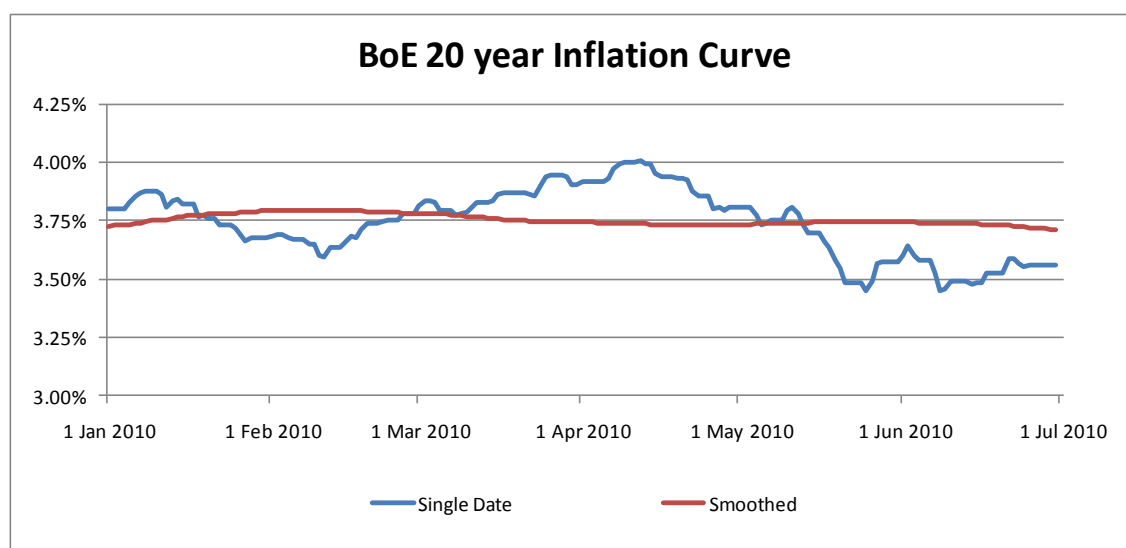
There are number of ways try to estimate what future levels of inflation might be.

One approach would be to look at the long term trend in the past although much depends on the measurement period.

In these days of "marked to market" valuations, the usual approach is to look at the difference between yields from fixed-interest and index-linked gilts.

At this valuation we have looked at 20 year Bank of England Inflation curve which is the level of future RPI over the next 20 years as implied by the gilt market.

The following chart shows this on a daily basis during the 6 month period straddling the valuation date. We have also shown the smoothed or rolling average observation over that period.

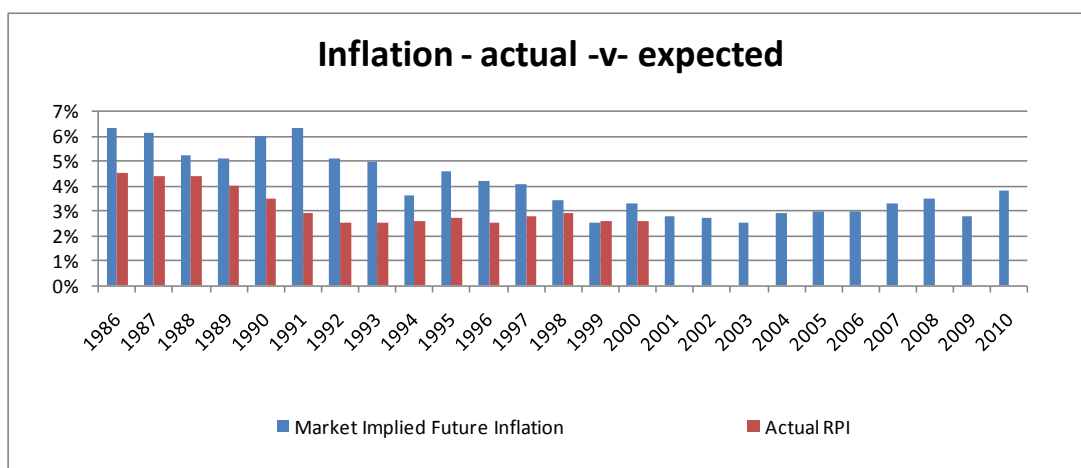


However one of the issues in adopting such an approach is the arguably imperfect nature of the gilt market. The supplier of gilts (the Government) is a reluctant supplier, especially for long-dated gilts (which are the ones which are most useful for estimating future inflation for pension schemes).

On the demand side, there are certain institutions (insurance companies for example) who are essentially “forced holders” of gilts to meet various solvency requirements. Accordingly, the pricing of gilts is not perfect.

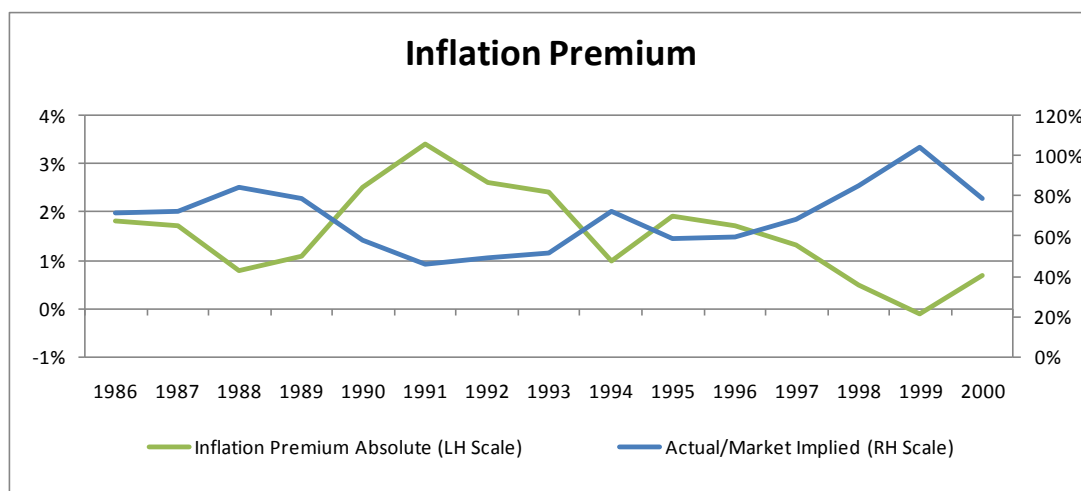
There is also the issue of what is known as the “inflation premium”. The argument is that investors will pay a premium for inflation protection and so arguably index-linked gilts are “more expensive” than fixed-interest gilts or equivalently index-linked gilt yields are lower than they might otherwise be.

The following chart shows how the gilt market implied 10 year inflation level at the beginning of each year has compared with the resulting 10 year actual level of inflation.



As we see the market implied level of inflation has consistently over-estimated the actual level of inflation.

The following chart shows the inflation premium both at an absolute level – the difference between actual and expected inflation and in relative terms (actual/expected).



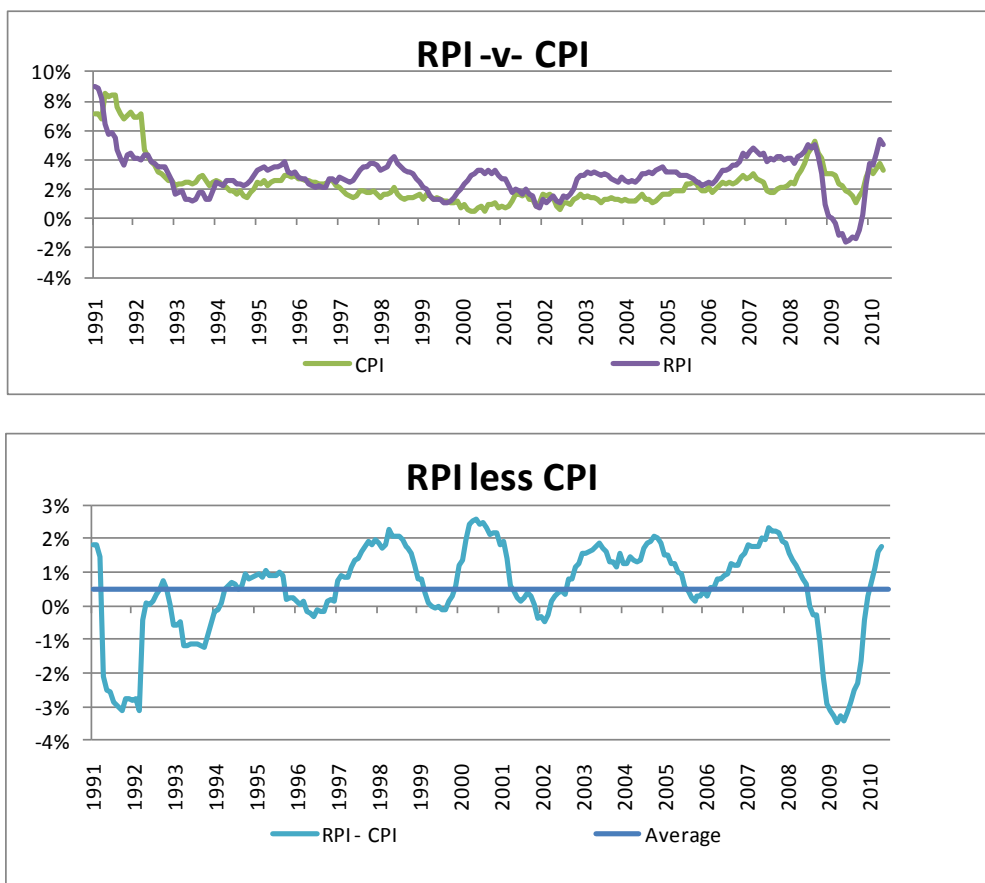
Pension Increases

The Retail Price Index has long been the established measure of inflation in the UK. It measures the change in prices of a number of things including housing costs such as mortgage interest payments.

However in the 1990's the Government introduced the Consumer Price Index which is based on the prices of a range of consumer goods – similar to the RPI but it specifically excludes housing costs. The CPI is now the favoured measure the Government uses for measuring inflation in the economy.

The 2010 Emergency Budget delivered by George Osborne announced that in future, the pension increase orders will be linked to the CPI rather than RPI. This was expected to save some pennies implying that the Government expects CPI to be below RPI.

The following chart show how the 2 have compared since 1990.



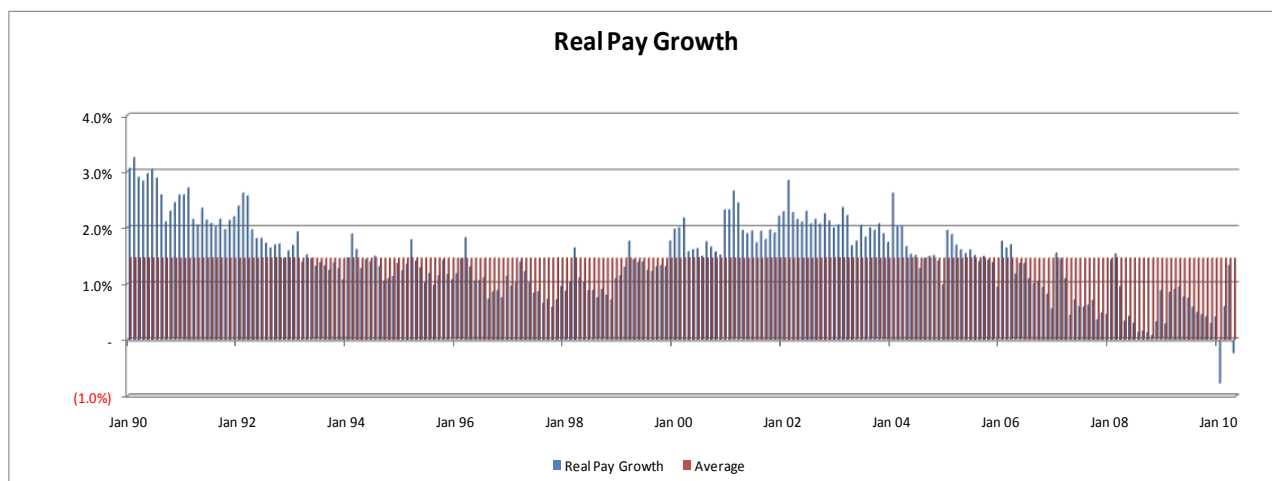
As we see RPI has indeed generally been higher the CPI and the average “gap” over the last 20 years has been around 0.5% per annum.

Thus, if this past trend continues then we would expect future pension increases to be 0.5% less than previously projected.

Pay Increases

Having determined our assumption about future levels of price inflation, the next stage is to assess future levels of pay increases relative to price inflation.

Historically there is, not surprisingly, a strong correlation between pay and price inflation as we see in the following charts.



The trend has been that real pay increases have been around 1% to 3% per annum although as overall levels of inflation have reduced so too has the level of real pay growth. The long term average is 1.5% more than RPI although there is evidence of a declining trend.

At this valuation we have assumed that future long term salary growth will be 1.5% more than RPI.

Investment Returns

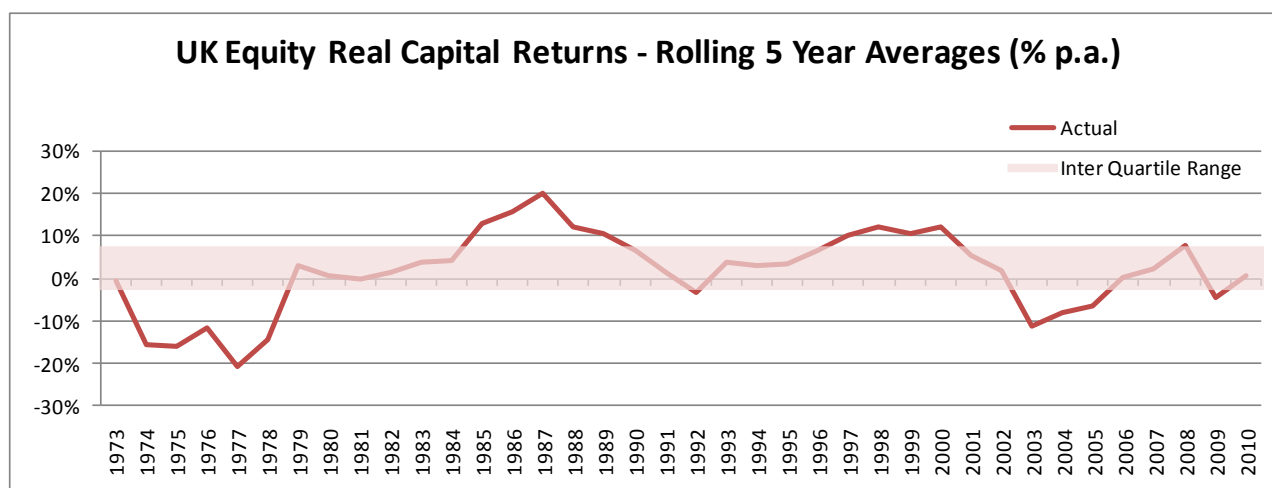
In a market-related valuation it is necessary to assess future average levels of return in current market conditions.

Redemption yields from gilts give an indication of the market's expectations of long term interest rates and so some indication about future risk free rates of return. There is however no comparable market indicator to derive the market's expected future return from investing in equities at any particular point in time.

We have assumed that the real return to be earned in future from equities from current market levels will be the current net dividend yield plus future real growth in share values.

The next chart shows the long term capital return from UK equities in real terms over the last 35 years or so together with the "inter quartile range" – the range of observations that account for 50% of all observations around the median.

As we see the actual return has averaged out at around 2 per cent per annum although there have been prolonged periods when the real capital returns have been significantly different to this average.



For the purposes of the valuation therefore we have assumed that real capital returns will be 0.5% per annum.

The derivation of the equity return is therefore as follows:-

Smoothed Equity Returns		March 2010
		% p.a.
Net equity yield		3.3%
Inflation		3.5%
plus assumed real capital return		0.5%
Equity Return		7.3%

It would also be possible to derive the expected future return from other asset classes such as property and alternative asset classes. Intuitively we might expect that returns from asset classes other than equities and gilts might be expected to return somewhere between gilts and equities – what we usually see from corporate bonds.

Accordingly we have assumed that the return from other alternative asset classes is the same as the expected return from equities.

We then derive the discount rate as the weighted average of future expected returns from the various asset classes based on the actual investment strategy.

We then include a risk adjustment to the discount rate to reflect the amount of equity risk being taken relative to gilts. For a Fund with 75% or less exposure to equity type investments the risk adjustment is nil. For a Fund with 100% in equity type investments the reduction in discount rate is 50% of the extra return expected from a Fund invested 100% in equity type investments compared to one invested 75% in equity type investments.

Finally to accommodate any extreme market conditions at the valuation date the resulting real discount rate is constrained to 4%.

In summary therefore we have adopted the following assumptions.

Financial Assumptions	March 2010		March 2007	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Investment Return				
Equities/absolute return funds	7.3%	3.8%	7.1%	3.8%
Gilts	4.5%	1.0%	4.7%	1.3%
Bonds & Property	5.6%	2.1%	5.4%	2.0%
Discount Rate	6.9%	3.4%		
Risk Adjusted Discount Rate	6.7%	3.2%	6.6%	3.2%
Pay Increases	5.0%	1.5%	5.4%	2.0%
Price Inflation	3.5%	-	3.4%	
Pension Increases	3.0%	(0.5%)	3.4%	

Statistical Assumptions

The statistical assumptions we have adopted are based on our analysis of the incidence of retirement, and withdrawal of our Local Authority client funds.

Sample rates are shown in the following tables: -

Age	Incidence per 1000 active members per annum										Salary Scales					
	Death		Ill Health		Wdls		Death		Ill Health		Wdls		Males		Females	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
20	0.5	-	-	196.0	245.0	0.2	-	-	186.0	232.0	100.0	100.0	100.0	100.0		
25	0.4	-	-	129.0	162.0	0.2	0.4	0.3	125.0	156.0	122.8	114.2	100.0	100.0		
30	0.3	0.4	0.3	92.0	115.0	0.3	0.6	0.5	105.0	131.0	145.5	125.8	100.0	100.0		
35	0.5	0.5	0.4	72.0	90.0	0.5	1.2	0.9	90.0	113.0	166.3	133.6	100.0	100.0		
40	0.9	0.8	0.6	58.0	72.0	0.6	1.6	1.2	75.0	94.0	183.1	136.6	100.0	100.0		
45	1.3	2.0	1.4	47.0	59.0	0.8	2.6	1.9	62.0	77.0	194.4	136.6	100.0	100.0		
50	2.5	5.3	4.0	37.0	46.0	1.4	5.0	3.7	47.0	59.0	198.8	136.6	100.0	100.0		
55	4.3	10.8	8.1	32.0	40.0	2.2	13.0	9.8	36.0	45.0	198.8	136.6	100.0	100.0		
60	6.9	21.6	16.2	19.0	24.0	3.1	-	-	17.0	21.0	198.8	136.6	100.0	100.0		
64	11.1	21.6	16.2	19.0	24.0	4.0	-	-	17.0	21.0	198.8	136.6	100.0	100.0		

Other assumptions

Age Retirements	It is assumed that active members will retire one year after age 60 or when they would first satisfy the rule of 85 if later, no later than 65.
Mortality	All members S1PA Heavy tables allowing for medium cohort projection, with a minimum 1% improvement
Ill Health Retirement	As above with +4 year age rating
Probability of partners pension coming into payment (including a loading for dependants benefits)	90%
Partner Age Difference	Males are assumed to be 3 years older than their partners
Commutation	It is assumed that at retirement, 50% of members will opt to increase their lump sums to the maximum allowed.
Ill health tiers	It is assumed that 50% of ill health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.

Appendix 4. Individual Employer Data as at 31 March 2010

Employer	Code	Active Members			Pensioners		Deferred Pensioners			
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
Cleveland County Council	1	-	-	-	5,304	15,945,014	3,006	1,175	1,594,369	1,357
Hartlepool Borough Council 2	2	-	-	-	427	1,445,713	3,386	147	215,432	1,466
Langbaugh BC	3	-	-	-	681	2,703,797	3,970	167	232,460	1,392
Middlesbrough Borough Council	4	-	-	-	853	3,409,005	3,996	224	338,320	1,510
Stockton on Tees Borough Council 5	5	-	-	-	731	2,660,213	3,639	183	260,064	1,421
Guisborough Town Council	6	3	56,878	18,959	3	14,194	4,731	1	542	542
Saltburn and New Marske Parish Council	7	2	25,832	12,916	1	11,565	11,565	2	1,262	631
Ayresome Industries	8	-	-	-	16	22,382	1,399	1	669	669
Cleveland Transit	9	-	-	-	268	840,368	3,136	44	50,373	1,145
Teesside International Airport Limited	10	-	-	-	96	454,612	4,736	37	98,886	2,673
Beamish: The North of England Open Air Museum	11	2	43,811	21,905	75	208,277	2,777	87	102,459	1,178
Hartlepool Workshops for the Blind	12	-	-	-	-	-	-	-	-	-
Tees & Hartlepool Authority	13	-	-	-	2	8,710	4,355	-	-	-
North East Museums	15	-	-	-	4	10,342	2,585	1	482	482
Middlesbrough Refuge	16	-	-	-	3	12,272	4,091	10	27,004	2,700
Impasse	19	-	-	-	2	863	432	1	2,240	2,240
Loftus Town Council	20	3	68,790	22,930	-	-	-	1	854	854
Teesside Development Corporation	21	-	-	-	5	103,073	20,615	11	39,053	3,550
Woman's Skills Centre	22	-	-	-	1	806	806	-	-	-
Ring and Ride Cleveland Limited	23	-	-	-	25	49,971	1,999	36	47,264	1,313

Employer	Code	Active Members			Pensioners		Deferred Pensioners			
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
Dial a Ride (Middlesbrough) Limited	24	-	-	-	8	32,174	4,022	2	2,712	1,356
University of Teesside	25	1,052	24,585,774	23,371	348	1,303,625	3,746	559	710,609	1,271
Stockton and Hartlepool Law Centre	26	-	-	-	3	2,401	800	4	4,135	1,034
Hartlepool College of Further Education	27	163	2,803,288	17,198	65	128,336	1,974	111	125,385	1,130
St Mary's College	28	24	405,008	16,875	8	10,985	1,373	20	17,976	899
Longlands College of FE	29	-	-	-	3	7,179	2,393	3	1,597	532
Stockton Riverside College	30	1	4,952	4,952	48	152,489	3,177	68	56,892	837
Acklam 6th Form College	31	-	-	-	2	11,097	5,548	-	-	-
Bede College	32	-	-	-	8	23,584	2,948	12	12,309	1,026
Hartlepool 6th Form College	33	24	489,947	20,414	9	32,208	3,579	13	16,176	1,244
Prior Pursglove 6th Form College	34	-	-	-	1	1,769	1,769	-	-	-
Sir William Turner's 6th Form College	35	-	-	-	1	2,509	2,509	-	-	-
South Park 6th Form College	36	-	-	-	1	5,014	5,014	-	-	-
Stockton 6th Form College	37	18	323,271	17,960	5	24,431	4,886	8	5,611	701
Cleveland College of Art and Design	38	101	1,511,042	14,961	41	143,240	3,494	46	38,653	840
Cleveland College of FE	39	-	-	-	1	1,503	1,503	-	-	-
Kirby College of FE	40	-	-	-	5	9,532	1,906	2	4,477	2,238
Marion 6th Form College	41	-	-	-	3	8,863	2,954	1	1,351	1,351
Middlesbrough Law Centre	42	-	-	-	3	7,863	2,621	4	5,099	1,275
Middleton Grange Shopping Centre	43	-	-	-	13	28,163	2,166	9	18,405	2,045
Hartlepool Transport	44	-	-	-	67	246,115	3,673	15	23,819	1,588
Cleveland Innovation	45	-	-	-	-	-	-	1	3,025	3,025

Employer	Code	Active Members			Pensioners		Deferred Pensioners			
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
National Probation Service - Teesside	46	310	7,814,369	25,208	112	650,374	5,807	128	191,451	1,496
Cleveland Magistrates Court Service	47	1	6,307	6,307	44	315,641	7,174	146	592,263	4,057
Cleveland Fire Authority	48	159	3,852,609	24,230	31	218,557	7,050	40	69,372	1,734
Cleveland Police	49	893	20,781,654	23,272	198	1,029,038	5,197	271	567,283	2,093
Redcar and Cleveland College	51	85	1,437,969	16,917	38	129,212	3,400	59	57,033	967
Racial Equality Council	52	-	-	-	-	-	-	1	1,785	1,785
Connexions Tees Valley	53	-	-	-	46	369,569	8,034	170	323,372	1,902
Middlesbrough College 54	54	-	-	-	21	44,335	2,111	26	27,838	1,071
Teesside Tertiary College	55	-	-	-	24	47,310	1,971	52	64,763	1,245
Tees Valley Development Company	56	-	-	-	3	30,860	10,287	1	342	342
Prior Pursglove College	57	61	1,009,075	16,542	12	27,640	2,303	16	10,652	666
St Hilda's Partnership Limited	58	-	-	-	1	1,224	1,224	3	7,874	2,625
South Bank Community Forum	59	-	-	-	1	1,377	1,377	1	515	515
Future Regeneration of Grangetown	60	1	37,471	37,471	-	-	-	4	6,012	1,503
Middlesbrough College 61	61	226	4,102,600	18,153	55	159,082	2,892	146	168,974	1,157
Unity City Academy	63	72	1,154,143	16,030	10	36,671	3,667	46	22,033	479
Kings Academy	64	69	1,229,969	17,826	13	24,728	1,902	14	17,424	1,245
Cleveland Transit Limited	70	-	-	-	194	843,846	4,350	39	82,743	2,122
Cleveland Transit Holdings Limited	71	-	-	-	36	187,801	5,217	7	17,494	2,499
Transit Stagecoach	72	32	633,346	19,792	126	835,665	6,632	25	107,076	4,283
Hartlepool Transport (1993) Limited	75	-	-	-	12	39,390	3,283	3	7,430	2,477
Stagecoach Hartlepool	76	2	41,147	20,573	40	149,022	3,726	31	99,837	3,221

Employer	Code	Active Members			Pensioners		Deferred Pensioners			
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
Hartlepool Borough Council 102	102	3,156	54,559,655	17,288	1,081	4,377,608	4,050	2,060	1,992,916	967
Redcar and Cleveland BC	103	4,461	68,492,442	15,354	1,619	6,885,691	4,253	2,394	2,306,220	963
Middlesbrough Council	104	4,806	80,765,312	16,805	1,707	6,788,818	3,977	2,899	3,180,591	1,097
Stockton on Tees Borough Council 105	105	6,037	96,444,472	15,976	1,950	6,843,290	3,509	3,668	3,664,338	999
HBS	150	-	-	-	95	438,433	4,615	72	232,810	3,233
Community Integrated Care	151	13	163,225	12,556	47	141,385	3,008	34	85,747	2,522
Tees Valley Leisure Limited	152	110	1,500,428	13,640	17	55,608	3,271	65	63,087	971
Business Link Tees Valley Limited	153	-	-	-	7	5,428	775	26	28,278	1,088
TAD Centre Limited	154	-	-	-	1	2,515	2,515	2	1,244	622
Open College Network North East Region	155	21	543,361	25,874	5	27,128	5,426	14	25,513	1,822
Milbury Community Service - South Highnam	156	-	-	-	-	-	-	1	7,946	7,946
North East Community Forest (Trading) Limited	157	-	-	-	6	25,454	4,242	19	19,377	1,020
National Care Standards Commission	159	-	-	-	79	905,173	11,458	61	198,537	3,255
Five Rivers Holdings	160	11	262,901	23,900	2	2,959	1,479	8	12,967	1,621
Nextiraone UK Ltd (HBS)	161	1	34,427	34,427	1	8,611	8,611	1	3,684	3,684
Tristar Homes Ltd	162	277	6,120,804	22,097	43	201,931	4,696	97	208,982	2,154
Coast and Country Housing	163	361	8,568,733	23,736	106	532,031	5,019	143	457,044	3,196
Tees Valley Urban Regeneration Company	164	8	472,763	59,095	-	-	-	7	27,786	3,969
CIC Elwick Road	165	-	-	-	-	-	-	1	1,694	1,694
Dimensions (UK) Ltd	168	1	11,932	11,932	-	-	-	-	-	-
Jarvis FM Workspace Limited	169	-	-	-	45	132,225	2,938	53	64,020	1,208
Liberata	170	48	878,179	18,295	48	249,001	5,188	52	162,400	3,123

Employer	Code	Active Members			Pensioners		Deferred Pensioners			
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
Durham Tees Valley Airport	171	69	1,844,613	26,734	13	114,880	8,837	34	141,454	4,160
The New Swindon Company	172	3	144,840	48,280	2	4,103	2,052	3	10,288	3,429
Nextiraone UK Ltd (SBC)	173	1	20,165	20,165	-	-	-	1	2,054	2,054
CSCI	174	-	-	-	378	3,060,362	8,096	536	1,415,858	2,642
McAlpine Government Services Limited	175	1	19,440	19,440	7	42,103	6,015	20	99,290	4,964
Housing Hartlepool	176	236	5,575,994	23,627	29	133,297	4,596	57	126,707	2,223
Tees Active Limited	177	141	2,223,901	15,772	12	48,298	4,025	38	42,162	1,110
OCS	178	6	31,572	5,262	2	1,005	502	2	745	372
Erimus Housing	179	263	5,514,500	20,968	76	434,355	5,715	57	184,017	3,228
Newtown Community Resource Centre	180	-	-	-	-	-	-	1	4,183	4,183
Macmillan Academy	181	80	1,329,435	16,618	3	13,720	4,573	29	21,645	746
Carillion JM Ltd	182	36	343,468	9,541	3	2,339	780	5	6,323	1,265
Crime Reduction Initiative	183	1	24,946	24,946	-	-	-	2	1,050	525
Stockton International Family Centre	184	-	-	-	1	1,512	1,512	-	-	-
Newtown Stockton Online	185	1	23,810	23,810	-	-	-	1	1,329	1,329
Five Lamps Organisation	186	1	15,942	15,942	-	-	-	-	-	-
Reliance Secure Task Management Services	187	4	62,084	15,521	-	-	-	1	351	351
Business Link North East	188	4	124,986	31,247	11	66,171	6,016	17	35,854	2,109
Ofsted	189	4	167,497	41,874	3	21,257	7,086	3	32,885	10,962
RSTM - Custody Services	190	15	333,810	22,254	1	12,741	12,741	17	27,121	1,595
Ingleby Barwick Town Council	191	1	30,011	30,011	-	-	-	-	-	-
Mouchel	192	443	8,638,298	19,500	37	265,085	7,164	21	65,491	3,119

Employer	Code	Active Members			Pensioners			Deferred Pensioners		
		Number	Actual Pay	Average	Number	Annual Pensions	Average	Number	Annual Pensions	Average
			£	£		£	£		£	£
Beamish Museum Limited	193	76	1,377,628	18,127	1	57	57	21	6,640	316
Stockton Riverside College	194	170	2,937,135	17,277	6	17,935	2,989	28	24,005	857
Fabrick Housing Group	195	60	1,593,559	26,559	1	1,034	1,034	3	19,092	6,364
Vale Contract Services	196	11	183,011	16,637	-	-	-	2	3,520	1,760
CMSL Ryehills Catering	197	3	22,254	7,418	1	153	153	5	4,978	996
Carillion AM Government Services	198	17	482,321	28,372	1	3,226	3,226	-	-	-
Business and Enterprise North East	199	51	1,747,206	34,259	3	33,222	11,074	4	8,810	2,202
Yarm Town Council	200	1	25,937	25,937	-	-	-	-	-	-
Care Quality Commission	201	807	28,512,885	35,332	1	47,716	47,716	1	580	580
Cleveland Fire Support	202	1	31,843	31,843	-	-	-	-	-	-
Durham and Tees Valley Probation	203	262	6,848,910	26,141	94	727,420	7,739	62	139,795	2,255
Teesside CBC	301	-	-	-	-	-	-	-	-	-
Total		25,384	461,469,881	18,180	17,702	67,900,878	3,836	16,883	21,674,934	1,284

Appendix 5. Rates and Adjustments Certificate

Paul Slocombe
Director of Resources
Middlesbrough Council
PO Box 340
Middlesbrough
TS1 2XP

Dear Sirs

On your instruction, we have made an actuarial valuation of the Teesside Pension Fund ("the Fund") as at 31 March 2010.

In accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the employing authorities as from 1 April 2011 in order to maintain the solvency of the Fund.

The required contribution rates are set out in the following Contribution Schedule.

Yours faithfully



Graeme D Muir FFA



Alison Hamilton FFA

Contribution Schedule

The Common Rate of Contribution payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 is 14.9% of pensionable payroll.

Individual Adjustments payable by each employing authority under Regulation 36 for the period 1 April 2011 to 31 March 2014 resulting in Minimum Total Contribution Rates are as set out below: -

Code	Employer	2010 Funding Pool	Minimum Level of Contributions					
			2011/12 % Pay	2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
102	Hartlepool Borough Council	Hartlepool BC Pool	14.9%	£604,200	14.9%	£604,200	14.9%	£604,200
103	Redcar and Cleveland BC	Redcar and Cleveland BC Pool	15.1%	£1,310,050	15.1%	£1,310,050	15.1%	£1,310,050
104	Middlesbrough Council	Middlesbrough BC Pool	15.4%		15.4%		15.4%	
105	Stockton on Tees Borough Council	Stockton on Tees BC Pool	14.9%	£461,550	14.9%	£461,550	14.9%	£461,550
48	Cleveland Fire Authority	Cleveland Fire Authority	15.7%		15.7%		15.7%	
49	Cleveland Police	Cleveland Police	14.3%		14.3%		14.3%	
203	Durham and Tees Valley Probation	Durham and Tees Valley Probation Pool	16.9%		18.1%		19.2%	
27	Hartlepool College of Further Education	College Pool	14.2%		14.6%		15.0%	
28	St Mary's College	College Pool	14.2%		14.6%		15.0%	
33	Hartlepool 6th Form College	College Pool	14.2%		14.6%		15.0%	
37	Stockton 6th Form College	College Pool	14.2%		14.6%		15.0%	
38	Cleveland College of Art and Design	College Pool	14.2%		14.6%		15.0%	
51	Redcar and Cleveland College	College Pool	14.2%		14.6%		15.0%	
57	Prior Pursglove College	College Pool	14.2%		14.6%		15.0%	
61	Middlesbrough College 61	College Pool	14.2%		14.6%		15.0%	
194	Stockton Riverside College	College Pool	14.2%		14.6%		15.0%	
25	University of Teesside	University of Teesside	14.4%		14.7%		15.1%	
63	Unity City Academy	Academy Pool	14.5%		14.6%		14.7%	
64	Kings Academy	Academy Pool	14.5%		14.6%		14.7%	
181	Macmillan Academy	Academy Pool	14.5%		14.6%		14.7%	
6	Guisborough Town Council	Other Scheduled Bodies Pool	18.2%		18.2%		18.2%	
7	Saltburn, Marske and New Marske Parish Council	Other Scheduled Bodies Pool	18.2%		18.2%		18.2%	
20	Loftus Town Council	Other Scheduled Bodies Pool	18.2%		18.2%		18.2%	
191	Ingleby Barwick Town Council	Other Scheduled Bodies Pool	18.2%		18.2%		18.2%	
200	Yarm Town Council	Other Scheduled Bodies Pool	18.2%		18.2%		18.2%	

Code	Employer	2010 Funding Pool	2011/12 % Pay	Minimum Level of Contributions				
				2011/12 £	2012/13 % Pay	2012/13 £	2013/14 % Pay	2013/14 £
60	Future Regeneration of Grangetown	Future Regeneration of Grangetown	17.6%		17.6%		17.6%	
72	Transit Stagecoach	Stagecoach Transit Pool	21.1%		21.1%		21.1%	
76	Stagecoach Hartlepool	Stagecoach Hartlepool Pool	22.4%		22.4%		22.4%	
151	Community Integrated Care	Community Integrated Care	20.0%		20.0%		20.0%	
152	Tees Valley Leisure Limited	Tees Valley Leisure Limited	13.5%		13.7%		13.8%	
155	Open College Network North East Region	Open College Network North East Region	16.7%		16.7%		16.7%	
160	Five Rivers Holdings	Five Rivers Holdings	16.2%		16.5%		16.7%	
168	Dimensions (UK) Ltd	Dimensions (UK) Ltd	20.6%		20.6%		20.6%	
171	Durham Tees Valley Airport	Durham Tees Valley Airport Pool	21.2%		21.2%		21.2%	
177	Tees Active Limited	Tees Active Limited	13.9%		14.3%		14.7%	
189	Ofsted	Ofsted	22.4%		23.2%		24.0%	
193	Beamish Museum Limited	Beamish Museum Pool	15.2%		15.5%		15.9%	
199	Business and Enterprise North East	Business and Enterprise North East Pool	15.4%		16.4%		17.4%	
201	Care Quality Commission	CQC Pool	14.4%		15.1%		15.8%	
212	Forward Swindon Ltd	Forward Swindon Ltd	18.7%		18.7%		18.7%	
162	Tristar Homes Ltd	Tristar Homes Ltd	13.4%		13.4%		13.4%	
163	Coast and Country Housing	Coast and Country Housing	14.2%		14.8%		15.5%	
176	Housing Hartlepool	Housing Hartlepool	14.7%		15.2%		15.8%	
179	Erimus Housing	Erimus Housing	18.5%		18.5%		18.5%	
195	Fabrick Housing Group	Fabrick Housing Group	16.7%		16.7%		16.7%	
161	Nextiraone UK Ltd (HBS)	Nextiraone UK Ltd (HBS)	11.9%		13.8%		15.8%	
170	Liberata	Liberata						
173	Nextiraone UK Ltd (SBC)	Nextiraone UK Ltd (SBC)	20.1%		20.1%		20.1%	
178	OCS	Cleveland Fire Authority	15.7%		15.7%		15.7%	
182	Carillion JM Ltd	Carillion JM Ltd	16.2%		16.2%		16.3%	
183	Crime Reduction Initiative	Crime Reduction Initiative	11.0%		11.0%		11.0%	
186	Five Lamps Organisation	Five Lamps, Newtown CRC, Stockton IFC	14.4%		14.4%		14.4%	
187	Reliance Secure Task Management Services	RSTM Pool	15.2%		15.5%		15.8%	
190	RSTM - Custody Services	RSTM Pool	15.2%		15.5%		15.8%	
192	Mouchel (see note 1)	Middlesbrough BC Pool	15.4%		15.4%		15.4%	
198	Carillion AM Government Services	Carillion Pool	20.0%		20.0%		20.0%	
196	Vale Contract Services	Vale Contract Services	18.2%		18.2%		18.2%	
202	Cleveland Fire Support	Cleveland Fire Authority	15.7%		15.7%		15.7%	
211	Steria	Cleveland Police	14.3%		14.3%		14.3%	

Notes

1. The rate for Mouchel is with effect from 1 June 2011. The rate to apply between 1 April 2011 and 31 May 2011 is 14.8% of pensionable pay.
2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumption issued by us from time to time.
3. The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by ourselves.

Appendix 6. LGPS Benefits

		LGPS 1997	LGPS 2008
General Features			
Type of Scheme	Final salary		
Relationship with S2P	Contracted-out		
Member Contributions	6%	Banded Contributions based on full time pay as at 1 st April 2011	
		Range	Cont Rate
	5% for manual workers in scheme prior to 01/04/1998	£0 - £12,900	5.50%
		£12,901 - £15,100	5.80%
		£15,101 - £19,400	5.90%
		£19,401 - £32,400	6.50%
		£32,401 - £43,300	6.80%
		£43,301 - £81,100	7.20%
		More than £81,100	7.50%
		Bands to be increased annually with Pension Increase Orders.	
		Transitional protection for members currently paying 5% until 2011/2012.	
Final Pay	In general, best of the last 3 years pensionable pay		
Pensionable Pay	Normal salary plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified as being pensionable.		
Retirement Benefits			
Normal Retiring Age	Age 65		
Early Retirement	Age 55+ (existing members remains at age 50+ for retirements up to 31 March 2010. Employer consent required if below age 60.		
	Minimum 3 months membership or transfer in		
	Benefits reduced unless Rule of 85 applies (member of the scheme as at 30 th September 2006) and is satisfied		
	Rule of 85 does not apply for service from 1 April 2008, subject to transitional protections.		
	Employer's discretion to waive any actuarial reduction. No reductions applied for redundancy retirements.		
Transitional Protections	If born before 1 April 1960 and an existing member of the Scheme as at 30 September 2006 then 85 year rule stays for service up to 1 April 2016 with tapered protection to 1 April 2020.		

LGPS 1997

LGPS 2008

General Features

Flexible Retirement	<p>Age 55+</p> <p>(existing members remains at age 50+ for retirements up to 31/03/2010)</p> <p>Minimum 3 months membership or transfer in</p> <p>Reduce hours or move to a lower graded post</p> <p>Draw pension and salary</p> <p>Employers discretion to waive any actuarial reduction</p>													
Late Retirement	<p>Continue to day before eve of 75th birthday</p> <p>Benefits accrue to date of retirement</p>													
Ill Health Retirement	<p>Permanently unable to undertake own job or any comparable job with employer. Benefits are enhanced as per the table below with a maximum enhancement of potential membership to age 65</p>	<p>Permanently unable to undertake own job or any comparable job with employer. Benefits are graded based on how likely you are to be capable of gainful employment after you leave.</p>												
	<table border="1"> <thead> <tr> <th>Accrued Membership</th> <th>Benefit Payable</th> </tr> </thead> <tbody> <tr> <td>Less than 3 months</td> <td>Refund of contributions</td> </tr> <tr> <td>3 months to 5 yrs</td> <td>Accrued Membership</td> </tr> <tr> <td>5 but less than 10 yrs</td> <td>Membership Doubled</td> </tr> <tr> <td>10 yrs to 13 yrs 122 days</td> <td>Membership Enhanced to 20 yrs</td> </tr> <tr> <td>13 yrs 123 days or more</td> <td>Membership Enhanced by 6 2/3 yrs</td> </tr> </tbody> </table>	Accrued Membership	Benefit Payable	Less than 3 months	Refund of contributions	3 months to 5 yrs	Accrued Membership	5 but less than 10 yrs	Membership Doubled	10 yrs to 13 yrs 122 days	Membership Enhanced to 20 yrs	13 yrs 123 days or more	Membership Enhanced by 6 2/3 yrs	<p>First Tier - No reasonable prospect of alternative employment ever again then service enhanced by 100% of prospective service to age 65.</p> <p>Second Tier - No prospect of obtaining gainful employment within a reasonable period of leaving local government employment, but likely to be able to obtain gainful employment before 65 then service enhanced by 25% of prospective service.</p> <p>Third Tier - Reduced likelihood of obtaining gainful employment within 3 years of leaving, or before age 65 if earlier then no service enhancement. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or becomes capable of such employment, provided they are not age 65 by then.</p>
Accrued Membership	Benefit Payable													
Less than 3 months	Refund of contributions													
3 months to 5 yrs	Accrued Membership													
5 but less than 10 yrs	Membership Doubled													
10 yrs to 13 yrs 122 days	Membership Enhanced to 20 yrs													
13 yrs 123 days or more	Membership Enhanced by 6 2/3 yrs													
Benefit Accrual	<p>Pension = 1/80th</p> <p>Lump Sum = 3/80th plus increased lump sum by commutation 12:1 up to a maximum of 25% of lifetime allowance</p> <p>Spouse's Pension = 1/160th</p>	<p>Pension = 1/60th</p> <p>Lump Sum = By commutation 12:1 up to a maximum of 25% of lifetime allowance</p> <p>Spouse's Pension = 1/160th</p>												

Death and Survivor Benefits

Lump Sum Death Benefit	<p>Active = 2 x Pensionable Pay</p> <p>Deferred = Current value of deferred lump sum</p>	<p>Active = 3 x Pensionable Pay</p> <p>Deferred = 5 x Current value of deferred annual pension</p>
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		LGPS 1997	LGPS 2008
General Features			
		Pensioner = 5 year guarantee less pension paid	Pensioner = 10 year guarantee less pension paid (for death before age 75)
Dependants' Provision		Widow(er)s	Widow(er)s
		Registered civil partners	Registered civil partners
			Nominated cohabiting partners
Dependants' Pension (Death in Service)		If membership > 3 months	1/160th x full prospective service to age 65
		50% x notional ill health pension Otherwise 1/160 th x accrued membership	
Spouse's Short Term Pension		Active = 3 months x salary (increased to 6 months if dependent children)	None
		Deferred = none	
		Pensioner = 3 months x member's pension (increased to 6 months if dependent children)	
Children's Pensions		Surviving Parent	Surviving Parent
		1 child = 1/4 x notional pension	1 child = 1/2 x dependant's pension
		2+ children = 1/2 x notional pension divided by number of children	2+ children = 1 x dependant's pension divided by number of children
		Orphans	Orphans
		1 child = 1/3 x notional pension	1 child = 2/3 x dependant's pension
		2+ children = 2/3 x notional pension divided by number of children	2+ children = 1 1/3 x dependant's pension divided by number of children
	For death in service the notional pension is the ill health pension or a pension based on the lesser of 10 years and full service to age 65 where this is higher.		

Increasing Benefits	
AVCs	<p>Maximum contributions – 50% of taxable earnings</p> <p>Options available:</p> <ul style="list-style-type: none"> Open market annuity LGPS Top Up Pension Tax Free Lump Sum (100% of fund up to max of 25% of Lifetime Allowance) LGPS Service Credit (if commenced AVCs prior to 13/11/2001)

	LGPS 1997	LGPS 2008
General Features		

Added Years/Pension	<p>Maximum purchase 6 2/3 years</p> <p>Payable from next birthday to age 65 (contracts taken out before 01/10/2006 may have an earlier date than age 65)</p>	<p>Maximum purchase £5,000 extra pension (in multiples of £250).</p>
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Leaving the Scheme		
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Benefits on Leaving	<p>Less than 3 months membership and no transfer in</p> <p>Refund of contributions</p> <p>CETV</p> <p>Defer decision</p> <p>More than 3 months membership or transfer in</p> <p>CETV</p> <p>Defer Benefits until NRA</p>	
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