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# 5106 Wimbledon And Putney Commons Conservators

## 31 March 2022 valuation employer results schedule

London Borough of Merton Pension Fund

Barnett Waddingham LLP

31 March 2023



## Introduction

This schedule is provided to London Borough of Merton as administering authority to London Borough of Merton Pension Fund (the Fund). It has been generated from our online employer results modelling tool **Illuminate Me**. It may be shared with Wimbledon And Putney Commons Conservators (the Employer) but it does not constitute advice to them. The Fund is part of the Local Government Pension Scheme (LGPS).

The purpose of this document is to provide a summary of the final results of the actuarial valuation as at 31 March 2022 in relation to the Employer's individual funding position. A full valuation report will follow by 31 March 2023, which will provide details of the valuation method, assumptions and results of the valuation.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended. These contributions rates will be based on each employer's own membership/funding unless the employer participates in a pool, in which case the funding position of the pool will be considered.

### McCloud judgment

At the time of writing, the amending regulations to address the remedy to LGPS benefits under the McCloud judgment have not been made. However, guidance for the 2022 valuations has been provided by the Department for Levelling Up, Housing & Communities (DLUHC). Using this guidance, the liabilities calculated for each employer include an allowance for the McCloud remedy. Please note that this allowance will change from year to year as the impact on members will change from year to year. For more information, please contact the administering authority.

### Compliance statement

This schedule is subject to and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) as a component communication of the 2022 valuation. This schedule does not constitute advice to the Employer.

## Employer results

### Funding position

Each participating employer, or group of similar employers, will likely have differing results to the Fund as a whole depending upon their own profile of membership within the Fund, and how this has changed in the inter-valuation period.

Using the assumptions detailed below, the results as at 31 March 2022 for Wimbledon And Putney Commons Conservators are set out in the chart below. We have included the funding position at 31 March 2019 for comparison.



The Employer has a funding surplus of £1.09m at 31 March 2022, relating to a funding level of 113.4%, compared to a funding surplus of £276k at 31 March 2019, relating to a funding level of 104%.

We have estimated that there has been no increase in liabilities as a result of the McCloud remedy.

## Contribution rates

The total contribution rates payable by employers consists of two elements, the primary rate and the secondary rate. The primary rate covers the cost of benefit accrual and the secondary rate is the adjustment required to reach the total rate payable (for example, to recover a funding deficit identified).

The minimum contribution rates for the three year period from 1 April 2023 to 31 March 2026 are detailed below. These contribution rates have been provided to the administering authority and reviewed via **Illuminate Me**. The Employer may pay further amounts at any time.

Contribution rate results	Previously certified		Certified contributions	
	31 March 2023	31 March 2024	31 March 2025	31 March 2026
<b>Total contributions</b>	20.0%	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>
<i>Consisting of:</i>				
Primary rate (of pay p.a.)	20.0%	20.0%	20.0%	20.0%
Secondary rate (% of pay plus £ p.a.)	-	-	-	-
<b>Contribution rate analysis</b>				
Estimated annual pay	£831k	£863k	£897k	£932k
Estimated Total contributions	£166k	£173k	£179k	£186k
Increase (in absolute terms)	-	3.9%	3.9%	3.9%

## Assumptions

These rates have been calculated using the following assumptions:

- The employer is open to new members.
- Monetary contributions are assumed to be paid monthly.
- Secondary contributions are assumed to increase in line with salaries.

## Next steps

The agreed contributions payable by the Employer will be set out in the Rates and Adjustments Certificate issued alongside the actuarial valuation report by 31 March 2023. The administering authority is happy to discuss the proposed rates with the Employer.

## Appendix 1 Information and methods

### Membership data

The membership data provided for the Employer is summarised below and this is what the results are based on. The Employer should let the Fund know if this does not look in line with their expectations of the existing membership profile.

	31 March 2022			31 March 2019		
	Current Number	Salary/Pension	Average Age	Current Number	Salary/Pension	Average Age
<b>Active</b>	22	£831k	53.1	22	£834k	50.4
<b>Deferred (inc. Undecided)</b>	16	£18k	57.3	15	£16k	55.3
<b>Pensioner and Dependant</b>	25	£292k	73.9	23	£250k	71.4

## Valuation of liabilities

Using the valuation assumptions shown below, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred pensioner members, pensioners and their dependants. We use these to calculate the amount of money which if invested now, would be sufficient together with the assumed growth in the assets to make those payments in future. This amount is called the present value of members' benefits and separate calculations are made in respect of service up to the valuation date (past service), and for service after (future service).

We compare the value of existing assets with the value of past service benefits (allowing for future salary and pension increases). If there is an excess of assets over accrued liabilities then there is a surplus, otherwise, there is a deficit.

To calculate contribution rates we first calculate the value of future benefits. If an employer is open to new members, we will usually consider the value of benefits accruing in the first year. If an employer is closed to new members, then we will usually consider a longer term, for example, the value of benefits accruing in the remaining working lifetime of the members. The value of these benefits is then expressed as a percentage of payroll over the same period, having first deducted the projected contributions to be paid by the members.

If there is a deficit, additional contributions are required to be paid by employers over an agreed period, either as a percentage of payroll, or as monetary amounts.

## Assets

Assets are calculated as a six-month smoothed market value straddling the valuation date. The purpose of smoothing the asset value is to help stabilise employer contributions and it means that contribution rates are not singularly dependent on the market value of assets and market conditions on one particular day.

Assets are not separately held for each employer. The Fund holds assets in respect of all of the employers in the Fund and each employer has a notional share of these assets. Each employer's own notional share is fully re-apportioned at the actuarial valuation by accumulating the assets from the previous valuation with respect to the Fund's investment return achieved over the period, and with allowance for cashflows paid in respect of the Employer and any other experience.

## Appendix 2 Summary of the Fund results

### Assumptions

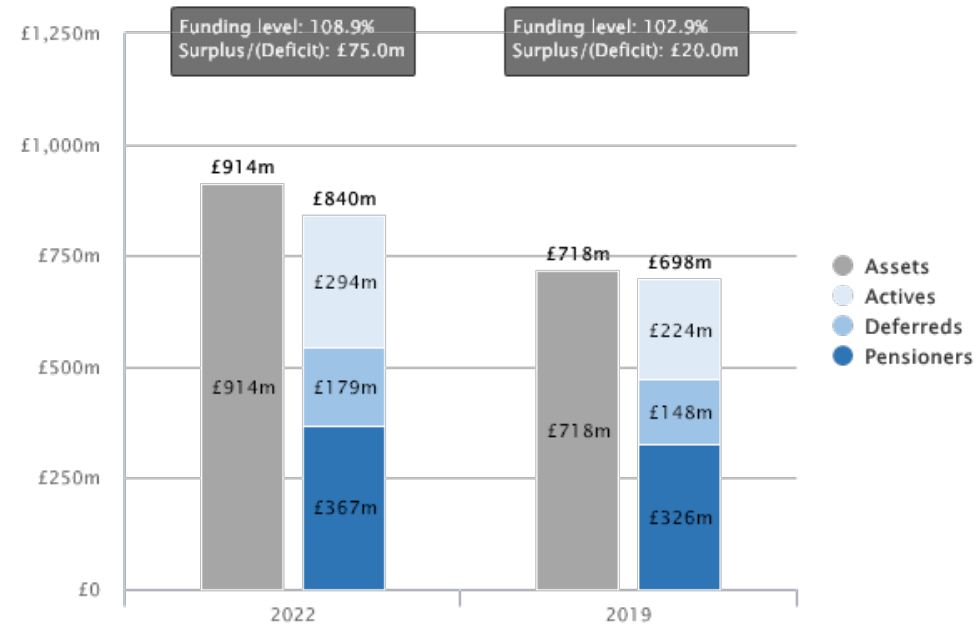
In summary, we have adopted the following key assumptions at 31 March 2022 (with comparison to those adopted at the previous funding valuation).

Key assumptions	31 March 2022	31 March 2019
Discount rate	4.2% p.a	4.8% p.a
CPI inflation	2.9% p.a	2.6% p.a
Salary increases	3.9% p.a	3.6% p.a
Post-retirement mortality	Male / Female	Male / Female
Member base table	S3PA	S3PA
Mortality multiplier	110% / 110%	110% / 105%
Projection model	CMI_2021	CMI_2018
Long-term rate of improvement	1.25%	1.25%
Smoothing parameter	7.0	7.0
Initial addition to improvements	0.0%	0.5%
2020 and 2021 weight parameter	5%	n/a



## Past service funding position (whole Fund)

Using these assumptions, the chart below sets out the final valuation results for the Fund as a whole as at 31 March 2022 (with comparison to the whole fund results at 31 March 2019):



## Comments on Fund results

We have the following comments on the Fund results:

- Changes in market conditions has increased the Fund deficit by approximately £100m
- Payment of secondary contributions has decreased the Fund deficit by approximately £30m
- Higher inflation than assumed has increased the deficit by approximately £40m
- Lower salary increases than assumed has decreased the deficit by approximately £10m
- The increase in Fund liability on the ongoing basis due to allowing for the McCloud ruling is £2m