APPENDIX A

Barnett Waddingham

Scottish Borders Council Pension Fund

Actuarial valuation as at 31 March 2014

Valuation report

Barnett Waddingham LLP

31 March 2015

Contents

1. Introduction and summary

Purpose of the valuation

1.1. We have carried out an actuarial valuation of Scottish Borders Council Pension Fund (the Fund) as at 31 March 2014, as requested by Scottish Borders Council. The Fund is part of the Local Government Pension Scheme (LGPS).

1.2. The valuation was carried out in accordance with Regulation 32 of The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (the Regulations) as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.

1.3. This report summarises the results of the valuation and is addressed to Scottish Borders Council as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.

1.4. This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).

Results of the valuation

1.5. The results of the valuation are that the past service funding level of the Fund as a whole has increased from 96% to 101% between 31 March 2011 and 31 March 2014. The improvement of the funding position since the previous valuation is mainly due to a combination of good investment returns over the intervaluation period and the deficit contributions paid by the employers.

1.6. The common rate of contribution, including payments to target full funding, is 18.0% of pensionable salaries. The individual employer contribution rates, as set out in Appendix 4, are adjusted to take account of this common rate of contribution and each employer's own circumstances. This position reflects an increase in cost of new benefits accruing as a result of an increasing average age profile compared to that at the previous valuation as at 31 March 2011, however this is offset by a decrease in deficit recovery contributions following an improvement in the funding position

1.7. We would be pleased to discuss any aspect of this report in more detail.

Graeme D Muir FFA **Alison Hamilton FFA**

2. Valuation data

Data sources

2.1. We have used the following items of data as provided by Scottish Borders Council.

- Membership extract as at 31 March 2014;
- Fund accounts split by employer for the three years to 31 March 2014; and
- The results of the previous actuarial valuation as at 31 March 2011.

2.2. The data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

2.3. A summary of the data is set out in Appendix 1.

Assets

2.4. The asset allocation of the Fund as at 31 March 2014 was as follows:

Asset allocation of the Fund	31 March 2014	
	£000s	%
UK equities	110,801	23%
Overseas equities	203,308	42%
UK gilts	15,372	3%
Corporate bonds	37,270	8%
Property	21,348	4%
Multi asset fund	83,987	17%
Cash	13,978	3%
Total	**486,064**	**100%**

2.5. We estimate that the return on the assets in market value terms for the three years to 31 March 2014 was approximately 8.5% p.a.

2.6. The current investment strategy is set out in a Statement of Investment Principles dated 4 December 2013.

Benefits

2.7. From 1 April 2015, The Local Government Pension Scheme (Scotland) Regulations 2014 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 will come into effect and replace the current regulations.

2.8. The benefits for service from 1 April 2015 will be based on the new regulations and these are summarised in Appendix 5. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.

2.9. The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2015 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.

2.10. In this valuation, the funding position for past service is based on the previous regulations in force up to 31 March 2014 and the future service cost is based on the Local Government Pension Scheme (Scotland) Regulations 2014.

2.11. We have made no allowance for discretionary benefits awarded throughout the LGPS either by the Government or by employers. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.

3. Actuarial methods and assumptions

General valuation approach

3.1. We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2014 and we do this for all current members and their possible dependants.

3.2. We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

3.3. Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2014 to 30 June 2014.

3.4. The market value of the assets at 31 March 2014 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the value of the liabilities. If the value of the smoothed assets is greater than the value of the past service liabilities, there is a surplus; if not, there is a deficit.

3.5. Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2014 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

Multiple calculations

3.6. As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.

3.7. For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.

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

3.9. At individual employer level we use the Projected Unit Method for active employers in the Fund who are open to new employees. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.

3.10. For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the pure Projected Unit Method and the Attained Age Method.

3.11. The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit.

Funding strategy

3.12. Regulation 32 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 states that the actuary must have regard to:

- the existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
- the desirability of maintaining as nearly constant a common rate as possible; and
- the current version of the Administering Authority's Funding Strategy Statement.

3.13. The Funding Strategy Statement states that the key funding objectives are:

- to set levels of employer contribution that will build up a Fund of assets that will be sufficient to meet all future benefit payments from the Fund; and
- to build up the required assets in a way that produces employer contributions, which are as stable as possible.

3.14. We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

4. Valuation assumptions

4.1. As mentioned in the previous section, various assumptions are needed for this valuation.

4.2. The principal assumptions are:

- the discount rate - this is based on the expected investment return from the Fund's assets;
- pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2015 will also be linked to the Pension Increase Order;
- salary increases - active members' benefits for service before 31 March 2015 will continue to be linked to their final salary; and
- current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.

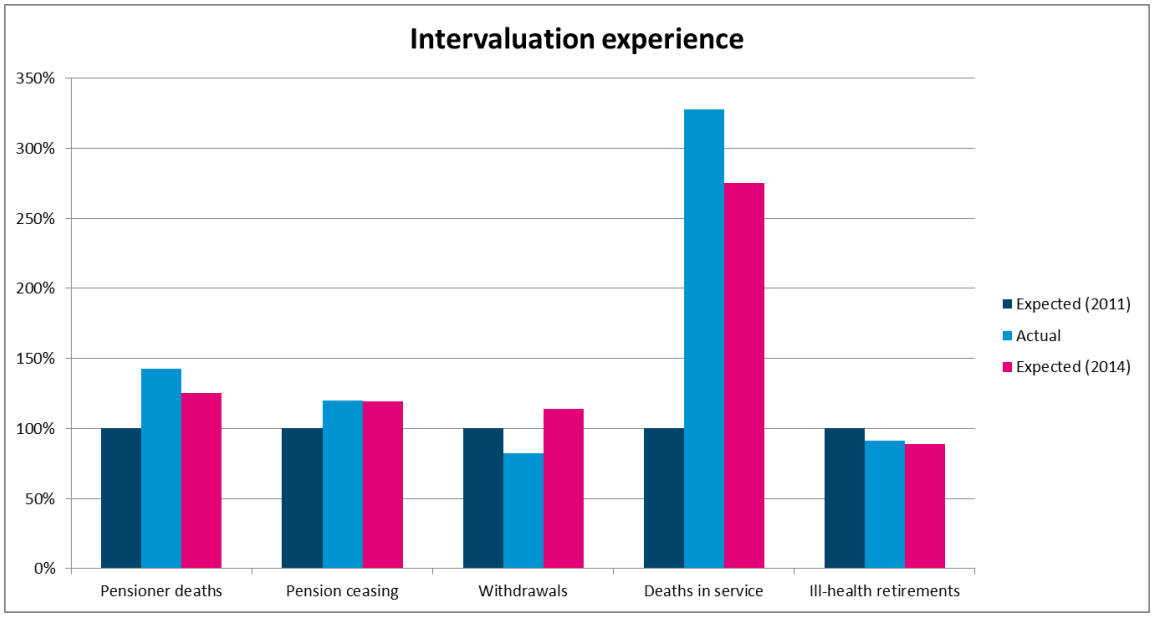
4.3. The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.

4.4. The assumptions and the rationale for them were discussed in our paper to the Administering Authority of 24 November 2014. The final assumptions have been adopted following discussion with the Administering Authority and are as set out in Appendix 2. We confirm that we believe that these are appropriate for the purposes of this valuation.

4.5. A comparison of the actual experience with the assumptions adopted at the previous valuation is summarised below:

Intervaluation experience	Actual	Expected
Investment return	8.5% p.a.	6.4% p.a.
Pay increases*	1.4% p.a.	5.0% p.a.
Pension increases	3.4% p.a.	3.0% p.a.
*includes short term overlay		

4.6. A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2011 in relative terms is shown in the graph below. The graph also shows how the assumptions adopted for this valuation compare in relative terms with those adopted at 2011.



5. Valuation results

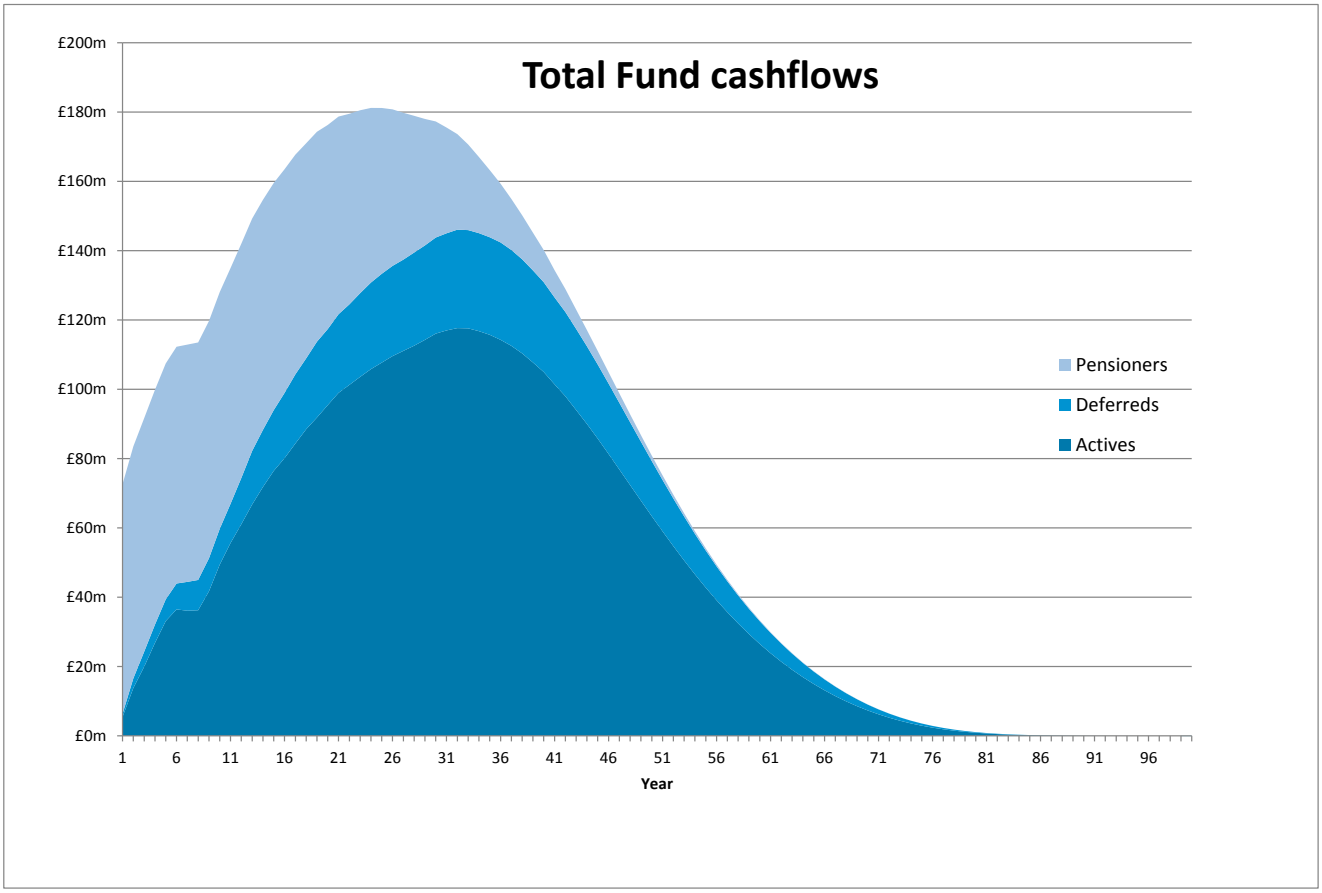
Previous valuation

5.1. The last formal actuarial valuation of the Fund was carried out as at 31 March 2011 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated March 2012.

5.2. The results of the previous valuation indicated that the assets of the Fund represented 96% of the value of the accrued liabilities of the Fund. The average employer contribution was calculated to be 17.8% of payroll which assumed that the past service funding level would be restored over a period of 12 years.

Projected cashflows

5.3. As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



Past service funding position and contribution rates

5.4. The following table sets out the valuation results for the Fund as a whole. We show:

- the past service funding position;
- the required average ongoing employer contribution rate for future service benefits; and
- any deficit contributions required.

Past service funding position		31 March 2014 £000s
Smoothed asset value		**490,477**
	Active members	221,291
	Deferred members	55,281
	Pensioner members	211,059
Value of Fund liabilities		**487,631**
Surplus/(Deficit)		**2,846**
Funding level		**101%**
Contribution rates		
Future service cost		18.0%
Deficit recovery		0.0%
Total		**18.0%**

5.5. The contributions payable by each employer are set out in Appendix 4. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

Sensitivity analysis

5.6. It is important to understand that these results indicate the expected cost of providing the benefits using the chosen method and assumptions. The actual cost of providing the benefits will depend on the future experience.

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

Change in financial assumption	Approximate effect on deficit
Increase in discount rate of 0.5%	decreases by £44m
Increase in CPI of 0.5%	increases by £27m
Increase in long-term rate of salary increase of 0.5%	increases by £6m
Change in demographic assumption	**Approximate effect on deficit**
1.25% long-term rate of improvement in mortality projection	decreases by £5m

Projected future results

5.8. The progression of the funding level over time is influenced by a large number of factors including any changes in membership, the investment return achieved and the contributions paid.

5.9. We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on the same basis will be 101%. This allows for contributions to be paid as certified and assumes that investment returns and other experience over the next three years are in line with the assumptions described above.

Neutral estimate

5.10. We are also required to consider whether the assumptions used are neutral, that is “not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome”.

5.11. Other than the discount rate, we consider all the assumptions used to be neutral.

5.12. We would consider a neutral discount rate to be 6.3% p.a. rather than 5.5% p.a. The higher discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund’s investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

Valuation reconciliation

5.13. The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in past service position	£000s	£000s
Surplus(Deficit) at 31 March 2011		(17,377)
Benefits accrued	(46,338)	
Early retirements	(3,068)	
Contributions paid	53,913	
Deficit funded (use of surplus)	**4,507**	
Interest cost	(2,816)	
Asset gain/loss	25,599	
Change in market conditions	(3,189)	
Financial gain(loss)	**19,594**	
Salary increases	22,310	
Pension increases	(2,443)	
Membership movements	135	
Experience	**20,002**	
Change in assumptions	(23,880)	
Surplus(Deficit) at 31 March 2014		**2,846**

5.14. As we can see, the main reason for the decrease in deficit is the investment returns being higher than assumed at the previous valuation and the payment of contributions from employers, in particular, the deficit contributions paid by the employers to reduce the deficit.

6. Risk and uncertainty

6.1. There are many factors that affect the financial position of the Fund, in particular:

6.2. **Employer covenant risk** – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.

6.3. The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.

6.4. **Investment risk** - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the value of the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.

6.5. The sensitivity of the valuation results to changes in the investment return assumptions is shown in 5.7 above. The Fund should regularly review their investment strategy to ensure they understand the risks being taken and that those risks are being appropriately managed.

6.6. **Inflation** - in projecting the expected future benefit payments, we make assumptions regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the funding position unless investment returns are similarly higher than expected.

6.7. The sensitivity of the results to the choice of inflation assumptions is also shown above.

6.8. **Mortality** - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, additional contributions will be required and the Fund's funding position will deteriorate.

6.9. The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review their mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.

6.10. **Member options** - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the valuation liabilities, depending on the particular member and market conditions.

6.11. **Legislative changes** – there are a number of legislative risks to the Fund and the LGPS in general, including:

- All benefits relating to membership after 31 March 2015 will be linked to the individual's State Pension Age;
- Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be;
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known;
- As part of the changes to the LGPS from 1 April 2015, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered;
- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits; and
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.

Appendix 1 Valuation data

A1.1. A summary of the membership records submitted for the valuation is as follows.

Active members	Number		Actual pensionable pay £000s		Average £		This valuation Average age	Average retirement age
	2014	2011	2014	2011	2014	2011		
Males	1,292	1,372	29,526	31,150	22,853	22,704	48.8	62.5
Females	3,051	2,999	41,764	41,705	13,688	13,906	47.3	63.3
Total	**4,343**	**4,371**	**71,290**	**72,855**	**16,415**	**16,668**	**47.8**	**63.1**

Pensioners	Number		Annual Pensions £000s		Average £		This Valuation Average Age
	2014	2011	2014	2011	2014	2011	
Males	1,107	974	8,868	7,206	8,010	7,398	70.5
Females	1,339	1,046	4,156	3,242	3,104	3,099	68.3
Dependants	454	410	1,223	1,031	2,695	2,515	72.0
Total	**2,900**	**2,430**	**14,247**	**11,479**	**4,913**	**4,724**	**69.7**

Deferred pensioners (including "undecideds")	Number		Annual pensions £000s		Average £		This valuation Average age	Average retirement age
	2014	2011	2014	2011	2014	2011		
Males	595	573	1,345	1,229	2,261	2,145	47.6	61.9
Females	1,749	1,535	2,143	1,694	1,225	1,104	47.8	62.8
Total	**2,344**	**2,108**	**3,488**	**2,923**	**1,488**	**1,387**	**47.8**	**62.4**

Notes

A1.2. The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

A1.3. Annual pensions are funded items only and include pension increases up to and including the 2014 Pension Increase Order.

A1.4. Pensionable pay is actual earnings.

A1.5. A summary of the revenue accounts for the three years preceding the valuation date is as shown below:

Revenue accounts	Year to	March 2014	March 2013	March 2012	TOTAL
		£000s	£000s	£000s	£000s
Expenditure	Retirement pensions	13,781	13,186	12,026	38,993
	Retirement lump sums	3,449	3,892	5,988	13,329
	Death benefits	-	-	-	-
	Leavers benefits	1,466	1,087	533	3,086
	Expenses	366	278	287	931
	Other expenditure	0	0	0	0
	Total	19,062	18,443	18,834	56,339
Non investment income	Employees ctbns	4,355	4,275	4,559	13,189
	Employers ctbns	12,829	13,398	14,497	40,724
	Transfer values	1,096	918	1,639	3,653
	Other income	0	0	0	0
	Total	18,280	18,591	20,695	57,566
New money for investment		(782)	148	1,861	1,227
Investment income		4,212	4,958	6,142	15,312
Fund value					
Assets at start of year		445,957	393,404	379,339	379,339
Cashflow		3,430	5,106	8,003	16,539
Change in value		36,677	47,447	6,062	90,186
Assets at end of year		486,064	445,957	393,404	486,064
Annual returns					
Approx rate of return (p.a.)		9.2%	13.3%	3.2%	8.5%

Appendix 2 Actuarial assumptions

A2.1. A summary of the assumptions adopted in the valuation is set out below:

Future assumed returns at 2014		weighting
Equities	5.9% p.a.	65%
Gilts	3.6% p.a.	3%
Cash	3.4% p.a.	3%
Bond	4.1% p.a.	8%
Property	5.5% p.a.	4%
Multi asset fund	5.9% p.a.	17%
Expense allowance	0.1% p.a.	

Financial assumptions	2014	2011
Discount rate	5.5% p.a.	6.4% p.a.
Retail price inflation (RPI)	3.6% p.a. (20 year point on the BoE Inflation Curve)	3.5% p.a.
Consumer price inflation (CPI)	2.8% p.a. (RPI less 0.8%)	3.0% p.a.
Pension and deferred pension increases	2.8% p.a. (RPI less 0.8%)	3.0% p.a.
Short term pay increases	In line with the CPI assumption for the 2 years to 31 March 2016	Half of the long term assumption for the 2 years to 31 March 2013
Long term pay increases	4.6% p.a. (RPI plus 1% p.a.)	5.0% p.a.

Statistical assumptions	2014	2011
Post retirement mortality		
Current mortality	S2PA tables (100% multiplier for males and 115% for females)	100% of the S1PA tables
Mortality projection	2013 CMI Model with a long term rate of improvement of 1.5% p.a.	2011 CMI Model with a long term rate of improvement of 1% p.a.
Retirement ages	Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits.	For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits.
	If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75.	Active and deferred members over these respective ages are assumed to retire immediately.
Proportion married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits.	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death.
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse.	Males are three years older than their spouse and females are three years younger than their spouse.
Ill-health tiers	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.	15% of ill-health retirements will be eligible for benefits based on full prospective service and 85% will qualify for a service enhancement of 25% of prospective service.
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.
50/50 scheme allowance	It is assumed that no active members will take up this option.	n/a
Other statistical assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds.	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds.
	Sample rates shown below	

Incidence per 1000 active members per annum								
	Death		Ill Health Retirement		Withdrawal		Salary Scales	
Age	Males	Females	Males	Females	Males	Females	Males	Females
25	0.1	0.1	0.1	0.1	122.0	144.5	100	100
30	0.2	0.1	0.2	0.1	104.4	122.4	102	101
35	0.3	0.2	0.3	0.3	89.4	103.6	111	105
40	0.5	0.3	0.6	0.5	76.5	87.7	117	108
45	0.8	0.5	1.1	0.8	65.5	74.3	121	110
50	1.3	0.8	2.2	1.6	56.0	62.9	124	110
55	2.1	1.3	4.1	2.9	48.0	53.3	127	110
60	3.4	2.0	7.8	5.3	41.0	45.1	127	110
65	5.4	3.0	14.8	9.8	35.1	38.2	127	110

Appendix 3 Individual employer data as at 31 March 2014

Employer membership data		Active members			Deferred members			Pensioner members		
Code	Employer	Number	Actual pay £	Average age	Number	Deferred pensions £	Average age	Number	Pensions in payment £	Average age
1	Borders Regional Council	-	-	-	164	241,185	53.0	610	2,448,467	78.3
2	Berwickshire District Council	-	-	-	5	See Note 1	See Note 1	35	116,985	74.0
3	Ettrick and Lauderdale District Council	-	-	-	19	31,602	52.7	72	197,515	77.9
4	Roxburgh District Council	-	-	-	24	37,175	54.5	92	454,307	79.6
5	Tweeddale District Council	-	-	-	15	16,426	51.0	39	169,558	80.8
6	Tweed River Purification Board	-	-	-	4	See Note 1	See Note 1	3	See Note 1	See Note 1
7	Scottish College of Textiles	-	-	-	2	See Note 1	See Note 1	19	96,806	80.2
8	Red Cross Housing Association Ltd	-	-	-	-	-	-	1	See Note 1	See Note 1
10	Project'80 Council Burnfoot	-	-	-	-	-	-	1	See Note 1	See Note 1
11	Visit Scotland	1	See Note 1	See Note 1	9	23,743	48.9	7	40,821	63.4
12	Stable Life	-	-	-	1	See Note 1	See Note 1	1	See Note 1	See Note 1
13	Borders College	133	2,136,278	49.0	56	73,013	46.9	41	175,502	66.1
15	Scottish Borders Careers	-	-	-	3	See Note 1	See Note 1	1	See Note 1	See Note 1
16	Scottish Borders Council	3,965	63,832,482	47.8	1,932	2,684,691	47.2	1,887	9,922,978	66.0
17	Berwickshire Housing Association	-	-	-	-	-	-	1	See Note 1	See Note 1
18	B C Business Consultants	-	-	-	22	45,347	50.4	10	24,220	66.0
19	Scottish Borders Housing Association	137	3,289,477	45.8	60	248,774	45.0	63	412,630	65.1
20	Scottish Borders Building Services	-	-	-	-	-	-	-	-	-
21	Jedburgh Leisure Facilities Trust	2	See Note 1	See Note 1	2	See Note 1	See Note 1	-	-	-
22	Borders Sport and Leisure Trust	60	1,142,189	43.7	19	35,850	42.0	6	49,373	64.4
23	Lothian and Borders Community Justice Authority	5	See Note 1	See Note 1	2	See Note 1	See Note 1	1	See Note 1	See Note 1
24	AMEY	10	134,636	56.1	2	See Note 1	See Note 1	2	See Note 1	See Note 1
999	Councillors	30	568,887	61.1	3	See Note 1	See Note 1	8	25,362	69.1

Note 1: Membership details have been excluded for privacy reasons where there are fewer than five members.

Appendix 4 Rates and adjustment certificate

A4.1. In accordance with Regulation 32 of the Local Government Pension Scheme (Administration) Scotland Regulations 2008 we have made an assessment of the contributions which should be paid to the Fund by the Fund employers as from 1 April 2015 in order to maintain the solvency of the Fund.

A4.2. The common rate of contribution payable by each employing authority under Regulation 32 for the period 1 April 2015 to 31 March 2018 is 18.0% of pensionable payroll.

A4.3. However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

		Minimum employer contributions due as a % of salary for the year beginning		
Code	**Employer**	**1 Apr 2015**	**1 Apr 2016**	**1 Apr 2017**
Scottish Borders Council Funding Pool				
11	Visit Scotland	18.0%	18.0%	18.0%
13	Borders College	18.0%	18.0%	18.0%
16	Scottish Borders Council	18.0%	18.0%	18.0%
23	Lothian and Borders Community Justice Authority	18.0%	18.0%	18.0%
24	AMEY	18.0%	18.0%	18.0%
Leisure Trust Funding Pool				
21	Jedburgh Leisure Facilities Trust	15.5%	15.5%	15.5%
22	Borders Sport and Leisure Trust	15.5%	15.5%	15.5%
Individual				
19	Scottish Borders Housing Association	19.0%	19.0%	19.0%

Notes

A4.4. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.

A4.5. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.

Projected new benefits

A4.6. The following table shows the amount of new pension and lump sum benefits (excluding non ill health early retirement benefits) projected to come into payment in each year during the period 1 April 2015 to 31 March 2018.

Year to	Retirement benefits £000s
31/03/2016	3,391
31/03/2017	5,158
31/03/2018	5,369

Appendix 5 LGPS benefits

A5.1. The benefit changes from 1 April 2015 involve the formation of a new scheme, referred to below as SLGPS 2015. Transitional regulations are applied so that the benefits in the previous SLGPS 2008 scheme are maintained.

LGPS benefits	SLGPS 2014 REGS		SLGPS 2008 REGS	
Commencement date	1 April 2015		1 April 2009	
Type of scheme	Career Average Revalued Earnings (CARE)		Final Salary	
Pension benefit accrual	1/49th		1/60th	
Revaluation	Consumer Prices Index (CPI)		Based on Final Salary	
Lump sum	By commutation 12:1 up to a maximum of 25% of lifetime allowance			
Pensionable pay	Pay **including** contractual overtime and additional hours for part time staff			
Member contributions	Tiered contributions based on **actual** pensionable pay		Tiered contributions based on **full time equivalent** pensionable pay	
Contribution table (as at 2014)	Earnings range based on actual pensionable pay as at 31 March 2014	Gross contribution rate for 2014/15	Earnings range based on FTE pensionable pay as at 31 March 2014	Gross contribution rate for 2014/15
	Earnings up to and including £20,300	5.5%	Earnings up to and including £20,300	5.5%
	Above £20,300 and up to £24,800	7.25%	Above £20,300 and up to £24,800	7.25%
	Above £24,800 and up to £34,000	8.5%	Above £24,800 and up to £34,000	8.5%
	Above £34,000 and up to £45,300	9.5%	Above £34,000 and up to £45,300	9.5%
	On earnings above £45,300	12.0%	On earnings above £45,300	12.0%
Contribution flexibility	Member can pay 50% contributions for 50% of the pension benefit		Not available	
Normal pension age	Linked to individual member's State Pension Age (minimum age 65)		Age 65	
Death in service lump sum	3 x **pensionable pay**			
Death in service survivor benefits	1/160th accrual based on Tier 1 ill health pension enhancement			
Ill health provision	Tier 1 - Immediate payment with service enhanced to **normal pension age**			
	Tier 2 - Immediate payment with 25% service enhancement to **normal pension age**			
Post retirement revaluation	CPI		CPI (Retail Price Index for pre-2011 increases)	

Vesting period	2 years
Members who joined the LGPS before 1 April 2015 and after 31 March 2009	
Benefits	Membership built up to 31 March 2015, benefits will be based on a pension of 1/60th x membership x **final pay at retirement** and the **normal pension age** applying to the LGPS 2008.
Members who joined the LGPS before 1 April 2009	
Benefits	Membership built up to 31 March 2009, benefits will be based on a pension of 1/80th x membership x **final pay at retirement** plus an automatic lump sum of 3 times their pension.
Early payment - reduction to benefits (Rule of 85)	For members of the LGPS on 30 November 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.
	The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.
	If they **could not satisfy the Rule of 85 by the time they are 65**, then all of their benefits are reduced, if they choose to retire before age 65.
	If they **will be age 60 or over by 31 March 2020** and choose to retire before age 65, then **provided they satisfy the Rule of 85 when they start to draw their pension**, the benefits they build up to 31 March 2020 will not be reduced.
	If they **will be under age 60 by 31 March 2020** and choose to retire before age 65, then **provided they satisfy the Rule of 85 when they start to draw their pension**, the benefits they have built up to 31 March 2008 will not be reduced.