

Rollforward Results at 6 February 2019

The results in this schedule are intended for Hertfordshire County Council as the Administering Authority to the Hertfordshire County Council Pension Fund and may be shared with Watford Community Housing Trust. They must not be shared with any other third party without our prior written consent. This document should be read in conjunction with the report entitled 'Funding Level Update'.

The purpose of this Results Schedule is to set out the approximate funding position of the employer as at 6 February 2019.

The method, assumptions, reliances and limitations are described in the accompanying report. The restrictions set out in the report on the disclosure to any third party apply equally to this Results Schedule.

The following Technical Actuarial Standards are applicable to my calculations and advice in this schedule:

- TAS 100; and
- TAS 300

However, it should be noted that this report does not comply with paragraph 12 of TAS 300. The figures in the Results Schedule are an indicative update of the Employer's funding position which has been calculated in line with the Fund's FSS. Therefore, we do not believe the exclusion of the information required under this paragraph is material.

Fund	Hertfordshire County Council Pension Fund
Administering Authority	Hertfordshire County Council
Employer	Watford Community Housing Trust
Open/Closed	Closed
Starting Basis	Ongoing
Calculation Basis	Gilts with Cessation Mortality

Peter Summers FFA

For and on behalf of Hymans Robertson LLP

7 February 2019

Section 1 - Data

Employer membership data

The membership data used in preparation of this report was supplied for the formal valuation at 31 March 2016 by Alyson Sharpe of Hertfordshire County Council on 1 January 2017 and is summarised below:

Summary of membership data as at 31 March 2016

	Number	Average Age	Actual Pay/Pension £(000)	Average Pay/Pension £
Actives	5	58.5	129	25,898
Deferred Pensioners	48	52.7	228	4,746
Pensioners	25	64.5	180	7,182

Cashflows since the previous formal valuation

The contributions received and benefits paid over the roll forward period are estimates and are based on the Employer's certified contribution rate and the data provided for the previous formal valuation. Details are given below:

Total cashflows used in rollforward from 1 April 2016 to 6 February 2019

	£(000)
Employer contributions	109
Employee contributions	25
Benefits paid	(734)
Transfers In/(Out)	0

As far as I can reasonably determine the data supplied is complete and accurate to the best of my knowledge and belief. Please let me know as a matter of urgency if the data is in anyway incomplete or inaccurate or if there are other documents which may be relevant for the purposes of this report which may be inaccurate, incomplete or missing. Hymans Robertson LLP accepts no liability for errors or omissions.

Investment returns

The return on the Fund in market value terms for the period since the previous formal valuation is estimated based on actual returns as provided by the Administering Authority and index returns where necessary. Details are given below:

Investment returns	
Actual investment returns from 1 April 2016 to 30 September 2018	31.3%
Estimated investment returns from 30 September 2018 to 6 February 2019	(0.5%)
Total investment return from 1 April 2016 to 6 February 2019	30.7%

I have been provided with the split of investments by category as at 30 September 2018. The estimated returns above are derived using this information and allowing for index returns on each asset category between the dates stated above.

Asset allocation as at 30 September 2018	
UK Equities	16.9%
UK Fixed Interest Gilts	0.0%
UK Corporate Bonds	13.0%
UK Index Linked Gilts	21.0%
Overseas Equities	35.8%
Overseas Bonds	1.4%
Property	7.9%
Cash	3.8%
AVC	0.0%
Net Current Assets	0.3%

Other relevant information

No allowance has been made for any bulk transfers or early retirements since the previous formal valuation.

Section 2 - Assumptions

Financial assumptions

Financial assumptions at the calculation date have been derived using the employer's assumptions at the previous formal valuation and are summarised below:

Financial Assumptions	Valuation (31 March 2016)	Gilts (6 February 2019)
Pre-retirement discount rate	4.0%	1.7%
Post-retirement discount rate	4.0%	1.7%
Salary increases	2.2%	2.4%
Pension increases	2.1%	2.3%

Demographic Assumptions

Life expectancy as at 31 March 2016 (or date of joining if later) is described in the formal valuation report. Life expectancy at the calculation date is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming improvements have not peaked, long term improvements of 1.25% p.a., with declining mortality for over 90s.

The other demographic assumptions used are the same as the most recent valuation for the Fund. We have made an additional allowance for future improvements in life expectancy.

Section 3 - Funding position as at 6 February 2019

Funding Position	31 March 2016 £(000)	6 February 2019* £(000)
Past service liabilities		
Active members	941	1,697
Deferred pensioners	4,038	8,254
Pensioners	3,501	4,601
Total	8,479	14,552
Asset share	9,606	11,864
Surplus / (deficit)	1,127	(2,688)
Funding level	113%	82%

*Please note that these results are on a gilts and 'cessation' mortality funding basis

Contribution Rate

The cost of providing LGPS pension benefits is dependent on many uncertain factors including the investment performance of the Fund's assets. To reflect the uncertainty, employer contribution rates were set at the last formal valuation (or date of joining if later) by modelling the contributions to fund the benefits under 5,000 different economic scenarios in line with the funding strategy below:

Funding Target	Probability of Achieving Funding Target*	Time Horizon (years)
Ongoing	66%	6.0

*This is the likelihood that the employer's certified contribution rate will at least meet the accrued benefits and the cost of future benefits over the specified time horizon.

The certified contribution rates from 1 April 2016 to 31 March 2020 for the employer are shown below:

Minimum contributions for the year ending							
31 March 2017		31 March 2018		31 March 2019		31 March 2020	
% payroll	£(000)	% payroll	£(000)	% payroll	£(000)	% payroll	£(000)
20.9%	0	31.9%	0	31.9%	0	31.9%	0

Contribution rates excludes employee contributions. The average employee contribution rate is 6.4%.

The contribution rate includes an allowance of 0.5% for expenses.

Section 4 - Risk Assessment

Post calculation events

Since the calculations were carried out, there have been no events that would materially affect the calculations.

Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate (the discount rate net of inflation) adopted and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities decreases then the value placed on those liabilities will increase. If the real discount rate reduced by 0.1% per annum the value of the non-pensioner liabilities would increase by around 2% and the value of the pensioner liabilities would increase by around 1%.

In addition, the results are also sensitive to unexpected changes in the rate of future mortality improvements. If longevity improves at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the accrued liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3 - 5%.

If you have any queries relating to this schedule, please contact Anna Lapi in the first instance.

Appendix - Reliances and limitations

This schedule and the accompanying report are provided solely to the Administering Authority for the purpose of providing an illustrative funding position as at the calculation date. It should not be used for any other purpose. It may be shared with the employer as set out in the Schedule of Results. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. We accept no liability to any third party unless we have expressly accepted such liability in writing.

The last formal valuation of the Fund was carried out as at 31 March 2016 and these calculations rely upon the results of that valuation. The reliances and limitations that applied to that valuation equally apply here. We have projected the results of this valuation forward using approximate methods. The margin of error in these approximate methods increase as time goes by and as the size of the employer decreases. Further comments in relation to this can be found in the covering report. If there have been significant data changes since the previous formal valuation this method may not be appropriate. In particular, redundancy exercises, ill health retirements and bulk transfers may make the method inappropriate. The methodology assumes that actual experience since 31 March 2016 has been in line with our expectations at that valuation.

The data with which we have been provided for this exercise is summarised in section 1. Although we have checked for consistency in the data we have not carried out a full data validation. The data is the responsibility of the Administering Authority and the results rely on the data.

Note that the methodology underlying these calculations mean that the results should be treated as indicative only. Also, due to the Fund's investment strategy the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the calculation date.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances. In particular, they are not relevant for accounting under the International Accounting Standard 19 or Financial Reporting Standard 17, for bulk transfers, for final cessation valuations or for other statutory purposes under LGPS Regulations.

Where results are shown on an indicative cessation basis please note that no allowance has been made for any early retirements or other changes in membership status that may occur when the Employer leaves the Fund.