HAMBLE
PARISH
— COUNCIL —

Personnel Committee
Agenda

Friday 31st January 2020 - 9am, The Roy Underdown Pavilion, Baron Road, Hamble SO31 4RY

1. **Welcome**
    a. Apologies for absence
    b. Declaration of interest and approved dispensations
    c. Approve minutes
2. **Public Session**
3. **Ellis Whittam Contract for 2021-2024**
4. **Follow up on Lone Working Consultation with Staff**
5. **Update on Appraisals, including:**
    a. Training
6. **Pension Costs for 2020/21**
7. **Local Awards Scheme**

Exempt Business - To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 in respect of the following items of business on the grounds that it is likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

8. **Appraisals - specific issues**

Dated: 27/01/2020

Signed: Amanda Jobling, Clerk to Hamble Parish Council, Parish Office, 2 High Street, Hamble, Southampton SO31 4JE. 023 8045 3422.

UPCOMING PARISH COUNCIL MEETINGS Full Council - Monday 10th February, 7pm at The Roy Underdown Pavilion Planning Committee - Monday 24th February, 7pm at The Roy Underdown Pavilion Asset Management Committee - Tuesday 3rd March, 8.30am at The Roy Underdown Pavilion Full Council - Monday 9th March, 7pm at The Roy Underdown Pavilion Planning Committee - Monday 23rd March, 7pm at The Roy Underdown Pavilion
OTHER UPCOMING PUBLIC MEETINGS **Eastleigh Borough Council Local Area Committee Meetings** Thursday 16th March, 6pm at Hamble Primary School (proposed venue)

1. Introduction

The Personnel Committee has been established by the Council to provide better management of the Council's employees and members with regard to their welfare, recruitment, appraisal and salary reviews. Council also delegates disciplinary and grievance issues to the Personnel Committee.

2. Membership

Members and the Chairman of the Committee will be appointed in accordance with Standing Order 4.d.vi. Additional, Councillor or Non-Councillor member(s) with relevant professional experience may be co-opted, but such Non-Councillor member(s) will not have voting rights and are subject to item 4 in the same way as councillors.

The Chairman of the Council is an ex officio member but may also be a member in his or her own right.

The Committee will comprise 4 members.

3. Meetings

The committee will meet at least four times a year.

All meetings are meetings that by law must be advertised with 3 days' notice and open to the public. They can be held anywhere in the public domain, and at any reasonable time.

A quorum of three members is required to transact business.

4. Confidentiality

All members must preserve confidentiality of personnel discussions held at meetings, and particularly that of 'exempt business', when the committee decides that "publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted or for other special reasons stated in the resolution and arising from the nature of that business or of the proceedings."

5. Delegated Powers

Subject to agreement by the full Council, the Committee will hold delegated powers to deal with all personnel, employment and recruitment issues necessary with reports and recommendations being made to the full Council.

In cases of emergency that will not wait until the next Council meeting, the Committee will have full powers to act on behalf of the Council.

6. Remit of the Committee

The Committee has delegated authority to;

- Advertise for, and recruit staff as directed by the Council
- Recommend changes in staffing
- Review and ensure all current employment legislation is met
- Review contracts of employment
- Review salaries
- Deal with disciplinary and grievance issues
- Review and ensure compliance with Health and Safety law, and matters.
- Any other personnel action as directed by the Council

In addition to these functions the Committee will also be responsible for recognising and rewarding outstanding community endeavour through the nomination of individuals for honours and awards either locally, within the Borough/County and at a national level.

7. Disciplinary and Grievance

The Committee will deal with any initial disciplinary or grievance issues including investigations and approving/agreeing sanctions. Any appeal against a decision of the Committee will be heard by the Review Panel which for the purposes of the staff handbook will be the Appeals Panel.

Serious breaches of the Council Staff Handbook Policy that could result in dismissal will be reported to Council.

8. Appraisals.

The Committee will receive a summary of annual appraisals undertaken by the line managers (the Chairman for the Clerk and the Clerk for other members of staff) and consider issues raised within them.

9. Recording of decisions.

All meetings will have proper minutes taken and other records kept, as required.

10. Amendment Record

Version 1: Initial Issue

Version 2 Updated membership and clarity around the roles of Council Personnel Committee and the Review (Appeals Panel) in relation to disciplinary, grievance and misconduct issued Dec 2019.

Also includes a new section on the functioning of the Committee in the spotting and reward of outstanding community service.

Hamble Parish Council (HPC): Minutes of Personnel Committee Meeting held at 9am on Wednesday 27th November 2019 at Roy Underdown Pavilion, Baron Road, Hamble.

Present: Cllrs Cohen, Hand, Rolfe *(arrived at 9.20am)* and Thompson

In Attendance: Clerk

Minute reference is 27112019 + the agenda item number

1. Election of Chair	**Cllr Cohen was proposed by Cllr Hand and Seconded by Cllr Thompson and it was agreed to elect her as Chair of the Committee**
2. Welcome	
a. Apologies for absence	None
b. Declaration of interest and approved dispensations	None
c. Approve minutes	Notes from the last meeting were considered and agreed.
1. **Public Session**	None
2. **Review and Amend Terms of Reference**	The terms of Reference were considered and it was agreed that the following changes should be made: • Number of members 4 • Role encompasses welfare of councillors as well as staff • Role of the Committee includes managing resident nominations for civic awards • That the Review Panel would act as the Appeal Panel as required by the Disciplinary and Grievance policy *Cllr Rolfe arrived at 9.20am* Proposed: Hand Seconded: Thompson **It was resolved**: To accept the Terms of Reference with the amendments set out.
3. **Lone Working and Violence to Staff**	The Clerk presented the paper setting out the need to develop further a lone working procedure for staff. All team members work on their own at times and in the case of the groundstaff they are on occasion in isolated locations. Greatest risk is probably from accident or ill health although violence remains a consideration. The policy is framed in the context that staff have a responsibility to behave in a way that is considered safe and appropriate, while as employers the Council need to ensure that there are safe working practices. There was a discussion about the use of mobiles as a way of staying in touch and the arrangements for weekends. It was also suggested that the policy should be extended to cover members and this was agreed. It was agreed that staff would be consulted on the detail of the policy and the Risk Assessment before the policy was bought back for adoption.
4. **Pay approach to 2020/21**	The Clerk outlined the three but not mutually exclusive approaches to pay that HPC had. The national pay award was likely to be delayed as a result of the general election but other Clerks were working on a 2-3% award.

Signed by the Chair: Date:

	The Clerk took the committee through the paper and the way in which the pay points and grades operated and the implications for staff on the top of their grades. The Committee was keen to see the pay award before coming to any formal conclusions alongside the outcome of appraisals. It was agreed that the core targets for staff should be: Team working Problem solving Delivering quality solutions each time
5. **Exempt Business** -	To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 in respect of the following items of business on the grounds that it is likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act. Proposed: Cohen Seconded Hand **It was resolved:** To exclude members of the public and press to deal with exempt business
6. **Staffing Issues**	*This item is covered under the confidential exempt minutes.*
Meeting ended at 10:50	

Signed by the Chair: Date:

Hamble Parish Council
Report to: Personnel Committee
31st January 2020

3. Ellis Whittam (EW) Contract

Summary

Advice on both Human Resources and Health and Safety is provided by Ellis Whittam

Contract with them was for 3 years and expires in April 2020

Alternative organisations exist and were considered last time but EW was deemed the best value for money at the time.

What should be the Council's approach to these services in the future?

Background

For the last three years the Council has subscribed to the Ellis Whittam service that provides the following:

- Health and safety advice and annual audit
- 24-hour human resources advice
- Insurance against claims in both areas
- A range of online training materials

The cost of this service has been £2,500+VAT per year. The contract will be up for renewal from the 28th April 2020. The Committee is asked to express a view on how it wishes to proceed.

Report

During the contract with EW we have seen the following work completed for us under the contract:

- Redraft of the staff handbook and contracts
- Advice on a range of staffing issues - 24-hour access
- Health and safety annual audits and follow up advice
- Site-specific problem-solving help
- Access on a range of online materials

Attached is an email from EW setting out a cost range for renewal last year. I have requested an updated quote and indicated that other small council in EBC might wish to join if a discounted fee could be agreed. I will also seek the inclusion on on-line learning which will help to deliver a number of training requirements. The value of the on line resource is approximately £400 per year.

Other providers do exist and offer comparable services however the cost deferential was small when last tendered. Although the contract should be subject to market testing under our financial regulations it requires contracts valued at less than £3,000 to be subject to three quotes, there is an exemption clause around the provision of specialist services. Given the work carried out under this current contract it is recommended that the contract is renewed subject to detailed costing. If there is a substantial increase then work to benchmark it will be carried out.

Recommendation: In principle to renew the contract for HR and Health and Safety advice with Ellis Whittam for a further 3 years subject to cost confirmation. The contract is not subject to full market testing given the specialist nature of the service and the knowledge of HPC issues over the last 3 years.

To work with other parishes in the borough to see if a cost reduction can be secured.

Appendices

1. Email from Ellis Whittam dated 3rd April 2019

Sent: 03 April 2019 13:30
To: Clerk - Hamble Parish Council <clerk@hamblepc.org.uk>
Subject: Ellis Whittam - Early Renewal Proposal

Dear Amanda

I hope you're well.

You are approaching the last 12 months of your agreement with us and in times of adversity, Ellis Whittam are looking at ways of adding further value to their clients and promoting a financial peace of mind. This offer is available to selected clients who we would like to offer a discount on our services when renewing early.

In brief, I'm pleased to offer you our continued support for the following fees:

Professional Fees:

Service	Employment Law and Health & Safety
Your Current Annual Fee*	£2,500 +VAT
Our Early Renewal Annual Fee*	**£2,350 +VAT**
Saving	**£150 per annum**
Current Renewal Date	28th April 2020
Contract Term	3 years

**both costs are excluding the legal expenses insurance which is charged separately at £7.93 for employment law and £3.17 for H&S per head, per annum*

Now you are familiar with EW's services, if you would be prepared to look at a new 5 year agreement, we'd be able to come down to **£2,250 +VAT per annum (£250 saving).**

I am proposing that we renew your contract from the 28th April 2019 (instead of 28/04/20) for 3 or 5 years, meaning you can start benefiting from the discount now, then continue to benefit for the remainder of the new agreement.

**Please note; if you decide not to take this offer your contract will continue, as normal and your 3rd year invoice will remain at your current annual rate.*

When convenient, please let me know your thoughts.

Kind Regards

Tom Berry
Client Manager
Ellis Whittam Limited

Hampshire Pension Fund

Actuarial valuation of the Fund as at 31 March 2019
Individual Employer Results
DRAFT Results as at 18 October 2019

Employer information	
Employer	**Hamble Le Rice Parish Council**
Employer codes included	706
Funding Target	Secure Scheduled Body
Open or closed to new entrants	Open

Current contributions 2019/20 (based on 2016 valuation)	
Current contributions 2019/20	16.1% plus £8,800 p.a.
Equivalent total contribution rate 2019/20 (based on updated payroll)	*21.8%*

Theoretical contributions 2020/21 (based on 2019 valuation)	
Primary (future service) contribution rate from 1 April 2020 (% pay)	21.2%
Recovery period (years from 1 April 2020)	16.00
Theoretical contributions 2020/21	21.2%
Equivalent total contribution rate 2020/21	*21.2%*

Proposed contribution schedule 2020 - 2023			
Contributions payable 2020/21	18.9%	plus	£0
Contributions payable 2021/22	20.2%	plus	£0
Contributions payable 2022/23	21.4%	plus	£0

Notes
Contributions assumed to be paid monthly
Contribution rates include an allowance for the McCloud judgement and potential Cost Management costs of 0.9% of Pay.

Balance sheet (£000s)	Liabilities	Assets	Surplus / (Shortfall)	Funding level
Secure Scheduled Body Funding Target	**360.405**	**360.155**	**(0.250)**	**99.9%**
Exit basis (gilts, actives as deferreds)	714.007	360.155	(353.852)	50.4%

Financial assumptions (% pa)	Discount rate - in service	Discount rate - left service	Salary increases	Pension increases / revaluation of pension
Secure Scheduled Body Funding Target	**4.40%**	**4.40%**	**3.10%**	**2.10%**
Exit basis (gilts, actives as deferreds)	1.30%	1.30%	N/A	2.10%

Summary of membership data as at 31 March 2019	Actives	Deferreds (incl. frozen refunds)	Pensioners (incl. dependants)	Total
Number	6	3	1	10
Average age (unweighted)	49.3	44.0	72.0	-
Total salary roll (2014 scheme definition)	150,044	-	-	150,044
Total pension in payment / accrued pension	18,013	704	6,570	25,288
Sum of pre 2008 lump sum	11,636	0	-	11,636

Additional information

This schedule has been prepared by Aon Hewitt Limited for the Administering Authority of the Hampshire Pension Fund for the purposes of reporting draft individual employer contribution requirements. This schedule may be shared with the relevant employer for information only. Unless we provide express prior written consent no part of the schedule should be reproduced, distributed or communicated to anyone else and, in providing this schedule, we do not accept or assume any responsibility for any other purpose or to anyone other than the Administering Authority.

The results in the schedule are indicative only and cannot be confirmed until the valuation is complete. In particular, as the Fund is a multi-employer scheme where there is no formal segregation of assets between employers, the value of the assets notionally allocated to the employer may change if, following completion of the Actuary's calculations for all employers, adjustments need to be made to allow for new information or corrected data. Assuming there are no material changes to the employer's results, the proposed contributions will remain unchanged but the funding position may be revised.

Hampshire Pension Fund
Actuarial valuation as at 31 March 2019
Town and Parish Councils

18 October 2019

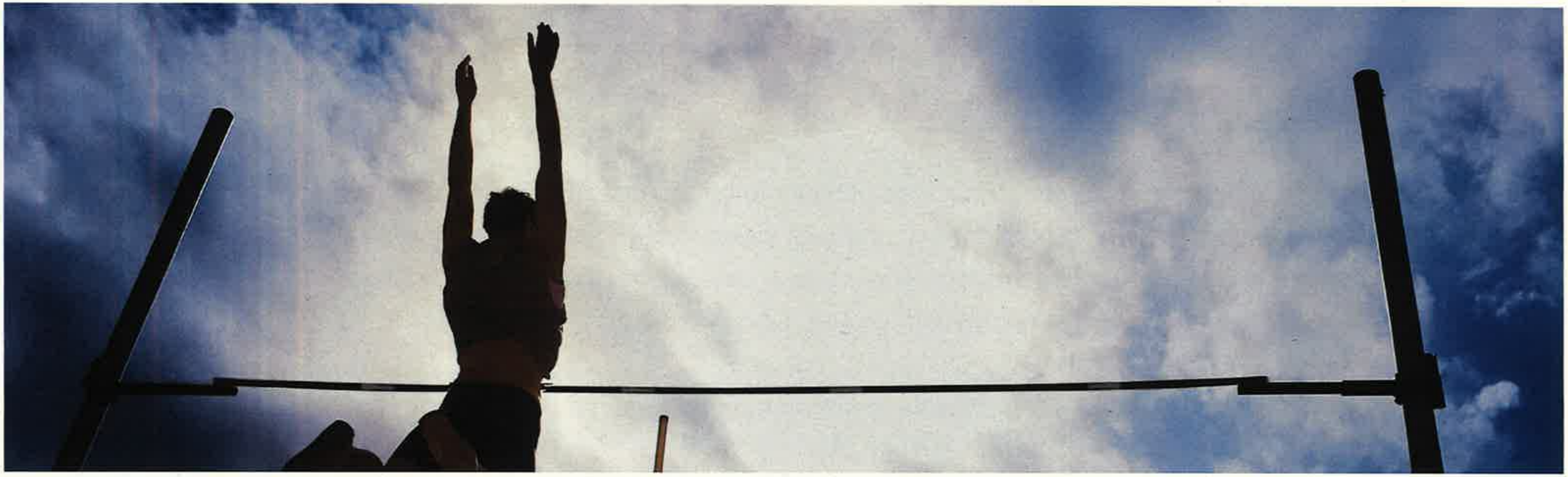
Prepared by Joel Duckham FIA
Presentation to Hampshire County Council

QAS Institute and Faculty of Actuaries ® Quality Assurance Scheme

AON Empower Results®

Agenda

- De-grouping – a reminder
- Initial 2019 results
- Other elements of funding strategy
- Post-valuation date experience
- Conclusions



De-grouping

Reminder: approach to de-grouping

- TPCs - allocate assets in proportion to each employer's funding target (liabilities)
  - aligns with factors influencing deficit (e.g. member experience)
  - consistent with current funding strategy when employers exit the Fund / account for pensions
  - same as approach taken when employers exited group arrangements in 2016

Liabilities – based on employer's membership and funding assumptions
£1 of liabilities in the SBG = £1 of liabilities outside the SBG

Assets – based on SBG funding position
2019 SBG FL 95% = 2019 TPC group FL = 95%

Currently deficit payments set in line with Group funding rules (based on payroll)

Deficit payments may change on exit from group (based on liabilities)

If deficit is nil there is no step change

Rationale for pooling Town and Parish Councils

Size / volatility

- Small employers more likely to experience volatile pension costs and less likely to be able to absorb changes
- Addresses lifecycle risk (e.g. older member retires / younger member joins)

Consistency

- Desirable to retain common rates for employers subject to common funding pressures
- Other LGPS Funds operate pools for small employers

Administration

- Administratively simpler?

Less justification for moving TPCs onto individually assessed contributions

But need ability to manage transient / short term employers

Commitment to capping contributions – simple example

£'000s	This year: 2019 / 2020	Next year: 2020 / 2021	
Plan under 2016 valuation	£3.4 (future service) £1.1 (past service) **£4.5 (total)**	**3.9% increase to deficit contributions**	£3.4 (future service) £1.2 (past service) **£4.6 (total)**
New TPC pool (2016 funding strategy + improved funding)	Adjusted deficit recovery period	**Application of cap**	£3.9 (future service) £0.9 (past service*) **£4.8 (total)** **£4.6 capped**
Extra prudence and unknowns		**Changes to funding strategy**	£? (future service) £? (past service*) **£? (total)**
Amounts certified			£? (future service) £? (past service*) **£? (total)**

Based on pay of £20,000 and deficit contribution over 2019/20 of £1,100
For simplicity, assume pay doesn't increase between 2019/20 and 2020/21

** Deficit contributions expected to increase at 3.6% p.a.*

May be able to cap contributions despite uncertainties but no guarantee

2019 Results

Initial 2019 results (draft)

% of Pensionable Pay	2016 valuation		Initial 2019 valuation	
	SBG	TPC	SBG	TPC
Probability of funding success	71%		75%	
Employer future service cost (Primary rate)	16.9%	19.5%	17.3%	20.3%
Recovery Period	19 years		16 years	
Secondary contributions	5.7%	5.5%	Nil	Nil
Allowance for McCloud / Cost Cap	n/a	n/a	0.9%	0.9%
Total contribution rate	22.6%	25.0%(2)	18.2%	21.2%(3)

(1) Increasing each year in line with the pay increase assumption

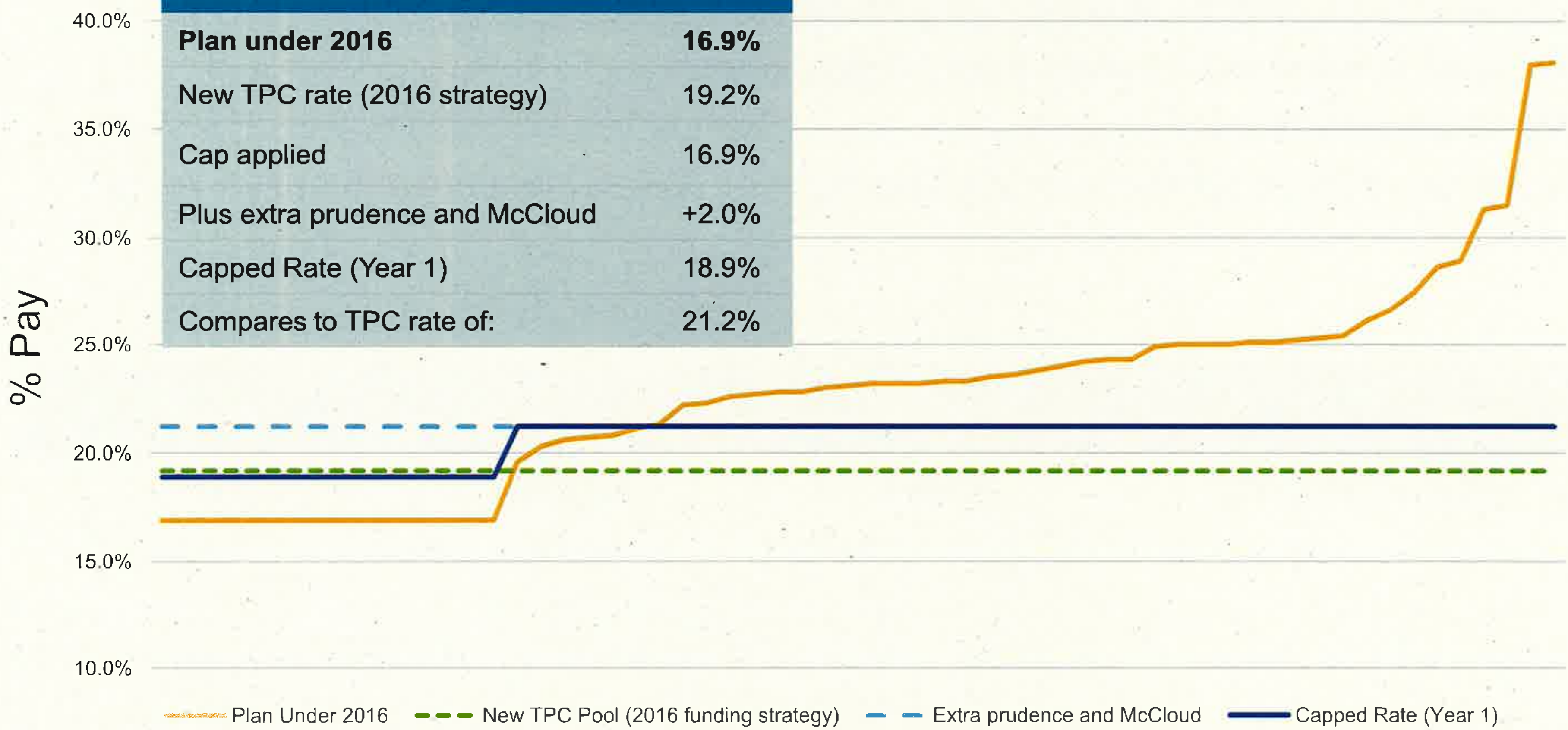
(2) Based on total payroll over the year to 31 March 2016

(3) Based on total payroll over the year to 31 March 2019

The 2019 results may change as we work through the individual employer results if there are changes to the data or employer funding targets

Proposed contributions for TPCs

Example – TPC paying no deficit payments	
Plan under 2016	**16.9%**
New TPC rate (2016 strategy)	19.2%
Cap applied	16.9%
Plus extra prudence and McCloud	+2.0%
Capped Rate (Year 1)	18.9%
Compares to TPC rate of:	21.2%



Cap applied to those paying no deficit contributions 2019/20

Proposed outcome for TPC employers

- Not desirable to certify different rates for different employers
- Permit all employers to benefit from capped rates
- Step to target rate over 3 years
- Year 3 rate slightly higher than target to recover underpayments in first two years

	2020/21	2021/22	2022/23
TPC Pool contributions	18.9%	20.2%	21.4%

Other elements of funding strategy

Strategy proposals/implications

- Recovery period – 16 years for all unless stop designating (i.e. close to new members)
  Previous proposal (discussed in May) – banded recovery periods, e.g. 5/10/15 years
- Prepayments are allowable for secondary contributions (secondary contributions allocated to individual employers)
- Surplus/deficit shared in proportion to liabilities (deficit amounts certified as £ amounts)
- Funding position of employers in the pool may diverge in future
  Only in respect of secondary contributions; all other risks shared
- Stepping of contribution changes (see earlier slide with proposals)

Important to set out principles now

Reminder: items pooled at Fund-level

- Lump sum death in service benefit
  - payment of 3 x Pensionable Pay on death
  - ‘premium’ is included within contribution rates

- Ill health early retirement (from 1 April 2016)
  - enhanced pension, without reduction (this can be expensive if the member is young)
  - assets adjusted so all employers assumed to have whole Fund “average” experience

- Partner’s pension on death in service (from 1 April 2016)
  - enhanced pension (can be expensive if the partner is much younger than the member)
  - assets adjusted so all employers assumed to have whole Fund “average” experience

All other funding risks will be shared within the new TPC Group/Pool

Intention is to retain benefits of pooling but recognise transient nature

Summary

- Honoured commitment to cap contributions (before strategy changes/McCloud)
- SBG (so TPC pool) c100% funded so no secondary contributions
- All TPCs will have same recovery period as main councils
- Increase in primary contributions stepped to smooth changes

Most TPCs will see a contribution reduction in 2020/21

Questions?

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the prior written consent of Aon Hewitt Limited. This presentation may be shared with employers in the Hampshire Pension Fund subject to the conditions listed below. However, this document does not constitute advice to any employers in the Fund, nor does Aon accept any duty of care to any party other than Hampshire County Council as our client in relation to this document.

The conditions are as follows:

- Employers acknowledge and agree that Aon Hewitt Limited is not providing advice to them and that Aon Hewitt Ltd does not have any responsibility towards any employers relying on this material.
- Employers accept that all asset and liability figures in this presentation are approximate and/or illustrative and should not be used to make any decisions relating to funding or investment strategy nor future participation in the Fund/LGPS
- Employers agree that they will not distribute or otherwise communicate any part of the information to any other party without prior written consent of Aon Hewitt Ltd

Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.

Information to accompany Individual Employer Results Schedule

Valuation of the Hampshire Pension Fund at 31 March 2019

Prepared for	Hampshire County Council, as Administering Authority to the Hampshire Pension Fund ("the Fund")
Prepared by	Aon Hewitt Limited
Date	28 October 2019

2019 Valuation: Individual Employer Results Schedule

This document has been prepared for the Administering Authority to supplement the information provided in the Individual Employer Results Schedule (the Schedule) showing the indicative valuation results as at 31 March 2019 for participating employers in the Fund.

Purpose of the valuation

The overriding purpose of the valuation is to set out a funding (or contribution) plan to secure the solvency and long-term cost efficiency of the Fund as required by the LGPS Regulations. In practice this means calculating the funding position and setting out the contributions payable of each individual employer (or group of employers) (hereby just referred to as the "Employer") in the Fund. The 2019 valuation leads to contributions being certified for employers over the period from 1 April 2020 to 31 March 2023.

The principles which have been applied are set out in the Funding Strategy Statement (FSS), which will be consulted on from 28 October 2019 to 30 November 2019.

Employer contributions

The Schedule shows the contributions being paid by the Employer over 2019/20. The 2019 valuation determines contributions payable from 1 April 2020 to 31 March 2023. Where appropriate, we have also shown the equivalent total contribution rate over 2019/20 expressed as a percentage of pay for comparison.

"Future service rate"
the cost to the Employer (as a % of pay) of benefits employee members will earn in future based on the funding assumptions, also called the primary contribution rate. It allows for expenses and expected member contributions.

The Employer contributions calculated at the 2019 valuation are shown in the Theoretical Contributions table.

How the **future service (or primary) contribution rate** is calculated depends on whether the Employer admits new members to the Fund (shown as "**open**" in the Employer Information section) or whether no new members are admitted ("**closed**"). The rate also depends on the profile of the Employer's members, in particular their average age – the older the employee members, the shorter the period to retirement over which investment returns can be earned, and therefore the higher the future service rate.

Closed employer rates are generally higher than open employer rates because they anticipate the ageing of a closed workforce.

The change in the **future service rate** since the last valuation as at 31 March 2016 (or date of commencement, if later) will be due to:

- changes in the assumptions used to value the liabilities; and
- changes to the employer's membership.

An increase in the *real* discount rate (discount rate less CPI assumption) reduces the future service rate, and vice versa.

For example, if the employees are now older on average, the future service rate will have increased (ignoring the effect of other changes).

In addition, an allowance has been made for uncertainties relating to the **McCloud Judgement and Cost Cap Mechanism** equal to 0.9% of pay.

Further information on McCloud/cost cap is set out in Appendix 1.

Where the funding position shows a deficit or surplus, employer contributions may be adjusted to target a 100% funding level (i.e. no surplus or deficit, with assets equal to liabilities). The only exception to this is where it would not be prudent for contributions to be reduced, e.g. because the employer is not a secure, long-term scheduled body and its exit deficit has increased. The period over which any surplus or deficit is spread is called the **Recovery Period**.

"Recovery period"
the period over which any surplus or deficit is to be eliminated. Different recovery periods apply to individual employers, as set out in the FSS.

Where there is a deficit, the total contributions will generally consist of the future service rate and additional monetary amounts payable.

Monetary contributions are expected to be paid throughout the deficit recovery period, subject to review at future triennial valuations. They will increase each year in line with the pay growth assumption.

Where there is a surplus the total contributions may be less than the future service rate if the surplus is being used to subsidise employer contributions. Where a surplus is being removed this will be shown as a secondary contribution reduction, expressed as a percentage of pay.

The Proposed contributions schedule 2020-2023 comprises:

- a % of pay rate plus

- additional monetary amounts (if needed).

Balance sheet ("liabilities")

The Administering Authority's funding objective for each employer/group is to hold assets which are at least equal to the past service **liabilities** i.e. to meet the funding target. The funding target depends on the circumstances of the employer including the Administering Authority's view of the employer covenant and what would happen to the Employer's liabilities should it leave the Fund.

"Liabilities"
the present value of the benefits that will be paid from the Fund in the future, based on membership prior to the valuation date, also called the past service liabilities, calculated as set out in the FSS.

In order to calculate the past service liabilities and the cost to employers of benefits accruing to their members, the benefits paid out by the Fund are estimated for each year into the future using assumptions about future experience. The key financial assumptions are summarised in the Schedule.

Balance sheet ("assets")

Each Employer's notional asset share is based on the notional asset share calculated as part of the 2016 valuation (or the commencement date, if later), projected forward to the 2019 valuation date allowing for:

- Investment returns achieved by the Fund.
- Contributions paid by the employer(s) and its/their members.
- Other cashflows in respect of the employer's membership, e.g. pensions paid.

We refer to the notional allocation of Fund assets to the Employer because the Employer doesn't "own" the assets, they belong to the Fund (Administering Authority).

Where the Employer is in a group and all funding risks are shared there may be no notional allocation of Fund assets to the Employer so no figure will be shown.

Balance sheet ("funding level")

The funding position is the difference between the value of assets notionally allocated to the Employer and its funding target (liabilities). It is often expressed as a ratio of the assets to the liabilities, known as the **funding level**.

The change in the funding position since the valuation as at 31 March 2016 (or commencement date if later) will be due to:

- investment returns achieved by the Fund compared to the discount rate,
- changes in the assumptions used to value the liabilities;
- membership experience for the Employer's members in the Fund*;
- contributions paid by the Employer compared to the cost of benefits earned by its employee members.

*For example, if the employees' salaries have increased by less than assumed, the Employer's (pre-2014) liabilities will be lower than expected, improving the funding position.

With the exception of employers that are part of a group where all risks are shared and hence there is no notional asset allocation, the Balance Sheet section in the Schedule shows the Employer's:

-notional assets

-past service liabilities (or **funding target**)

-the resulting **funding level** and

-**surplus** or **deficit** (shortfall)

as at the valuation date of 31 March 2019, together with the corresponding figures from the 2016 valuation or commencement date if later.

The 2016 valuation balance sheet shown in the schedule may be different to that provided at the 2016 valuation. The main reasons for this are:

- The finalised 2016 valuation balance sheet being different to the initial figures provided due to adjustments made to ensure total assets of all employers in the Fund equal to the total Fund assets;

"Funding level"
the value of assets notionally allocated to the Employer divided by the Employer's past service liabilities, also called the funding ratio.

Investment returns above the discount rate improve the funding position, and vice versa.

An increase in the *real* discount rate (discount rate less CPI assumption). improves the funding position, and vice versa.

"Surplus / (deficit)"
the value of assets notionally allocated to the Employer less the past service liabilities. If the assets exceed the liabilities there is a surplus; if they are less than the liabilities there is a deficit (or shortfall).

- Any other employers in the Fund that have been 'subsumed' by the Employer since the 2016 valuation – these assets and liabilities will now be included in the 2016 valuation figures;
- Changes to the employer codes included with the Employer results (if appropriate) - the 2016 valuation position shown includes codes that are allocated to the Employer at the 2019 valuation.

Assumptions

The Schedule shows the rate of price and salary inflation used to estimate future benefit payments.

The estimated benefit payments are then 'discounted back' to the valuation date using an agreed assumed rate of investment return / rate of interest known as the **discount rate**. This is the key assumption which underpins the value of the liabilities.

The demographic assumptions relate to the Fund membership, e.g. how many members will leave active membership before retirement and when; and how long members will live after retirement.

The same demographic assumptions are adopted for all employers, although because they are age and gender specific they have a different effect for each employer to allow for the employer's membership profile.

Other points to note

In some cases employers may be permitted to phase in contribution increases in a number of steps as set out in the Funding Strategy Statement. The contribution rate after the stepping period is expected to be higher than had stepping not been used, to make up the underpayment over the stepping period.

Further, future experience is uncertain so there is no guarantee that the certified contributions will be sufficient to ensure the funding target is met. Individual assumptions are made for the long-term and are unlikely to be borne out in each individual year. This means that contributions from the next valuation could be higher or lower than those that will be certified at this valuation.

"Discount rate"
The rate of interest / investment return used to place a present value on a future benefit payment. The discount rate adopted for the Employer is set out in the Schedule.

Details of the demographic assumptions are set out in Appendix 2.

The valuation results depend upon the accuracy of the data underlying the calculations. The Employer should check the data summary and let the Administering Authority know if it has any concerns.

The deficit contributions allow for interest on future payments in line with the discount rate. They may also allow for interest on the surplus/deficit between 31 March 2019 and 1 April 2020 and the difference between contributions payable and the future service cost over 2019/20. As a result you cannot simply divide the deficit by the recovery period to estimate the deficit contributions payable.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the Regulations and Employers will be notified of such contributions separately by the Administering Authority.

The results in the Schedule are indicative only and cannot be confirmed until the valuation is complete. In particular, as the Fund is a multi-employer scheme where there is no formal segregation of assets between employers, the value of the assets notionally allocated to the Employer may change if, following completion of the Actuary's calculations for all employers, adjustments need to be made to allow for new information or corrected data. Assuming there are no material changes to the Employer's results, the proposed contributions will remain unchanged but the funding position may be revised.

Disclaimer

This supplementary document has been released to the Employer for information only to help explain some of the terms used in the Individual Employer Results Schedule. It should not be used or relied upon by any person other than our client, the Administering Authority, nor used for any other purpose. There is no duty of care established toward, and Aon Hewitt Limited disclaims any responsibility or liability arising from, any person having access to this document either directly from the Employer, indirectly from a third party or through any other means. No recipients of the information are permitted to reproduce, distribute or communicate any part of this supplement to any other party or advisor.

We neither warrant nor represent (either expressly or by implication) to any third party who receives this document that the information included is fair, accurate or complete, whether at the date of its preparation or at any other time. All third parties are hereby notified the supplement shall not be used as a substitute for any enquiries, procedures or advice which ought to be undertaken or sought by them. We do not accept any responsibility for any consequences arising from any third party seeking to rely on this supplement.

No decisions should be taken on the basis of this information and nothing in this document removes the need for readers to take proper advice in relation to their specific circumstances.

This is not formal actuarial advice, and is not covered by the scope of actuarial guidance TAS 100 and 300.

Appendix 1: Other terms

Active member

A person who is employed by an employer participating in the Fund and is paying (or is treated as paying) contributions to the Fund (includes certain members temporarily absent, e.g. due to family leave or sickness).

Cost cap mechanism

The mechanism introduced as part of the reforms of the public service schemes in 2015 (2014 for the LGPS in England and Wales) intended to limit employers' exposure to rising pension costs from member-related experience (most financial risks, such as investment risks, fall outside of the cost cap process). When the Government Actuary's Department carried out the Scheme valuation as at 31 March 2016 it found that costs had reduced and member benefits had to be improved/contributions reduced to bring the costs back in line with the cost cap. A package of measures was agreed which were costed at 0.9% of pay (i.e. at additional cost to employers). However, following the judgement in the McCloud/Sargeant cases, the cost cap process is currently on hold. It is expected that it will be revisited once the outcome of McCloud is known, at which point changes may be made (and backdated to 1 April 2019) which will add to employer costs. If employer costs do increase, the required addition to individual employers' contribution rates could be higher or lower than 0.9% of pay depending on the circumstances.

The Schedule shows the allowance made in the 2019 valuation for McCloud/cost cap within employer contributions. Further information on the cost management process is available here: ***http://www.lgpsboard.org/index.php/structure-reform/cost-management***

Deferred member

A former employee who has left active membership, but has not yet received any benefits from the Fund and is prospectively entitled to receive a deferred pension from his/her normal pension age.

Dependant member

A dependant of a previous employee who was a member of the Fund but who has died, where benefits are payable to a specified dependant under the LGPS regulations.

Exit basis

Where provided, this is an indicative figure illustrating the assets and liabilities of the Employer had it exited on the valuation date. It assumes that all active members became deferred on the valuation date. It should be noted that changes in market conditions since the valuation date could mean that a higher exit payment would be due if the Employer exited the Fund after the date of the valuation.

Intermediate funding target

For employers which would leave orphan liabilities on exit, i.e. where there is no subsumption commitment from a long-term secure employer, but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Administering Authority may assume continued investment in a broad range of assets of higher risk than long-dated UK government bonds for a longer period than would be the case for other orphan employers. In this case, the allowance for out-performance of the Fund's assets over the yield on long-dated UK government bonds will depend upon the Administering Authority's view of the risk posed by the Employer. This is known as the intermediate funding target.

For such employers a single discount rate is adopted, unlike for the ongoing orphan body funding target where the left-service discount rate is much closer to the yield on long-dated fixed interest gilts.

McCloud Judgement

A legal judgement relating to a member of the Judges' Pension Scheme who brought a claim of illegal age discrimination in relation to the transitional protections for members within 10 years of pension age on 1 April 2012 which applied when the public service schemes were reformed. The case was joined to a similar case (of Sargeant) in relation to the Firefighters' Scheme and the Court of Appeal found that the changes did constitute illegal age discrimination. Government was denied leave to appeal earlier this year and has acknowledged that the judgement should be considered to apply to all the public service schemes, including the LGPS. It is not yet known what remedy will apply (i.e. how those not entitled to the underpin / better of both promise in the LGPS will be compensated) but it will lead to additional employer costs. The Scheme Advisory Board and MHCLG have indicated that they expect funds to consider these costs when setting employer contributions, see here: ***http://www.lgpsboard.org/index.php/structure-reform/mccloud-page***

As part of the actuarial valuation the Actuary has calculated the cost of applying the underpin on retirement to all members who were active as at 1 April 2014, using assumptions appropriate for the long-term secure scheduled bodies. This leads to an average cost of 0.6% of pay (including 0.2% for past service costs which have been spread over 16 years). As this is lower than the expected cost under the cost management process the total allowance for McCloud / Cost cap is 0.9% of pay. The same allowance has been made for all employers as agreed with the Administering Authority of the Fund.

Ongoing orphan body funding target

For active employers whose liabilities are expected to be orphaned on exit, and which don't meet the criteria for adoption of the intermediate funding target, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the ongoing orphan body funding target.

The liabilities on the ongoing orphan body funding target will typically be based on a discount rate linked to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption in relation to members still in service. The addition for the left service discount rate reflects market expectations of future increases in gilt yields over a five year period at the valuation date.

Pensioner member

A previous employee of the Employer who is a member of the Fund, and has retired and is now receiving pension benefits.

Regulations

The Local Government Pension Scheme Regulations 2013 (as amended)

Salary

Pensionable pay over the year 1 April 2018 to 31 March 2019, as defined in the LGPS Regulations in relation to post-2014 membership.

Secure scheduled body funding target

For secure scheduled bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and admission bodies with a subsumption commitment from such scheduled bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the secure scheduled body funding target.

Undecided member

A previous employee of the Fund who has left employment but has yet to decide whether to take a transfer of benefits to another pension arrangement, or a refund of their contributions.

Appendix 2: Demographic Assumptions

Mortality	Males	Females
Pre-retirement base mortality	40% of SAPS* S2N tables	20% of SAPS S2N tables
Post-retirement base mortality - Actives, deferreds and pensioners	90% of S2N tables	85% of S2N tables
- Contingents of current actives, deferreds and pensioners	90% of S2N tables	95% of S2N tables
- Dependants	90% of S2N tables	90% of S2N tables
Ill-health retirement base mortality	105% of S2I tables	105% of S2I tables
Improvements to mortality	An allowance for improvements from the effective date of the base table to 2019 and for future improvements in line with the CMI 2018 core projections with long-term improvement rate of 1.50% p.a. s_k of 7.5 and parameter A of 0.0.	
	** SAPS mortality tables are mortality tables based on data from self-administered pension schemes. The Series 2 tables are based on data over the period 2004– 2011. S2N are tables in respect of normal health retirees, S2I are tables in respect of ill health retirees.*	
Promotional salary increases	Allowance for age-related promotional increases (see sample rates below).	
Withdrawals	Allowance for withdrawals from service (see sample rates below). On withdrawal, members are assumed to leave with a deferred pension in the Fund.	
Retirement cash sum	Each member is assumed to surrender pension on retirement, such that the total cash received is 70% of the permitted maximum.	
Family details	Each man is assumed to be three years older than his wife/partner. 80% of non-pensioners are assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death. 80% of pensioners are assumed to be married or have a partner at age 65. No allowance for children's pensions.	
Retirement due to ill-health	Allowance has been made for retirements due to ill-health (see below). Proportions assumed to fall into the different benefit tiers are: Tier 1 80% Tier 2 10% Tier 3 10%	
Take up of 50:50 scheme	All members are assumed to remain in the scheme they are in at the date of the valuation.	

Retirement age	Member group	Assumed age at retirement
	Group 1 and Group 2 members (fully and taper protected members)	Age 63
	Group 3 members (Rule of 85 age= 60)	Age 63
	Group 3 members (Rule of 85 age > 60)	Age 65
	Group 4 members (Joiners pre 1 April 2014)	Age 65
	Group 4 members (Joiners post 31 March 2014)	State Pension Age
	Any part of a member's pension payable from a later age than the assumed retirement age will be reduced.	

Sample rates

The table below illustrates the allowances made for withdrawals from service and ill-health retirement at various ages. Also shown is the allowance included for promotional pay increases, which is shown as the percentage increase over the next year.

Age	Percentage promotional pay increase over year	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage leaving the Fund each year as a result of Ill-health retirement	
			Male	Female
20	3.7%	13.4%	0.00%	0.00%
25	3.1%	11.8%	0.00%	0.00%
30	2.9%	10.3%	0.03%	0.01%
35	1.6%	8.8%	0.04%	0.01%
40	1.5%	7.3%	0.07%	0.03%
45	0.8%	5.8%	0.09%	0.06%
50	0.1%	4.7%	0.16%	0.12%
55	0.0%	3.6%	0.30%	0.22%
60	0.0%	0.0%	0.60%	0.47%
65	0.0%	0.0%	0.92%	0.64%

UK's Best Neighbours

Regional winners have been announced as part of Co-op Insurance and Neighbourhood Watch's search for the UK's best neighbours.

Left to Right: Cara Watts nominated her neighbour Musarat Hashmi

East Midlands Best Neighbour

Julie Brown from Church Gresley was nominated by her neighbour, Sarah Winter, who wanted to highlight Julie's efforts in bringing her neighbours together with street parties, BBQs, and charity coffee mornings.

Sarah said of Julie: "Julie has created a real sense of community on our road that everyone is thankful for. I think every street could do with neighbours like Julie!"

In addition to putting on events for the street, Julie will often take other neighbours' children to the park or out blackberry picking, and always keeps an eye on neighbours' properties when they're not around.

Julie said of the award win: "It feels fantastic to be recognised with an award like this. Even to be nominated was a wonderful gesture, but to win is something else! It's nice to have awards such as these that remind us how important it is to look out for each other."

North West's Best Neighbour

Tracey Rennox, from Wigan, was nominated by her neighbour, Jenny Gordon, thanks to her unwavering support towards her neighbours – whether that's taking in parcels for them; providing practical help to elderly neighbours; or making afternoon tea for her neighbours.

Jenny said of Tracey: "When I saw the opportunity to nominate someone for the 'best neighbour', I immediately thought of Tracey. Her nature and what she does for her neighbours, makes you want to do the same. She's built a real community spirit on the street."

Tracey has also helped neighbours who have been ill and has offered support to those who have lost partners to illness on the street.

Tracey said of the award win: "It's in my nature – I've always been that sort of person who would go out my way to do something nice for someone. But to get an award for it is an honour, I'm absolutely thrilled!"

South East's Best Neighbours

Corina, Charlotte, Susan, Sammy, Rachel, and Nila who all live on the same street in Monkston, Milton Keynes were nominated by their neighbour, Emily Kahill, thanks to being there for her in every way possible. The women have banded together to help Emily with childcare, cooking meals, and even helping to redecorate her house.

...continued on page 9

Emily said of her neighbours: "I've had a difficult few years and these women have been there with support every step of the way. I'm a single mum, and sometimes things can get hard. These ladies have got me through my worst and I genuinely don't think I would have survived without them."

In addition to everyday support, the neighbours surprised Emily on her son's 8th birthday last year by treating them both to a trip to Paris Disneyland.

Scotland's best neighbour revealed

Musarat Hashmi, from Cupar in Fife, was nominated by her neighbour, Cara Watts, due to her unwavering support when Cara was going through health problems.

Cara said of Musarat: "When I was ill, Musarat came round every single morning to have breakfast and ensure I had taken medication. She helped with tidying and cleaning the kitchen and encouraged me to go for a swim or a walk. She'd also take me to GP appointments, cooked me evening meals, and was always checking on how I was."

In addition to her caring manner towards others, Musarat also shares cultural traditions with neighbours through events. She has been known to organise Eid celebrations and Bollywood parties with local women. She also cooks traditional meals for her neighbours, and of course, shares the recipes!

Musarat said of the award win: "It feels great to win this award! To be recognised not only as a good neighbour, but as a good friend is an honour. These awards remind us to look out for each other and I hope me winning this will inspire others to do the same."

Alongside the awards, Co-op Insurance and Neighbourhood Watch have, for the second year running, carried out research to investigate neighbourly behaviours among people across the UK.

The study reveals that just one in ten (11%) of East Midlands homeowners and renters say that they know all their neighbours. However, of those who do know their neighbours, almost two fifths (37%) saying that they're good friends.

In creating the Neighbour of the Year competition, Co-op Insurance and Neighbourhood Watch hope to highlight how being a good neighbour can contribute to safe and happy communities. Hundreds of entries were judged on criteria outlining what makes a good neighbour.

Top 10 Traits UK Neighbours Think Make a Good Neighbour

- *74%* *They take parcels in*
- *61%* *They're quiet and courteous*
- *57%* *They keep an eye on a neighbour's property when they are not there*
- *43%* *They're not nosey*
- *42%* *They're courteous about where they park*
- *37%* *They take the bins in and out for neighbours*
- *31%* *They keep to themselves*
- *16%* *They do odd jobs for neighbours*
- *15%* *Their neighbours tell them they're a good neighbour*
- *14%* *They check that their neighbour has everything they need*