Government Actuary's Department

Local Government Pension Scheme (England and Wales)

Actuarial valuation as at 31 March 2013

Report by the scheme actuary

Date: 2 February 2015

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Contents

1 Executive summary

This report is addressed to the Secretary of State for Communities and Local Government and provides the results of the actuarial valuation of the Local Government Pension Scheme (England & Wales) carried out as at 31 March 2013.

1.1 At the request of the Department for Communities and Local Government, we have carried out an actuarial valuation of the Local Government Pension Scheme (England & Wales) as at 31 March 2013. The valuation has been undertaken in accordance with *The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014*, which specify certain assumptions and require other assumptions to be the Secretary of State for Communities and Local Government's best estimates. HM Treasury has confirmed its consent to the assumptions proposed by the Secretary of State.

1.2 This report is addressed to the Secretary of State, and sets out the results of the valuation. The ***valuation results*** specify the ***proposed employer cost cap***[1], which is to be set in regulations.

1.3 The key result of the valuation is as follows:

Proposed employer cost cap: 14.6% of pensionable pay

[1] In accordance with Section 12 of the Public Service Pensions Act 2013.

2 Background

The valuation has been carried out in accordance with the Directions issued by HM Treasury.

2.1 The Local Government Pension Scheme (England & Wales) ('LGPS' or 'the Scheme') provides pensions to employees who have worked in Local Government, or for other Scheme employers, and to their dependants. The Scheme is managed and administered locally by administering authorities[2]. Member contributions are payable in accordance with Regulations 9 or 10 of the Local Government Pension Scheme Regulations 2013[3]. Employer contributions are payable in accordance with each administering authority's rates and adjustments certificate issued under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

2.2 The Government Actuary's Department (GAD) has been appointed as ***Scheme actuary***[4] by the Secretary of State for Communities and Local Government ('the Secretary of State') for the specific purpose of carrying out an actuarial valuation of the Scheme as at 31 March 2013 (the ***effective date***). This report on the valuation is addressed to the Secretary of State and is also being made available to HM Treasury (HMT).

2.3 The valuation has been undertaken in accordance with the *Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014* ('the Directions') dated 11 March 2014 (as amended[5]), effective at the date of signing this report. Terms defined in the Directions are shown in ***bold italics*** when used in this report. This is the first time a valuation of the Scheme has been carried out under the Directions.

2.4 The Directions require the 2014 Scheme and the Earlier Schemes, both as defined by the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014[6], to be taken into account in aggregate for the purposes of the current valuation. The results shown in this report therefore relate to 'the aggregate scheme', that is the combination of the 2014 Scheme and the Earlier Schemes.

2.5 The main requirement of the valuation is to set a ***proposed employer cost cap***. This is a rate, expressed as a percentage of pensionable earnings of members of the Scheme, to be used for the purpose of measuring changes in the cost of the Scheme. The ***employer cost cap*** set in scheme regulations must be equal to the ***proposed employer cost cap*** calculated in this valuation (see Direction 48 of the Directions).

2.6 The Directions also require an assessment of the Scheme's accrued past service liabilities to be made and an employer contribution rate to be calculated, to enable comparisons between different public service pension schemes on a consistent basis. However neither of these will affect the operation of the cost control mechanism, and

[2] The administering authorities are listed at SI 2013/2356, Part 1 of Schedule 3
[3] SI 2013/2356, Regulation 9
[4] Direction 50(a) of the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 requires that the actuarial valuation of the Scheme as at 31 March 2013 is carried out by a person appointed by the Scheme to act as actuary for the Scheme. For the purpose of undertaking the valuation as at 31 March 2013, the Directions are to be read as if references to a ***Scheme actuary*** are references to the person appointed in accordance with direction 50(a).
[5] Amendments are the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2014, the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) (No. 2) Directions 2014, and the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) (No. 3) Directions 2014.
[6] SI 2014/525, Regulation 1(6).

the actual employer contributions will be paid in accordance with each administering authority's rates and adjustments certificate issued under Regulation 62 of the Local Government Pension Scheme Regulations 2013. The calculation of the ***proposed employer cost cap*** at this valuation is therefore the most significant outcome of this valuation in relation to the operation of the Scheme.

2.7 The financial position relative to the ***employer cost cap*** will be reconsidered at each three-yearly valuation.

2.8 We have provided advice and information separately on certain aspects of the valuation. The following documents have been signed alongside this report and should be read in conjunction with it:

> Local Government Pension Scheme (England and Wales) - Actuarial valuation as at 31 March 2013: Report on membership data, dated 2 February 2015.

> Local Government Pension Scheme (England and Wales) - Actuarial valuation as at 31 March 2013: Report on data used for experience analysis, dated 2 February 2015.

> Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Advice on assumptions, dated 2 February 2015.

> Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Report on methodology, dated 2 February 2015.

2.9 The Department for Communities and Local Government (DCLG) has consulted the shadow Scheme Advisory Board on the assumptions determined by the Secretary of State. The Advice on assumptions and Report on methodology were circulated in draft to the Cost Management and Contributions sub-committee of the shadow Scheme Advisory Board in April 2014 and November 2014 respectively. The final versions signed alongside this report include a record of changes made since the drafts were originally circulated to the sub-committee.

2.10 Throughout this report the totals given for summed data may not be exactly the same as the sum of the components shown due to rounding effects.

2.11 Appendix G sets out the limitations of this report.

3 Key inputs

This section summarises what calculations were carried out, including the data, methodology and assumptions used, and the analysis performed on the results.

Data

3.1 At the effective date, there were 1.7 million contributors to the Scheme with a total payroll of £29.9 billion; 1.4 million pensions in payment with total annual pensions amounting to £6.7 billion; and 1.7 million ex-contributors who had not yet started to receive their pension. Appendix A provides a summary of the membership data. Further details on the data, including the checks carried out on that data, the limitations of those checks, and adjustments made, are provided in the report 'Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Report on membership data as at 31 March 2013', dated 2 February 2015.

Benefits

3.2 The benefits provided to members of the LGPS are set out in regulations[7]. A new scheme ('the 2014 Scheme') has been introduced from 1 April 2014. Members of the Earlier Schemes transferred to the 2014 Scheme on 1 April 2014.

3.3 Immediately prior to the change at 1 April 2014 the Scheme was a final salary scheme with an accrual rate of 1/60 (with lump sum by commutation). The 2014 Scheme is a career average scheme with Normal Pension Age equal to State Pension Age (SPA); accrual rate of 1/49; revaluation in line with the Consumer Prices Index (CPI) while in service and in deferment; and increases in line with CPI in payment. Member contribution rates are determined by reference to members' pensionable pay. Appendix B gives a summary of the benefits provided under the 2014 Scheme as well the benefits provided under the Scheme immediately prior to 1 April 2014 (which were applicable from 1 April 2008).

Assumptions

3.4 The Directions specify certain assumptions to be used for the valuation whilst requiring certain other assumptions to be set as the Secretary of State's best estimates, after taking the advice of the ***Scheme actuary***. Actuarial advice on the scheme-specific assumptions (including variations appropriate for the purposes of determining the ***proposed employer cost cap***), and other relevant information including an analysis of the Scheme's demographic experience, is set out in the report:

> Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Advice on assumptions, dated 2 February 2015.

3.5 We have been instructed by the Secretary of State, following consultation with relevant stakeholders, to adopt the best estimate assumptions recommended in our

[7] SI 2013/2356 and SI 2014/525.

advice, having obtained HMT consent to those assumptions. Appendix C summarises the key assumptions made.

Methodology and calculations

3.6 The Directions specify that the Projected Unit Methodology should be used. Application of this methodology to determine the ***valuation results*** as specified requires some assumptions to be made about the size and make-up of the workforce up to the end of the ***implementation period***[8].

3.7 To calculate the ***employer contribution rate***, we have placed a net present value on the annual benefit accrual over the three-year ***implementation period*** and then adjusted for member contributions. The calculation of the ***proposed employer cost cap*** is similar to that of the ***employer contribution rate*** but is based on assumptions reflecting members' likely behaviour had they never been members of the Earlier Schemes.

3.8 Appendix D summarises the actuarial methodology adopted for the valuation in more detail. Further details on methodology, including the approach taken to projecting the membership data and the rationale for that approach, are provided in the report 'Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Report on methodology', dated 2 February 2015. Appendix D also summarises the calculations undertaken to determine the ***valuation results*** in more detail.

Analysis of result

3.9 Section 5 provides further information which is intended to assist in the interpretation of the results shown. In particular, that section shows the main sensitivities of the ***valuation results*** to the assumptions set by the Secretary of State. The most significant of these are post-retirement mortality, withdrawal rates, and promotional pay increases.

3.10 Section 6 comments on the main risks which could result in some variations in the ***valuation results*** at subsequent valuations.

3.11 Section 7 reconciles the ***proposed employer cost cap*** with the target overall cost for the LGPS Scheme Advisory Board's cost control mechanism.

[8] 1 April 2016 to 31 March 2019.

4 Valuation results

This section provides the valuation results required by the Directions.

4.1 Directions 22 and 23 require certain numerical ***valuation results*** to be reported. This section provides the information required by the Directions.

Cost cap

4.2 The ***proposed employer cost cap*** is determined from the following components:

> The contribution rate, payable from 1 April 2016, required to cover the expected cost of benefits accruing by members over the ***implementation period***. This is to be determined using data, methodology and assumptions adjusted in accordance with Direction 53(3) to (6),

> Less normal member contributions expected to be payable over the ***implementation period***.

The relevant ***valuation results***, expressed as a percentage of pensionable payroll, are summarised in Table 4.1.

Table 4.1 - Cost cap

	%		Direction
Contribution rate required to cover expected cost of benefits accruing over implementation period	21.3	A	
Less normal member contribution rate expected over implementation period	6.7	B	
***Proposed employer cost cap* (A - B)**	14.6		*53*

4.3 Both the cost of benefits and the member contribution rate above are calculated assuming that no members ever have, or ever will, make an election under Regulation 10 of the Local Government Pension Scheme Regulations 2013 (Temporary reduction in contributions – the '50/50 section'), in accordance with Direction 18. Under this assumption, the contribution rate expected over the ***implementation period*** is 6.7%, compared with the LGPS target member contribution yield of 6.5% of pensionable pay, which allows for some members to opt for the 50/50 section by an election under Regulation 10. For further details, see the report titled Local Government Pension Scheme (England & Wales) - Actuarial valuation as at 31 March 2013: Report on methodology, dated 2 February 2015.

Valuation balance sheet at 31 March 2013

4.4 The past service liabilities of the Scheme as at the ***effective date,*** calculated in accordance with the Directions, and otherwise as specified in this report, are set out in Table 4.2. The liabilities valued include all benefits currently or prospectively payable under the aggregate scheme to pensioners and deferred pensioners as at 31 March 2013 and to active members as at 31 March 2013 in respect of service completed to the ***effective date***. In the case of active members, liabilities arising from future pay inflation to the assumed future date of cessation of pensionable service is included in the liability shown.

4.5 This valuation reports the ***notional assets***, which are defined by the Directions to be a notional amount of money representing the assets of the Scheme used to calculate the employer contribution rate. The actual assets held by LGPS funds do not play any part in this valuation or the cost cap mechanism.

4.6 In accordance with Direction 44(1) of the Directions, the ***notional assets*** are set equal to the past service liabilities as at the ***effective date***. It follows that there is no surplus or shortfall reported at this valuation, because ***notional assets*** are equal to liabilities.

4.7 The past service liabilities and ***notional assets*** as at 31 March 2013 are set out in Table 4.2.

Table 4.2 - Valuation balance sheet

	£ billion 31 March 2013	**Direction**
Aggregate scheme assets	**213.1**	25, 44
Aggregate scheme liabilities in respect of:		
Active members	80.7	-
Deferred pensioners	35.4	-
Pensioners	97.0	-
Total aggregate scheme liabilities	**213.1**	24
Surplus (shortfall) as at 31 March 2013	-	

Contribution rates

4.8 Whilst the ***effective date*** of the actuarial valuation is 31 March 2013, the ***employer contribution rate*** determined is that payable in respect of the period 1 April 2016 to 31 March 2019 (the ***implementation period***). The ***employer contribution rate*** required over the ***implementation period*** is determined from the following components:

> the contribution rate, payable from 1 April 2016, required to cover the expected cost of benefits accruing by members over the ***implementation period***

minus

> normal[9] member contributions expected to be payable during the ***implementation period***.

4.9 As noted in paragraph 4.6 above, the ***notional assets*** are set equal to the past service liabilities as at the ***effective date***. It follows that no contributions are required to meet the difference between the liabilities of the Scheme and the ***notional assets***, because the assets are equal to the liabilities.

4.10 The relevant ***valuation results***, expressed as a percentage of pensionable payroll, are summarised in Table 4.3.

Table 4.3 - Contribution rates

	%	%		Direction
Contribution rate required to meet the difference between the liabilities of the Scheme and the notional assets at 31 March 2013		0.0	A	*27(1)(a)*
Contribution rate required to cover cost of benefits accruing over implementation period	21.2		C	*27(1)(d)*
Less normal member contribution rate expected over implementation period	6.7		D	*28(c)*
Employer contribution rate required for cost of accrual of benefits over implementation period		14.5	C-D	
Employer contribution rate (not implemented *) **(A + C) - D**		14.5		*29*

* As explained in paragraphs 2.1 and 2.6 employer contributions are payable in accordance with each administering authority's rates and adjustments certificate issued under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

4.11 The calculation of the ***employer contribution rate*** is similar to the calculation of the ***proposed employer cost cap***, except that the assumptions used to calculate the ***proposed employer cost cap*** are adjusted to reflect members' likely behaviour had they never been members of the Earlier Schemes. This would mean that no members have entitlement to any benefits payable from age 60 without reduction, and so members would be likely to retire later.

4.12 The ***valuation results*** have been determined in accordance with the requirements as to data, assumptions and methodology as specified in the Directions.

[9] Excluding additional voluntary contributions or contributions being paid to secure additional pension

5 Sensitivity of valuation results to assumptions

This section illustrates how the valuation results would change if different assumptions were used.

5.1 This section illustrates the sensitivities of the ***valuation results*** to the assumptions determined by the Secretary of State[10]. Sensitivities are not shown for assumptions specified in the Directions since these are fixed for the purpose of this valuation.

5.2 Table 5.1 shows the sensitivities relative to the past service liabilities and the ***proposed employer cost cap***. The sensitivities shown are intended to illustrate a range of reasonable outcomes which might have been determined at this valuation had different assumptions been used. They are not intended to show the possible range of variation in assumptions which might be considered at future valuations and in light of future experience. Section 6 comments on the main risks which could result in some variations in the ***valuation results*** at subsequent valuations.

5.3 The ***notional assets*** are set equal to the liabilities as at the ***effective date***, in accordance with Direction 44(1) of the Directions. Consequently there is no surplus or deficit as at 31 March 2013, regardless of the assumptions adopted. The impact of alterative assumptions on the ***employer contribution rate*** will be similar to the impact on the ***proposed employer cost cap***.

Table 5.1 Sensitivity of valuation results to Secretary of State-set assumptions

	Addition to past service liabilities (£billion)	Additional to proposed employer cost cap (% pensionable pay)
New entrant profile*: new joiners assumed 2 years older on average	No impact	+0.4%
Mortality rates*:		
(a) each pensioner subject to mortality rates 5% heavier than assumed[11]	-2	-0.2%
(b) 5% more deaths before retirement than currently assumed	Not material	Not material
Age retirement rates*: active members retire (on average) one year later than currently assumed	-1	Not material
Commutation in respect of pre-2008 service* (assumption for post-2008 service is specified in the Directions)**:** all eligible members	Not material	No impact

[10] As specified in Direction 19(e).
[11] Broadly speaking this is equivalent to assuming pensioners' life expectancy is 0.5 years shorter.

	Addition to past service liabilities (£billion)	**Additional to proposed employer cost cap (% pensionable pay)**
commute 2% of pension more than assumed		
Ill health retirements*		
(a) Rate of ill health retirements: 5% more members assumed to retire on ill health grounds than currently assumed	Not material	+0.1%
(b) Severity of ill health retirements: 5% more members assumed to receive Tier 1 benefits than currently assumed	No impact	Not material
Members' dependants*		
(a) proportions partnered: 5% more members assumed to have qualifying partners at death	+1	+0.1%
(b) age difference between member and partner: dependants assumed to be 1 year older than the current assumption	-1	-0.1%
Withdrawals*: Withdrawal rates a third higher	-1	Not material
Promotional pay increases*: promotional pay increases 0.5% per annum higher on average than assumed	+4	No impact

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the valuation results.

5.4 In each variant in Table 5.1 the sensitivity shown is in relation only to the change in assumption described. The impact of a combination of assumption changes will not necessarily equate to the sum of the relevant rows above.

6 Uncertainties around possible outcomes of the next valuation

This section considers some of the risks relating to the outcomes of the next valuation.

6.1 The results of this valuation are set out in section 4. Section 5 outlines the sensitivity of the results to those assumptions set by the Secretary of State. The sensitivities shown in that section are intended to illustrate the range of reasonable outcomes which might have been determined at this valuation had different assumptions been used. The range of reasonable outcomes at this valuation is different from, and not necessarily related to, the possible range of outcomes at future valuations.

6.2 The results of the next valuation (both the ***employer contribution rate*** and the ***cost cap cost of the scheme***) will differ from the results shown in this report for many reasons. Table 6.1 shows some of these reasons. These differences can be split into three categories:

- those that are expected
- those that are likely to occur due to short-term variations between experience and assumptions
- those that are possible but less likely and result from more significant experience variations leading to changes in assumptions or from material data errors

6.3 The results of future valuations might affect the level of contributions payable by members and/or the amount of benefits payable to members for future service. Further information on the cost cap mechanism and how this may affect member benefits and/or contributions after future valuations is provided in Appendix E.

6.4 The calculation of the ***cost cap cost of the scheme*** will take account of the liabilities of active members of the Scheme as at 31 March 2014 (the date accrual under the Earlier Schemes ceased). In particular at the 2016 valuation there may be a ***cost cap past service cost*** (which may be positive or negative). Such a ***cost cap past service cost*** may arise if, for example, pensionable pay experience between 31 March 2014 and 31 March 2016 is not in line with assumptions, or if the valuation assumptions change.

6.5 At the 2016 valuation, the ***notional assets*** will be set equal to the liabilities as at 31 March 2016, in accordance with Direction 44(1). Consequently there will be no surplus or deficit as at 31 March 2016, and the ***employer contribution rate*** will not include any past service cost to meet any surplus or deficit. Some changes that may affect the ***cost cap cost of the scheme*** will not therefore affect the ***employer contribution rate***.

6.6 Further explanation relating to the items in Table 6.1 is given in the remainder of this section. Further information about the cost cap mechanism and the ***cost cap cost of the scheme*** is provided in Appendix E.

Table 6.1: Items that may affect the next valuation[12] [13]

Item		**Employer contribution rate[14]**	**Cost cap cost of the scheme[14]**
Expected:	Short-term mortality improvements & increases in members' average SPA	o	o
	Run-off of short-term financials up to the next valuation date (final salary benefits only)	N/A	N/A
Likely:	Short-term experience effects:		
	- demographic	N/A	✓
	- financial	N/A	✓
	Assumption changes:		
	- short-term financials after the next valuation date	N/A	✓✓
	- mortality improvements	✓	✓✓
Possible:	Errors found in data sets from previous valuations	✓	✓
	Unanticipated membership changes	✓	✓
	Assumption changes:		
	- demographics set by the Secretary of State subject to HMT approval	✓	✓

Key[15] [16]:
N/A = not applicable
o = impact is likely to be less than 0.5% of pensionable pay
✓ = impact may well be more than 0.5% of pensionable pay but, although possible, is quite unlikely to be more than 2% of pensionable pay,
✓✓ = impact may well be more than 2% of pensionable pay

12 All cost pressures are assumed to feed through to the ***employer contribution rate*** and the ***cost cap cost of the scheme*** in line with the Directions; more detail on how the Directions treat cost pressures is set out in paragraphs 2.31 to 2.35 of *Public service pensions: actuarial valuations and the employer cost cap mechanism* published by HMT in March 2014.

13 We have ignored items such as changes to the Directions (apart from those described as "likely" in paragraph 2.39 of *Public service pensions: actuarial valuations and the employer cost cap mechanism*), benefit changes or changes to relevant law (including European law), because it is impossible for us to form any judgment on the likelihood or quantum of such changes.

14 Each item is considered separately; a combination of these items could have a larger impact than is considered likely for any of those items individually.

15 Showing relative importance of items in the table in our judgment at the time of signing.

16 Shown in increasing order.

6.7 As explained above, some of the factors affecting the results of the next valuation are relatively predictable. For example:

> **Mortality improvements:** Life expectancies are expected to continue to increase, though the impact of this should be offset to an extent by increases in the average SPA of active members.

> **Short term financials:** The short term financial assumptions up to the ***effective date*** of the next valuation will determine some of the experience effects at the next valuation but otherwise will not be relevant to the determination of the ***valuation results*** of the next valuation.

6.8 It would be possible to calculate the expected contribution rate at the next valuation allowing for these more predictable effects. However, any estimate would still be subject to considerable uncertainty, not least because of the long period over which the membership would need to be projected.

6.9 Other impacts on the results of the next valuation are less predictable. These include:

> **Data:** If the data used for this valuation are later shown to be materially incorrect, a change may emerge when a correction occurs. For example, if the next valuation reveals that the average age of the membership was understated (or overstated) by a year, the ***employer contribution*** rate and the ***cost cap cost of the scheme*** could increase (or decrease) by around ½% of pensionable pay.

> **Scheme membership:** Similarly the distribution of future Scheme membership may differ from that projected at this valuation. For example, if the next valuation reveals that the average age of the membership is one year higher (or lower) than projected, the ***employer contribution rate*** and the ***cost cap cost of the scheme*** could increase (or decrease) by around ½% of pensionable pay.

> **Short term experience effects:** If experience is not in line with the assumptions made, a gain or loss will emerge over an inter-valuation period. Such effects may affect the ***cost cap cost of the scheme*** at the next valuation, but will not affect the ***employer contribution rate***.

> **Longer term experience effects:** Assumption changes at future valuations, in light of Scheme experience, may have more substantial effects on the results than actual experience effects. The greater sensitivity to assumption changes is because, typically, the assumptions apply to longer periods than the period over which the experience effects are measured. The results of future valuations might affect the level of contributions payable by members and/or the amount of benefits payable to members for future service.

> **Other assumption changes:** Assumptions may change for reasons other than Scheme experience, and paragraph 2.39 of *Public service pensions: actuarial valuations and the employer cost cap mechanism* flags the likelihood that some of the assumptions set in the Directions (including short-term financial assumptions) will change. ***Valuation results*** are sensitive to assumptions set in the Directions, such as the discount rate, mortality improvements and commutation take-up. It is expected that any changes to assumptions in the Directions will impact on the ***employer contribution rate***. The impact of changes in assumptions on the cost cap mechanism is described in paragraphs 2.31 to 2.35 of *Public service pensions: actuarial valuations and the employer cost cap mechanism*.

> **Public Sector Transfer Club (PSTC):** Costs arise on final salary PSTC transfers

because the transfer value received by the Scheme is usually less than the cost of providing the service credit granted. The ***proposed employer cost cap*** includes an allowance for the associated costs of about 0.3% of pensionable pay. In the longer term, PSTC transfers will increasingly be transfers of career average benefits. The exact form of these transfers and distribution of the costs involved has yet to be determined. However, it is likely that PSTC costs to the Scheme will fall over time.

7 Reconciliation of employer cost cap with target overall cost

*This section reconciles the **proposed employer cost cap** with the Scheme Advisory Board's target overall cost.*

7.1 DCLG is consulting on draft regulations to make provision for the agreement reached with the Government by the Local Government Association and local government trades unions on the cost control arrangement[17]. Under these draft regulations, the target overall cost of the Scheme is 19.5% of the pensionable pay, of which it is targeted that Scheme employers meet two-thirds (ie 13.0% of pensionable pay) and members meet one-third (ie 6.5% of pensionable pay).

7.2 The target overall cost of 19.5% is in line with the expected future service cost of the benefit design agreed by the LGPS 2014 Project Board. This expected future service cost was calculated by GAD in May 2012, based on membership data as at 31 March 2010 and assumptions that could have, at that time, been proposed for the 2013 valuation. The employee contribution bands and rates in the LGPS have been set to target an average member contribution yield of 6.5% of pensionable pay (which allows for some members to opt for the 50/50 section by an election under Regulation 10), so the expected future service cost to be met by Scheme employers was 13.0% of pensionable pay.

7.3 Table 7.1 reconciles that part of the expected future service cost of the benefit design agreed by the LGPS 2014 Project Board which is to be met by employers with the ***proposed employer cost cap***. Table 7.2 provides further information on the items identified. Some figures have been calculated in an approximate manner but are sufficient to show the general size of the impact on the contribution rate. Changing the order in which the impacts have been considered could change the intermediate figures significantly, though there is no impact on the final costs.

[17] *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014: Better Governance and Improved Accountability in the Local Government Pension Scheme: Consultation* DCLG October 2014.
https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations-2014-better-governance-and-improved-accountability

Table 7.1: Reconciliation of proposed employer cost cap with target overall cost

	% of pensionable pay	Note
Target overall cost met by employers	**13.0**	
Changes due to Directions		
Exclusion of allowance for 50/50 elections	+0.3	1
Exclusion of transitional protection of the 'Rule of 85'	-0.1	2
Change in commutation assumption	+0.6	3
Changes due to assumptions (other than changes above required by the Directions)	+0.2	4
Changes due to benefits valued		
Inclusion of additional year's revaluation in CARE accounts	+0.4	5
Allowance for strain from Club transfers	+0.3	6
Proposed employer cost cap	**14.6**	

Table 7.2: Explanation of analysis

Note	Explanation
1.	As noted at paragraph 7.2, the target overall cost (of 19.5% in total) was assessed including an assumption regarding the proportions of members who would make 50/50 elections. The Directions require that no such allowance is included in the assessment of the ***proposed employer cost cap.*** The exclusion of the allowance impacts on both the projected benefit cost and the employee contribution yield. When no allowance for 50/50 elections is made, the expected member contribution yield is higher by 0.2%, while the projected benefit cost is higher by 0.5%. The net effect of excluding the assumption is an increase in the employer cost for future service of +0.3%.
2.	The target overall cost made an allowance for transitional protection of the Rule of 85 on a temporary basis, which contributed 0.1% of pensionable pay to the cost of 19.5% of pensionable pay. This allowance is excluded under the Directions.
3.	The Directions require that the ***scheme actuary*** must assume that a member will surrender 15% of their pension for a lump sum, which is less than was assumed in calculating the target overall cost of 19.5%. The cost of providing pension is typically higher than providing a lump sum of £12 per £1 pa of pension commuted. Hence a lower level of assumed future commutation leads to a higher expected level of employer cost.
4.	There are a number of differences in demographic assumptions between those used in deriving the target cost and those used in the 2013 valuation to assess the ***proposed employer cost cap***, including changes in mortality assumptions, age retirement assumptions, and other miscellaneous items.

Note	Explanation
5.	During the consultation on the Local Government Pension Scheme Regulations 2013, the benefit structure for the 2014 Scheme changed in relation to the revaluation of members' accounts so that one additional revaluation will now apply, which has the effect of increasing the ***proposed employer cost cap***.
6.	The ***proposed employer cost cap*** includes an allowance for the costs associated with the Public Sector Transfer Club of about 0.3% of pensionable pay. No allowance for such costs were included in the target cost.

8 Conclusion

This section summarises the valuation results.

8.1 Based on the detailed analysis as set out in this report, the key result of the valuation is as follows:

> ***Proposed employer cost cap***: **14.6%** of pensionable pay

8.2 The Directions also require an assessment of the Scheme's accrued past service liabilities to be made and an employer contribution rate to be calculated, to enable comparisons between different public service pension schemes on a consistent basis. These are as follows:

> ***Employer contribution rate (not implemented[18]):*** ***14.5****% of pensionable pay*

> ***Total Scheme liabilities for service to the effective date:*** ***£213.1 bn***

> ***Notional assets (set equal to liabilities as at 31 March 2013):*** ***£213.1 bn***

8.3 The next valuation of the Scheme is due to be undertaken as at 31 March 2016. This will determine the opening value of the ***cost cap fund*** as at 31 March 2014 and provide the cost cap analysis as required by the Directions for future valuations.

Ian Boonin
Fellow of the Institute and Faculty of Actuaries
2 February 2015

George Russell
Deputy Government Actuary
2 February 2015

[18] Employer contributions are payable in accordance with each administering authority's rates and adjustments certificate issued under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Appendix A - Summary of membership data

The membership information below allows for the rating-up for the missing information described in the data report dated 2 February 2015, referenced in paragraph 2.8. This report also contains a summary of the membership data before any rating-up and describes the rating-up adjustments made.

Table A1: Actives

	at 31 March 2013					
	Number of members (000s)	Total pensionable pay (i) (£m)	Average pensionable pay (£)	Average age (ii) (years)	Average period of membership (years)	Average accrued pension (£)
Male	455	11,053	24,285	46.7	11.2	4,671
Female	1,254	18,844	15,033	45.7	6.7	2,359
Total	**1,709**	**29,897**	**17,497**	**46.1**	**7.9**	**2,975**

(i) the pensionable pay shown is actual pensionable pay for the time worked.
(ii) weighted by actual pensionable pay.

Table A2: Deferreds

	at 31 March 2013			
	Number of members (000s)	Total deferred pension (i) (£m)	Average pension (£)	Average age (ii) (years)
Male	470	946	2,014	49.6
Female	1,269	1,404	1,106	48.4
Total	**1,739**	**2,350**	**1,351**	**48.9**

(i) pension amounts include increase granted in April 2013.
(ii) weighted by pensions.

Table A3: Pensioners

		at 31 March 2013			
Type of benefit		**Number (000s)**	**Total pension (i) (£m)**	**Average pension (£)**	**Average age (ii) (years)**
Age, late and early retirement (other than in ill-health)	Male	406	3,077	7,581	69.8
	Female	583	1,940	3,330	68.9
	Total	**989**	**5,017**	**5,075**	**69.5**
Ill-health retirement	Male	100	637	6,384	67.9
	Female	116	469	4,061	67.8
	Total	**215**	**1,107**	**5,138**	**67.9**
Spouses and other dependants	Male	44	63	1,448	60.2
	Female	162	489	3,013	76.4
	Total	**206**	**552**	**2,680**	**74.6**
All	Male	550	3,778	6,875	69.4
	Female	860	2,898	3,368	70.0
	Total	**1,410**	**6,676**	**4,735**	**69.6**

(i) pension amounts include increase granted in April 2013.
(ii) weighted by pensions.

Appendix B - Summary of benefits

B1 The Directions require the 2014 Scheme and the Earlier Schemes - as defined in the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014[19] - to be taken into account in aggregate for the purposes of the current valuation. A summary of benefits provided by the Scheme is shown below, covering benefit levels for service immediately prior to 1 April 2014, and from 1 April 2014.

B2 The main benefit provisions of the Scheme, for service from 1 April 2008 to 31 March 2014 and for service from 1 April 2014, are shown in Table B1.

Table B1 - Main benefit provisions of LGPS

	From 1 April 2008 to 31 March 2014	From 1 April 2014
Basis of provision	Final salary	Career average with revaluation of CPI
Contracted out/in	Contracted out	Contracted out
Normal Pension Age (NPA)	65	State Pension Age, or 65 if higher
Early retirement	Transitional Rule of 85 for some members	Transitional Rule of 85 for some members
Pension accrual rate	1/60	1/49
Retirement lump sum accrual rate	By commutation (at 12:1)	By commutation (at 12:1)
Final pensionable pay	Pay in last 12 months prior to retirement or earlier exit, or in either of the previous two years if higher	N/A
Pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours
Dependant benefits	1/160 (on death in service, full prospective service is included)	1/160 (on death in service, full prospective service is included)
Ill health pension	3-Tier system with benefit tier depending on prospect of return to gainful employment. Tier 1 (no reasonable expectation of return to gainful employment before NPA) – service enhanced by full prospective service to NPA. Tier 2 (expectation of return to gainful employment between 3 years after leaving and NPA) – service enhanced by 25% of prospective service to NPA. Tier 3 (expectation of return to gainful employment within 3 years after leaving) – no enhancement to service: benefit payable for 3 years or until return to gainful employment if earlier, with review after 18 months.	
Pension increases	Governed by the Pensions (Increase) Act 1971	Governed by the Pensions (Increase) Act 1971
Statutory underpin		For members meeting age and service criteria, pension is at least as high as under 2008 Scheme

[19] SI 2014/525, Regulation 1(6)

Appendix C - Summary of assumptions

Financial assumptions

C1 Table C1 sets out the principal financial assumptions for the 31 March 2013 actuarial valuation.

Table C1: Financial assumptions at current and previous valuation

Discount rate	5.06% pa nominal (3.06% pa in excess of assumed pension increase)			
Pension increases	2% pa			
Long term salary growth	4.75% pa (2.75% pa in excess of assumed pension increase)			
Short term variations in assumptions		Nominal Discount rate	Pension increases	Salary growth
	2013/14	5.78%	2.7%	0.5%
	2014/15	5.27%	2.2%	1.5%
	2015/16	5.16%	2.1%	2.0%
	2016/17	n/a	n/a	2.5%
	2017/18	n/a	n/a	3.0%
	2018/19	n/a	n/a	3.0%

Demographic assumptions

C2 Full details of the demographic assumptions are provided in the report 'Local Government Pension Scheme (England & Wales) – Actuarial valuation as at 31 March 2013: Advice on assumptions' dated 2 February 2015. Sample rates and values are provided below.

C3 Retirements on or after NPA are assumed to occur on a member's birthday. Other decrements are assumed to occur mid-year.

Pensioner mortality

Table C2: Baseline mortality assumptions

Baseline mortality	Standard table[20,21]	Adjustment
Males		
Retirements in normal health	S1NMA	99%
Current ill-health pensioners	S1IMA	104%
Future ill-health pensioners	S1IMA	104%
Dependants	S1NMA	120%
Females		
Retirements in normal health	S1NFA	93%
Current ill-health pensioners	S1IFA	106%
Future ill-health pensioners	S1IFA	106%
Dependants	S1NFA	101%

C4 As specified by HM Treasury, future improvements in mortality will be assumed to be in line with those underlying the most recent Office for National Statistics (ONS) population projections.

C5 Resultant expectations of life are shown in Table C3.

Table C3 - Future life expectancy[22] (normal health retirement)

	2013 assumptions
Current pensioners	
Male aged 60	28.3 years
Male aged 65	23.4 years
Female aged 60	31.4 years
Female aged 65	26.4 years
Future pensioners – current age 45	
Male life expectancy from age 60	30.0 years
Male life expectancy from age 65	25.6 years
Female life expectancy from age 60	33.1 years
Female life expectancy from age 65	28.6 years

[20] From the 'S1' series of standard tables published by the Continuous Mortality Investigation and based on the experience of self-administered pension schemes over the period 2000 to 2006. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.
[21] Adjusted to take account of improvements in population mortality between 2002 (the base year for the tables) and the date the future improvements are applied from.
[22] Cohort life expectancy, with future improvements in line with the ONS published 2012-based UK population principal projections.

Age retirement from service

Table C4: Age retirement rates for members joining on or after 1 October 2006 (including new entrants to 2014 Scheme), and all members not entitled to unreduced benefits before age 65 under the 'Rule of 85'

Age	NPA 65		NPA 66		NPA 67		NPA 68	
	Males	Females	Males	Females	Males	Females	Males	Females
55	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
56	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
57	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
58	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
59	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
60	0.090	0.090	0.003	0.002	0.003	0.002	0.003	0.002
61	0.090	0.090	0.090	0.090	0.003	0.002	0.003	0.002
62	0.090	0.090	0.090	0.090	0.090	0.090	0.003	0.002
63	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
64	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
65	1.000	1.000	0.090	0.090	0.090	0.090	0.090	0.090
66	1.000	1.000	1.000	1.000	0.090	0.090	0.090	0.090
67	1.000	1.000	1.000	1.000	1.000	1.000	0.090	0.090
68	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

C6 Members entitled to unreduced benefits before age 65 under the 'Rule of 85' are assumed to retire earlier than members not entitled to such unreduced benefits.

Ill-health retirement from service

Table C5.1: Ill-health retirement rates for all members

Age	Males	Females
20	0.0000	0.0000
25	0.0001	0.0000
30	0.0001	0.0001
35	0.0002	0.0001
40	0.0005	0.0003
45	0.0010	0.0007
50	0.0020	0.0015
55	0.0041	0.0033
60	0.0084	0.0071
65*	0.0171	0.0153

* rates are zero if above the member's NPA.

Table C5.2: Percentage of ill-health retirement in tiers 1, 2 and 3, for all members

Tier 1	Tier 2	Tier 3
77%	11%	12%

Voluntary withdrawal from service

Table C6: Withdrawal rates (net of re-entry within 5 years) for all members

Age	Males	Females
20	0.1030	0.1144
25	0.0810	0.0908
30	0.0638	0.0720
35	0.0502	0.0571
40	0.0395	0.0453
45	0.0310	0.0359
50	0.0244	0.0285
55	0.0192	0.0226
60	0.0151	0.0179
65*	0.0119	0.0142

* rates are zero if above the member's NPA.

Commutation of pension for cash at retirement

Table C7: Commutation of pension for cash at retirement

	Pre-2008 service	2008-2014 service*	2014 Scheme service*
Males	10%	15%	15%
Females	10%	15%	15%

* As specified in Direction 18(e).

Death before retirement

Table C8: Death in service rates for all members

Age	Males	Females
20	0.0002	0.0001
25	0.0002	0.0001
30	0.0003	0.0002
35	0.0005	0.0002
40	0.0006	0.0003
45	0.0009	0.0005
50	0.0013	0.0008
55	0.0021	0.0013
60	0.0032	0.0020
65	0.0051	0.0030

Promotional pay increases

Table C9: Promotional salary scales for all members

Age	Males	Females
20	90	96
25	92	96
30	100	100
35	105	103
40	109	105
45	112	105
50	115	106
55	115	106
60	115	106
65	115	106

* Relative to an index value of 100 at age 30.

Family statistics

Table C10: Proportion married or partnered at retirement for future pensioners

	Proportion married or partnered at retirement
Males	80%
Females	75%

Table C11: Proportion married or partnered for current pensioners (at the valuation date)

Age	Males	Females
60	80%	75%
70	78%	57%
80	64%	28%
90	36%	8%

C7 Male members are assumed to be three years older than their partners and female members are assumed to be two years younger than their partners.

Appendix D - Summary of methodology and calculations

Methodology

D1 The Directions specify the use of the Projected Unit methodology and that benefits should be attributed to periods of service in accordance with the requirements of International Accounting Standard 19: Employee Benefits.

D2 Since the expected cost of benefits provided to members differs according to their age and gender, the various ways of projecting the membership can give materially different estimates of the valuation result.

D3 We have assumed that over the period from the ***effective date*** to the end of the ***implementation period*** the overall profile of the membership in terms of distribution of headcount and pensionable pay by age and gender will remain stable. Allowing the existing membership to 'run off' over the projection period in accordance with the assumptions set out in Appendix C means an implicit assumption is made about the profile of new joiners to the Scheme over that period. Full details of the membership projection is provided in the report 'Local Government Pension Scheme (England & Wales) – Actuarial valuation as at 31 March 2013: Report on methodology' dated 2 February 2015.

Calculations

D4 The following provides a brief explanation of the actuarial calculations used to derive the ***valuation results***.

Scheme benefits

D5 First, an estimate is made of the amount of benefit to be received by each Scheme member (and their dependants, where applicable) over all the future years of the Scheme, from the ***effective date*** onwards. In order to do that, it is necessary to make some assumptions about the future service and salaries of the Scheme members, and the length of time over which they will receive benefits. (More information about the assumptions is set out in Appendix C.)

D6 Having estimated the benefits as a stream of projected cash flows from the ***effective date*** onwards, the second step is to calculate the capital sum which would need to be held at the ***effective date*** in order to pay all of the benefits. This requires an assumption to be made as to rate of return which would be earned by the capital sum if it were invested.

D7 This capital sum is often referred to as the 'present value' of the benefits and we speak of 'discounting' the future cash flows back to the ***effective date*** in order to arrive at this figure. It is often convenient (and completely accurate) to think of the present value simply as the amount of capital which would need to be invested at an assumed rate of return in order to meet all the projected cash flows. The result of the calculation is, by its nature, a planning or budgeting estimate, not a 'valuation' as such.

Calculations

D8 For the valuation, it is necessary to separate the capital sum into two parts: (i) the sum needed to pay out benefits which relate to service *prior to* the ***effective date*** ('past service'), and (ii) the sum needed to pay out those benefits which relate to service *after* the ***effective date*** ('future service').

Past service position

D9 In relation to the past service element, we compare the capital sum (or present value) relating to past service with the balance in a notional fund at the ***effective date***. If all the assumptions made during previous reviews had been borne out exactly, the notional fund would exactly equal the capital sum now needed to pay for those past service benefits. But, if actual events have differed from the assumptions made, then the notional fund could exceed, or fall short of, the capital sum now estimated to be needed.

D10 To the extent that the notional fund is *less* than the capital sum needed to pay out all the benefits relating to past service, the Scheme is said to be in *deficit* and there would be an increase in the ***employer contribution rate***. Conversely, if the notional fund *exceeds* the capital sum required for past service benefits, the Scheme is said to be in *surplus* and there would be a reduction in the ***employer contribution rate***.

D11 The Directions specify that the notional fund at the ***effective date*** is set equal to the past service liabilities, and so there is neither surplus nor deficit at the ***effective date***.

Future contributions

D12 To arrive at the level of contributions required to meet benefits estimated to arise out of future service, we calculate the percentage of total pensionable pay which, if paid during the ***implementation period***, would be sufficient to make up the capital sum needed to pay out the benefits accrued during the ***implementation period***. (Or, using the terminology from above, we calculate the contribution rate which has the same 'present value' as the benefit stream which the contributions will pay for.) In making this calculation, we adopt the same assumptions that we mentioned above regarding the future service and salaries of the Scheme members and the rate of return which would be earned by the capital sum if it were invested.

Appendix E - The cost cap mechanism

E1 This report sets out an ***employer contribution rate*** (but this is not implemented[23]) and a ***proposed employer cost cap*** (the ***valuation results***) based on a number of assumptions about the future. Section 6 outlines the main reasons why future ***valuation results*** may differ from the results shown in this report. This Appendix gives further information on the cost cap mechanism and the factors which may influence the level of contributions payable by, or the amount of benefits payable to, members at future valuations.

E2 In addition to the cost control mechanism under the Directions, the LGPS Scheme Advisory Board will operate its own cost control mechanism. The comments in this Appendix relate to the cost control mechanism under the Directions, not the LGPS Scheme Advisory Board mechanism.

Allocation of cost savings/increases at future valuations

E3 The cost cap mechanism specifies that:

a. if the ***cost cap cost of the scheme*** determined at a future valuation differs from the ***employer cost cap*** by more than 2% of pensionable pay, then member contributions or benefits will be adjusted.

b. if the ***cost cap cost of the scheme*** is within 2% of the ***employer cost cap***, then member contributions or benefits will not be adjusted.

Liabilities considered for future valuation results

E4 The ***employer contribution rate*** takes into account the whole of the aggregate scheme's liabilities ie those attributable to all service in both the 2014 Scheme and the Earlier Schemes.

E5 By contrast, only part of the aggregate scheme's liabilities are considered for the calculation of the ***cost cap cost of the scheme***. In particular the ***cost cap fund*** is intended to exclude costs relating to deferred and pensioner members of the Earlier Schemes. More detail is set out in paragraphs 2.24 to 2.27 of *Public service pensions: actuarial valuations and the employer cost cap mechanism* published by HMT in March 2014.

E6 The prior value of the ***cost cap fund*** will be first determined at the actuarial valuation due to be carried out as at 31 March 2016. This will be based on the Scheme's liabilities only for members who are active (that is, still in employment) as at 31 March 2014. As members with Earlier Scheme benefits progressively leave active service, their liability will move outside the ***cost cap fund***. Of the liabilities expected to establish the cost cap fund as at 31 March 2016 a significant proportion will relate to members who are expected to retire in the relatively short term. Over this period, the cost cap mechanism may therefore be exposed to significant variations in pensionable pay experience and retirement patterns.

E7 Over the longer term, the cost cap mechanism will become relatively more sensitive

[23] Employer contributions are payable in accordance with each administering authority's rates and adjustments certificate issued under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

to other demographic assumptions. The ***cost cap cost of the scheme*** is sensitive to changes in longevity expectations. Initially, this only relates to active members but once members with 2014 Scheme service have retired, then any changes in expectations of their longevity will also have an impact on the ***cost cap cost of the scheme***. Further, although the retirement age of active members is intended to vary in line with longevity expectations, the timing of any legislative changes to retirement age is unlikely to be synchronised with the timing of future valuation cycles.

E8 More information about the employer cost cap mechanism can be found in *Public service pensions: actuarial valuations and the employer cost cap mechanism*.

Appendix F - Location of material required by Directions

Direction	Description	Location
21(a)(i) (ii)	Summary of membership data and checks carried out	Appendix A Local Government Pension Scheme - Report on membership data as at 31 March 2013 dated 2 February 2015.
21(a)(iii)	Adjustments made to data Projections made	Local Government Pension Scheme - Report on membership data as at 31 March 2013 dated 2 February 2015. Local Government Pension Scheme - Actuarial valuation as at 31 March 2013: Methodology report dated 2 February 2015.
21(b)	Average age of active members	Appendix A1
21(c)	Statement of compliance with Directions	Paragraph 2.3
21(d)	Summary of Regulations, Directions and professional standards	Paragraphs 2.3-2.6, GAD website
21(e)	Summary of main provisions of the Scheme	Appendix B Local Government Pension Scheme - Report on membership data as at 31 March 2013 dated 2 February 2015.
21(f)	Analysis of demographic experience	Local Government Pension Scheme - Actuarial valuation as at 31 March 2013: Advice on assumptions dated 2 February 2015.
21(g)(i) (ii) 21(g) (iii)	Statement of assumptions, including rationale Illustration of sensitivity to assumptions set by the Secretary of State	Local Government Pension Scheme - Actuarial valuation as at 31 March 2013: Advice on assumptions dated 2 February 2015. See also Appendix C of this report Section 5
21(h)	Other liabilities valued	None
22(a)	Statement of Scheme liabilities	Section 4, Table 4.2
22(b)	Statement of ***notional assets***	Section 4, Table 4.2 - but ***notional assets*** are set equal to past service liabilities by virtue of Direction 44(1)
22(c)	Build-up of ***notional assets***	Not included, due to the operation of Direction 44(1)
22(d)	Statement of contribution rate required	Section 4, Table 4.3; note that the contribution rates in Direction 27(b) and 27(c) are not included, due to the operation of Direction 44(1)
22(e)	Statement of member contribution yield	Section 4, Table 4.3; note that the contribution rates in Direction 28(a) and 28(b) are not included, due to the operation of Direction 44(1)
22(f)	Statement of required employer contribution rate	Section 4, Table 4.3; Note that 'B' is zero, due to the operation of Direction 44(1)
53	***Proposed employer cost cap***	Section 4, Table 4.1

Appendix G - Limitations

G1 This report is intended for the use of the Department for Communities and Local Government for the purposes of determining the ***employer cost cap***, which is to be set in regulations. The information and advice in this report should not be relied upon, or assumed to be appropriate, for any other purpose or by any other person. GAD does not accept any liability to third parties, whether or not GAD has agreed to the disclosure of its advice to the third party.

G2 We are content for the Secretary of State for Communities and Local Government to release this report to third parties, provided that:

- it is released in full
- the advice is not quoted selectively or partially
- GAD is identified as the source of the report, and
- GAD is notified of such release.

G3 Third parties whose interests may differ from those of the Secretary of State for Communities and Local Government should be encouraged to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this report.

G4 GAD is not responsible for any decision taken by the Department for Communities and Local Government, except to the extent that the decision has been made in accordance with specific advice provided by GAD. Advice provided by GAD must be taken in context and is intended to be read and used as a whole, not in parts. GAD does not accept responsibility for advice that is altered or used selectively. No significant action should be taken based on oral advice alone. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.

G5 GAD relies on the accuracy of data and information provided by or on behalf of LGPS administering authorities. GAD does not accept responsibility for advice based on wrong or incomplete data or information provided by or on behalf of administering authorities or the Department for Communities and Local Government.