

LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

Accounts for the year ended 31 March 2008

Statement by Consulting Actuary

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2007 to determine the contribution rates with effect from 1 April 2008 to 31 March 2011. The results of the valuation are contained in our report dated 31 March 2008. The valuation allowed for the new look LGPS benefit structure which was introduced from 1 April 2008.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets represented 70% of the accrued liabilities Funding Target at the valuation date. The valuation also showed that a common rate of contribution of 11.4% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 9.9% of pensionable pay for 20 years. This would imply an average employer contribution rate of 21.3% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2008. In addition to the contribution rates certified, contributions will be due in respect of the cost of early retirements including those on the grounds of ill health.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the funding target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments:		
-pre retirement	6.40% per annum	6.50% per annum
-post retirement	5.40% per annum	6.50% per annum
Rate of pay increases:	4.60% per annum	4.25% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.10% per annum	2.75% per annum

The assets were assessed at market value.

Full details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

The valuation results as summarised above are based on the financial position and market levels at the valuation date, 31 March 2007. As such the results do not make allowance for the significant market falls which have occurred during the financial year to 31 March 2008.

The next triennial actuarial valuation of the Fund is due as at 31 March 2010. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2011.

Paul Middleman
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Mercer Limited
August 2008