

January 2005

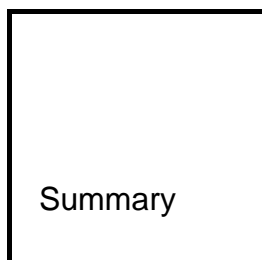
Bexley London Borough
Pension Fund
Actuarial Valuation Report
As at 31 March 2004

MERCER

Human Resource Consulting

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1. Funding objective

The funding objective is:

- To achieve within 20 years, and then maintain, a funding target that requires assets equal to 100% of the present value of benefits based on completed service including provision for the effects of future salary growth and inflation up to retirement.

Further details on the funding objective are given in Section 2.

2. Valuation results

Past service

The Fund shows a deficit of £60.3 million at the valuation date against the above funding objective and on the actuarial assumptions detailed in this report. This represents a funding level of 83%.

Future service

The Common Contribution Rate (i.e. the contribution rate in respect of future service only) is 11.1% of Pensionable Pay.

Further details on these results are given in Section 1.

3. Funding plan

The funding plan is set out in the Fund's Funding Strategy Statement, as formally adopted by the Administering Authority (Bexley Council). Two features of that funding plan are that the deficiency under the Fund is planned to be recovered over a period of 20 years, and that any increase in contributions from current levels can be phased in over a period of up to 6 years, although shorter periods may apply, depending on the circumstances of participating employers.

If the deficiency is recovered over this 20 year period then the average employer contribution rate emerging from the valuation (including a small allowance for future early retirement costs) is 16.7% of Pensionable Pay per annum. Disregarding the effect of phasing in increases and in the absence of any further reviews, this average contribution rate would be paid for 20 years from 1 April 2005, reverting to 11.1% of Pensionable Pay at the end of the period. In practice, contribution rates will be reviewed regularly over this period so that, all other factors being neutral, a gradual revision of the average employer's contribution rate towards the Common Contribution Rate may be expected.

The recommended employer contribution rates for the period 1 April 2005 to 31 March 2008 are set out in the Certificate attached to this report. Employee contributions are payable in addition to the employer contributions. These contributions are adequate to meet the above funding objective based on the actuarial assumptions detailed in this report.

These contributions have been set in accordance with the provisions of Regulation 77 of the Local Government Pension Scheme Regulations 1997 (as amended).

4. Investment strategy

The investment strategy pursued by the Administering Authority, and reflected in the Statement of Investment Principles involves an element of risk. The risks of the strategy relative to the form and incidence of the liabilities are discussed at the end of Section 1.



1. I am the actuary to the Bexley London Borough Pension Fund ("the Fund"). This is a report to the Administering Authority of the Fund on my actuarial valuation of the assets and liabilities of the Fund as at 31 March 2004. The last actuarial valuation of the Fund was carried out as at 31 March 2001.
2. The valuation has been undertaken in accordance with the Local Government Pension Scheme Regulations 1997 (as amended) ("the Regulations").
3. The calculations in the report use methods and bases appropriate for the purpose described above. Figures required for other purposes, such as employer accounting, should be calculated in accordance with the specific requirements for such purposes and it should not be assumed that the figures provided here are appropriate.
4. Although addressed to the Administering Authority, this report may be disclosed to other parties with the consent of the Administering Authority, or under the disclosure legislation and regulations. Such parties may use the results as a guide to the funding position of the Fund. Mercer Human Resource Consulting Limited does not accept liability to any other third parties in respect of the contents of this report.
5. This report complies with the requirements in the appropriate version of Guidance Note 9 - 'Retirement Benefit Schemes - Actuarial Reports' (insofar as it applies to Local Government Schemes), issued jointly by the Institute of Actuaries and the Faculty of Actuaries. This report does not deal with the position of the Fund were it to be discontinued, given the statutory framework of the Local Government Pension Scheme.

Signature

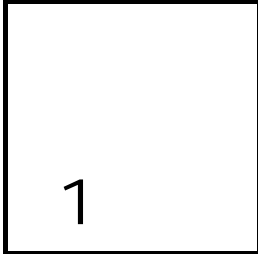
Actuary

Stephen Jacquest

Date of signing

Qualification

Fellow of the Institute of Actuaries



Results

- 1.1 The results of the valuation are shown below. The method and assumptions used are described in Sections 2 and 3.
- 1.2 In calculating the average employer contribution rate required for future service only (the Common Contribution Rate), the pension and death-in-service benefits arising from one year's future pensionable service have been valued. In doing so, allowance has been made for the benefit changes introduced by the Local Government Pension Scheme (Amendment No.2) Regulations 2004, which take effect from 1 April 2005 (see Appendix A). Allowance has also been made for the cost of administrative expenses paid from the Fund.

Contribution rate for:	% of Pensionable Pay
▪ pension and death-in-service benefits	16.1
▪ administrative expenses	0.9
Total contribution rate	17.0
Average employee contribution rate	5.9
Common Contribution Rate	11.1

The Common Contribution Rate identified at the previous valuation was 12.7% of Pensionable Pay.

Past service

- 1.3 The next step is to consider the imbalance between the assets of the Fund and the funding target.

Value of liabilities	£m
▪ members in service	145.8
▪ deferred pensioners	59.3
▪ pensioners	152.6
Total liabilities	357.7
Market value of assets	297.4
Deficit	60.3
Funding level	83%

The funding objective is to achieve and maintain a funding level of 100%. The deficit of £60.3 million could be eliminated by an average contribution addition of 5.4% of Pensionable Pay for 20 years. This combined with an addition of 0.2% to fund the non-ill health early retirement allowance (discussed further in Section 3) would imply an average employer contribution rate of 16.7% (10.8% at the previous valuation) of Pensionable Pay.

- 1.4 Of the many assumptions upon which the level of deficit revealed above is dependent, one of the most important is the extent to which advance credit has been taken for the expected future out-performance of the Fund's investments over that available from gilts. If the long-term return were assumed to be in line with the gilt return (as would be the case if the portfolio were fully matched against its liabilities), then the above deficit might increase to about £158 million.

- 1.5 It is highly likely that future financial developments will not follow the assumptions made in the valuation, especially in the short term. The scope for variation in the funding level – and resulting contribution requirements – is substantial. Changing the investment return assumption, for example, by ½% per annum would have approximately an 8% effect on the overall liabilities. Reducing the allowance for salary increases by ½% per annum would reduce the deficit by about £6.6 million.

Reconciliation to previous valuation

- 1.6 The previous actuarial valuation was carried out as at 31 March 2001 and showed that the value of the assets exceeded the value of the accrued liabilities, after making allowance for projected salaries. There was therefore a surplus in the Fund of £11.7 million. The principal reasons for the change in the funding position (with figures being rounded to whole £m) are as follows:

	£m
Surplus at 31 March 2001	12
Investment return vs. assumption	-57
Change in yields	-29
Change in assumptions	+23
Salary increases vs. assumption	-5
Deficit contributions	-6
Ill health experience vs. assumption	+2
(Deficit) at 31 March 2004	(60)

Maximum funding

- 1.7 The Fund's funding level on the maximum funding test under the Income and Corporation Taxes Act 1988 is less than 105% and therefore this test does not impinge on the decisions regarding the contribution rates payable to the Fund. The necessary certificate confirming this position is included in this report.

Funding plan

- 1.8 The average employer contribution rate required to meet the funding objective is:

11.1% of Pensionable Pay (i.e. the Common Contribution Rate)

plus

5.4% of Pensionable Pay for a period of 20 years (to remove the deficit)

plus

0.2% of Pensionable Pay for a period of 6 years (to fund the non-ill health early retirement allowance as explained in Section 3).

In the absence of other factors impinging on the Fund, average contributions at the above level would mean a gradual improvement in the funding level of the Fund so that at the end of 20 years the funding level would have increased to 100% (based on the actuarial assumptions detailed in Section 3).

- 1.9 In practice, each employer's position is separately assessed and our certificate confirming the individual employer contribution rates payable for the period 1 April 2005 to 31 March 2008 is attached to this report. These individual rates take into account the differing circumstances of each employer and the Fund policy in relation to such matters as deficit recovery period, as laid down in the Funding Strategy Statement.

Investment strategy

- 1.10 It has been assumed that the Administering Authority will continue to invest a significant portion of the assets of the Fund in UK and overseas equities and that these will produce a future investment return that exceeds the current yield available on bonds.
- 1.11 Alternative investment strategies could be followed that would minimise the risk of deterioration in the Fund's funding position. One such strategy would be to invest the assets of the Fund primarily in long-term fixed and index-linked bonds. This strategy would substantially reduce the risk that changing economic conditions will cause deterioration in the Fund's funding position. It would also

tend to produce a more stable contribution rate but at a much higher overall level than indicated on the valuation assumptions.

- 1.12 This alternative strategy would involve investing more significant portions of the assets in bonds (which currently amount to 34% of Fund assets). This would lead directly to higher contribution rates since it would no longer be appropriate to anticipate the higher investment return that is generally achieved by equities.
- 1.13 It is recommended that the Administering Authority reviews investment objectives and strategy regularly. The broad purpose of such reviews should be:
- to increase their understanding of the investment risk associated with different investment strategies and
 - to confirm that the current strategy remains appropriate, or otherwise, to act as a stimulus for change.
- 1.14 The analysis in Appendix G illustrates the level of risk inherent in the Fund's current investment strategy by showing the scope for variation in the past service funding level over the next three years.

2

Valuation objectives and method

Valuation objectives

- 2.1 The valuation has been undertaken in accordance with the provisions of the Local Government Pension Scheme Regulations 1997 (as amended) (“the Regulations”). Under the Regulations, the contribution rates set for the various participating employers are determined by the Fund’s actuary. The purpose of the valuation is to review the employers’ contribution rates, taking account of the agreed funding objectives.
- 2.2 The funding objectives are set out in the Fund’s Funding Strategy Statement (FSS). This document has been adopted by the Administering Authority, in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended), after taking account of guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and after consultation with relevant interested parties.
- 2.3 Under the Regulations and the FSS, the funding target for the Fund is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The funding objective is to achieve in 20 years, and then maintain, this funding target.

Valuation method

- 2.4 The same actuarial method, namely the Projected Unit method, has been used at this and the previous valuation. The Projected Unit method is consistent with the funding objective and is in common use for funding pension funds in the United Kingdom.

- 2.5 The recommended contribution under the Projected Unit method consists of two parts:
- the **Common Contribution Rate** required to meet the cost of benefits accruing for service after the valuation. This is calculated as the value of benefits expected to accrue to the membership in respect of one year's service based on projected salaries, with appropriate allowance for administrative expenses and members' contributions,
- plus
- the **contribution adjustment** required to correct (over an agreed future period) any imbalance between the assets of the Fund and the funding target.
- 2.6 For a given set of actuarial assumptions, the method has the following characteristics:
- if the membership profile remains stable in terms of age and sex, then the Common Contribution Rate (as a percentage of Pensionable Pay) will remain stable. The method therefore implicitly allows for new entrants;
 - if the supply of new entrants to the Fund is cut off or declines, then the normal contribution rate will tend to rise at future valuations.

Selection of assumptions

Common Contribution rate

- 2.7 As described above, the Common Contribution Rate to the Fund is calculated as the value of benefits expected to accrue to the membership in respect of one year's service based on projected salaries and assessed on the valuation assumptions (see Section 3 for further details).
- 2.8 Under the Regulations, the actuary must have regard to the desirability of maintaining as nearly constant an employer contribution rate as possible. We have therefore used long-term actuarial assumptions (a "nominal yield basis") to calculate the Common Contribution rate.

Contribution adjustment

- 2.9 As described above, an adjustment is made to the Common Contribution Rate to correct (over an agreed future period) any imbalance between the assets of the Fund and the funding target (i.e. the present value of benefits based on completed service including provision for the effects of future salary growth and inflation up to the assumed retirement age). To determine the adjustment, assets and liabilities must be calculated on a consistent basis. The funding target has been calculated

on valuation assumptions (see Section 3 for further details) that are consistent with market conditions on the valuation date (a “current yield basis”), and the assets have been taken at their market value at that date.

3

Valuation assumptions

- 3.1 The valuation results depend on the assumptions used. There are two broad categories of assumptions:
- financial assumptions - such as the investment return that will be earned in the future and the rates at which earnings and pensions will increase; and
 - demographic assumptions - such as rates of mortality, retirement, and withdrawal from the Fund.
- 3.2 The financial and demographic assumptions are considered separately below. A number of changes have been made to the assumptions used for the last actuarial valuation. These have been noted below.
- 3.3 In addition, there are special considerations in respect of the assumptions to adopt when calculating individual employer contribution rates. These issues are considered at the end of this section.

Financial assumptions – past service

- 3.4 In setting any actuarial basis, it is important to appreciate that the differences between the financial assumptions, (for example, the real returns above price and salary inflation) are more significant for the valuation result than the absolute rates of investment return and price/salary inflation individually.
- 3.5 The financial assumptions for valuing past service liabilities have been derived from the long-term yield on Government bonds in the market at the valuation date. The table below compares the key market yields on the valuation date with the corresponding yields at the last valuation:

	Valuation date	Previous valuation
Annualised yield on long-dated fixed gilts	4.6%	4.6%
Annualised yield on long-dated index-linked gilts	1.8%	2.2%
Long term expectation for annual price inflation	2.8%	2.3%

Investment return

3.6 In considering the current investment return assumption the following have been taken into account:

- the return available on long-dated gilts of 4.6% per annum.
- the expected out-performance over gilts in the long-term from other asset classes, such as equities, held by the Fund. It is a matter of judgement what the expected out-performance relative to gilts should be.
- In considering the allowance for expected out-performance relative to gilts, it must be recognised that this will primarily be generated by the Fund's equity investment content. The proportion of the Fund invested in equities is a relevant factor, but the higher the equity content adopted (in pursuit of higher overall returns) the greater will be the volatility in funding outcomes from one valuation to the next.
- For this valuation, the out-performance assumption for valuing past service liabilities has been set at 1.5% per annum. At the 2001 valuation an out-performance assumption of 1.0% per annum was used to value the past service liabilities.

Pension increases

3.7 The Fund guarantees to increase the pension in payment in line with price inflation. Therefore, for valuing past service liabilities the pension increase assumption has been set equal to the long term current expectation for price inflation (i.e. 2.8% per annum as shown above).

Pensionable Pay increases

3.8 It has been assumed that increases in Pensionable Pay will be 1.75% per annum above the assumed increase in price inflation of 2.8% per annum i.e. a total increase of 4.55% per annum for valuing past service liabilities. At the 2001 valuation Pensionable Pay was assumed to increase at 1.5% per annum in excess of price inflation and in addition a salary scale was included for certain members

to reflect promotional increases. No salary scale has been included for this valuation. This is explained further under Demographic assumptions below.

Financial assumptions – future service

- 3.9 In deriving the assumptions to be used for assessing the future service contribution rate (the Common Contribution Rate), account has been taken of the fact that contributions will be invested in market conditions applying at future dates, which are unknown at the present time and are not directly linked to market conditions at the valuation date. Further, the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities. Given this, a "longer-term" view has been taken in setting the future service basis with the result that the financial assumptions adopted are essentially the same as for the previous valuation. The allowance for Pensionable Pay increases above price inflation has, however, been changed in the same way as for past service.

Financial assumptions - summary

- 3.10 In summary, the financial assumptions adopted for the valuation (2001 valuation assumptions shown in brackets) are as follows:

	Past service	Future service
Investment return (pre & post retirement)	6.1% pa (5.6% pa)	6.5% pa (6.5% pa)
Pensionable Pay increases	4.55% pa (3.8% pa)	4.25% pa (4.0% pa)
Pension increases	2.8% pa (2.3% pa)	2.5% pa (2.5% pa)

Demographic assumptions

- 3.11 The demographic assumptions used for the valuation cover factors such as rates of withdrawal, ill health retirements and proportions married.
- 3.12 In relation to members in active service, we have traditionally differentiated between manual and officer members in connection with such areas as the assumed rates of early retirement in ill-health, early leaving and assumed future promotional pay rises. However, with the advent of "single status" employment, it is often no longer possible to identify in LGPS pension scheme records whether an employee should be described as "manual" or "officer". We have therefore brought the demographic assumptions for both groups be into line with one another at this valuation. For this purpose, we have adopted the assumed rates of ill-health retirement and/or leaving as were previously applied to officer members. In addition we have removed the assumed promotional salary scale which applied to officers, and replaced it with an overall increase in the assumed earnings inflation rate of 0.25%.

- 3.13 The most important of the demographic assumptions are discussed below. In addition, an analysis of actual experience during the intervaluation period, compared that expected on the demographic assumptions adopted at the last valuation, is set out in Appendix F.

Early retirement

- 3.14 Some members are entitled to receive their benefits unreduced from an age prior to the Fund's normal pension age under the "Rule of 85" provisions of the Regulations. This age will be at some point between ages 60 and 65, depending on the length of a member's pensionable service. Our calculations in respect of past service allow for a proportion of the active membership to retire in normal health prior to age 65.
- 3.15 For future service the situation is different since the "Rule of 85" rule has been removed for new joiners from April 2005 and is being phased out for existing members. Further detail of these changes is given in Appendix A. As a result of the changes, for future service we have assumed the earliest age at which unreduced benefits become an entitlement is 65 unless the member reaches age 60 prior to 1 April 2013, in which case the "Rule of 85" age applies.
- 3.16 As for the 2001 valuation, we have made an assumption for the number of early retirements and respective liabilities over the next three years, based on recent experience. We have then allowed for one half of the resulting strain to be met by the employer by including an additional (individually assessed) element in each employer's contribution rate; the other half is to be met by a recharge of 50% of the pension to the relevant employer up to age 60. However, as agreed with the Administering Authority we have assumed that the 50% of the early retirement costs not met directly will be funded over 6 years as opposed to the full deficit recovery period as used in the 2001 valuation.
- 3.17 We have allowed for outstanding contributions due in respect of early retirements occurring prior to the valuation date by offsetting the costs being met by the employer against the corresponding liabilities.

Ill health retirement

- 3.18 A small proportion of the members in service have been assumed to retire owing to ill health. Having reviewed the recent ill-health experience (which has been favourable), and taking account of the likely future policy on granting ill health retirement, 2/3rds of the allowance used for "officer" members at the last valuation has been adopted. The allowance for ill health retirements will be reviewed at future valuations. The following is an extract from the decrement table used.

Age	% retiring per annum	
	Males	Females
35	0.04	0.07
45	0.19	0.25
55	0.84	1.13

Mortality

- 3.19 There has been a trend for people to live longer and this is expected to continue. Consequently, for this valuation lighter mortality assumptions have been adopted than used for the previous valuation in order to make some allowance for this improved longevity. It should be stressed, however, that the valuation does not make allowance for the full extent of the increased longevity indicated by the most recent mortality investigations. Therefore, this assumption will continue to be monitored in the light of general trends in mortality experience and the Fund's specific experience.
- 3.20 The following standard tables have been used:

Pensionable Employees	
Males	PMA92 BASE rate down by 2 years
Females	PFA92 BASE rate down by 2 years
Preserved Pensioners	
Males	PMA92 BASE rate down by 2 years
Females	PFA92 BASE rate down by 2 years
Current Pensioners	
Males	PMA92 BASE
Females	PFA92 BASE

For members who are assumed to retire in ill health from active status, their mortality assumption is as described above but rated up by 5 years (e.g. PMA92 BASE rated up by 3 years for males).

Withdrawals

- 3.21 This assumption relates to those members who leave the Fund with an entitlement to a deferred pension or transfer value. It has been assumed that members in service will leave the Fund at the following sample rates:

% leaving per annum	

Age	% leaving per annum	
	Males	Females
25	4.4	7.7
35	1.6	4.2
45	0.9	1.9

This table is the same as was used at the 2001 valuation for “officer” members.

Proportion married and age difference

- 3.22 The Fund provides pensions to members’ spouses on death. It has been assumed that the proportion of members married will be in accordance with the sample rates below. A further assumption has been made that wives are three years younger, on average, than their husbands.

Age	% married	
	Males	Females
25	34	56
35	81	84
45	92	93

Discretionary benefits

- 3.23 The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will emerge as and when the event occurs, except to the extent that this cost is covered by the early retirement strain allowance described earlier in this section.

Other assumptions

- 3.24 The other demographic assumptions adopted for this valuation are the same as those used for the last actuarial valuation of the Fund.

Individual employers

- 3.25 Having developed the assumptions in this way for the Fund overall it is important to consider how the financial assumptions in particular impact on individual participating employers. The general Fund practice is to allocate the effects of actual investment performance pro rata across all employers, based on a notional “mirror image” investment strategy to the whole Fund. In the calculations of individual employer rates, therefore, the same asset out-performance assumption (and hence investment return assumption) has been adopted for all employers, regardless of their liability profile. This is the same approach as was adopted for

the 2001 valuation. This approach could be adjusted appropriately if a bespoke notional investment strategy was agreed for any individual employers within the Fund.

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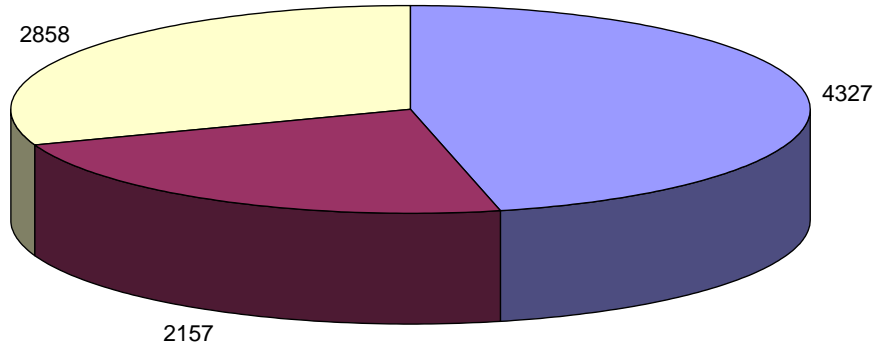
Valuation data and trends

- 4.1 The valuation is based on three key items of data:
- the membership of the Fund at the valuation date;
 - the benefits promised by the Fund as set out in the Regulations; and
 - the amount of assets held by the Fund on the valuation date.
- 4.2 The primary responsibility for the accuracy of the data provided is with the Administering Authority who may rely on others (including the Fund administrators and Fund employers) for the provision and maintenance of accurate data. Such reasonableness checks as are practicable have been carried out on this data. These checks do not guarantee the accuracy of the data.

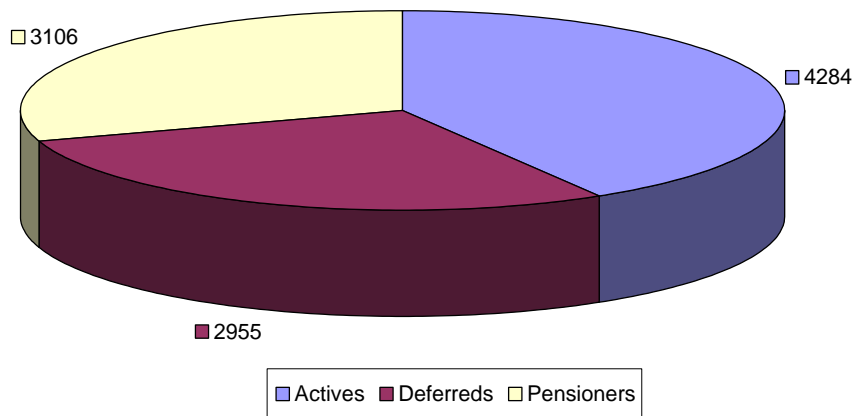
Membership

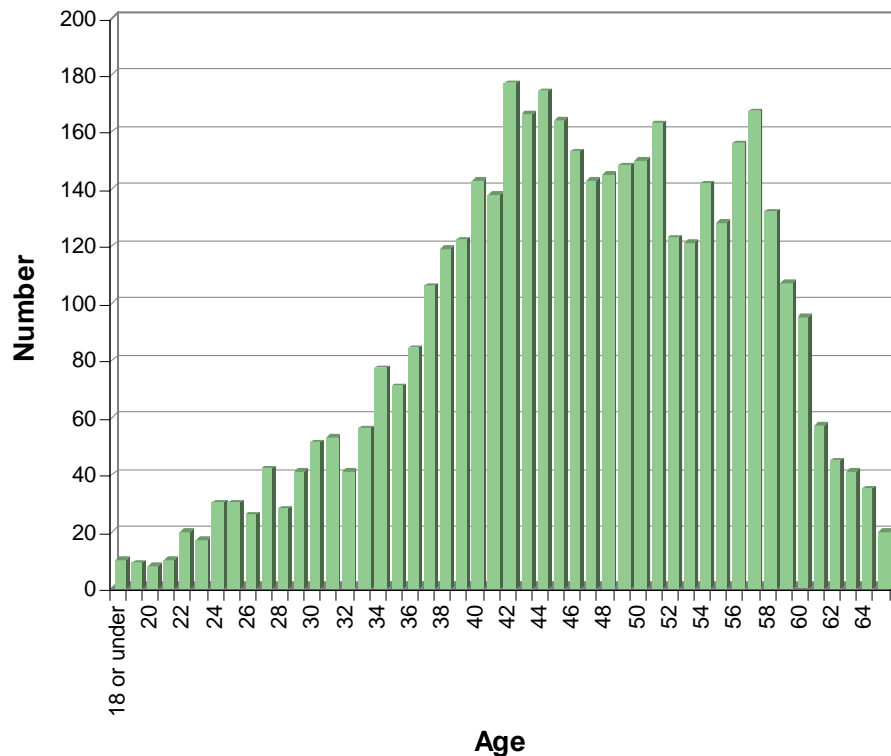
- 4.3 Data in relation to members in service, former employees with deferred pensions and current pensioners were obtained from computerised records maintained by the Fund administrators.
- 4.4 The following charts summarise the change in total membership since the 2001 valuation and also show the age profile of the active membership at this valuation. A more detailed summary of the membership data at the valuation date, with figures at the previous valuation date shown for comparison, is included as Appendix B. A split of the membership between the employers is shown in Appendix C.

As at 31 March 2001



As at 31 March 2004



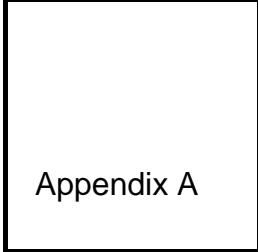


Benefits

- 4.5 The benefits provided by the Fund are set out in the Regulations, which have been amended in a number of respects since the last valuation. The most significant changes that will impact on the benefits payable are set out in Appendix A. We have made no allowance for other changes which may be introduced in the future.
- 4.6 Benefits recharged to individual employers have been excluded from the calculation of the valuation liabilities.
- 4.7 UK and European law require pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). There is still no general agreement on whether this applies to inequalities caused by guaranteed minimum pensions (GMPs) and, if it does, what adjustments have to be made to scheme benefits to correct these inequalities. The valuation makes no allowance for equalisation of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified.

Assets

- 4.8 Details of the assets held by the Fund, and audited accounts covering the period ended 31 March 2004, were supplied by the Administering Authority. Full details of the assets are given in Appendix D, with a summary of income and expenditure in Appendix E.
- 4.9 The Fund's assets are invested in equities, bonds and other assets, in both UK and overseas markets using external investment managers, who invest either directly in stocks or via pooled funds investing in such stocks.
- 4.10 The Fund has a money purchase additional voluntary contribution (AVC) facility to which members may choose to pay additional contributions to secure additional benefits. As the assets under this arrangement are used solely to meet and match, precisely, the AVC liabilities, they have been ignored for the purposes of this valuation.



Appendix A

Summary of significant benefit changes

A number of changes have been made to the Regulations during the period since the last valuation. Most of these have had little or no impact on the value of the benefits provided by the Local Government Pension Scheme (“the Scheme”).

However, the Local Government Pension Scheme (Amendment No.2) Regulations 2004 make the following changes, effective from 1 April 2005:

- Removal of “Rule of 85” retirement terms for benefits earned from scheme membership after 1 April 2005.
- Normal retirement age of 65 for all members (removal of protected normal retirement ages between 60 and 65 for members who joined the Scheme prior to 1 April 1998).
- Increase in the earliest age from which retirement benefits may be paid, other than on grounds of ill health, from 50 to 55.

Transitional Provisions

There are a number of transitional provisions which protect different elements of benefits potentially payable from the Scheme in various circumstances. These protections can be summarised in the following categories:

1. Protection of retirement benefits payable at the member’s old Rule of 85 age.

Benefits built up from service before 1 April 2005 will continue to be payable unreduced from the member’s Rule of 85 age, where this falls before the normal retirement age of 65. Employer consent is still required for retirement prior to age 60.

2. Protection of unreduced retirement from the later of age 60 and Rule of 85 age, for members as at 31 March 2005 who attain age 60 on or before 31 March 2013.

These members will, if they retire on or after their Rule of 85 age (between ages 60 and 65), have no reduction applied to benefits in respect of service completed prior to 1 April 2013.

3. Members aged 50 or more on 31 March 2005.

Such members will continue to be eligible for immediate payment of retirement benefits if made redundant prior to age 55, and also to retire at their own volition, subject to employer consent, prior to age 55 (although benefits may be reduced for early payment in the latter case).

Appendix B

Summary of membership data

Pensionable Employees

	At 31.3.2001	At 31.3.2004	Increase (%)
Number	4,327	4,284	-0.1
Annual Pensionable Pay ¹ (£m)	58.6	62.8	7.2
Average Pensionable Pay (£)	13,535	14,653	8.3
Average Age (years)	45.8	46.0	0.4
Average Reckonable Service (years)	6.7	6.9	3.0

1. Pensionable Pay figures include actual pay for part-time employees.

Preserved Pensioners*

	At 31.3.2001	At 31.3.2004	Increase (%)
Number	2,157	2,955	37.0
Annual Pensions inclusive of Pension Increase (£m)	3.3	4.3	30.3
Average Pension including Pension Increase (£)	1,543	1,450	-6.0
Average Age (years)	44.9	45.7	1.8

* including frozen refunds and leaver options pending

Current Pensioners

	At 31.3.2001	At 31.3.2004	Increase (%)
Number	2,377	2,620	10.2
Annual Pensions inclusive of Pension Increase (£m)	9.6	11.4	18.8
Average Pension including Pension Increase (£)	4,052	4,351	7.4
Average Age (years)	69.5	69.8	0.4

Current Widow/Widower Pensioners

	At 31.3.2001	At 31.3.2004	Increase (%)
Number	450	486	8.0
Annual Pensions inclusive of Pension Increase (£m)	1.0	1.1	10.0
Average Pension including Pension Increase (£)	2,189	2,304	5.3
Average Age (years)	75.7	76.7	1.3

In addition there were 25 current dependant pensioners as at 31 March 2004 with pensions in payment totalling £28,101 per annum.

Appendix C

Distribution of membership by employing bodies

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners	Widow(ers)
Bexley Council	3,379	2,654	2,361	473
Bexley Magistrates Courts Committee	0	40	11	1
Bexley College	131	54	49	3
St Mary's & St Joseph's Voluntary Aided RC School*	18	6	4	0
St Columba's Voluntary Aided School for Boys*	23	19	6	0
Barnehurst Infant & Junior Foundation School*	10	1	0	0
St Catherine's Voluntary Aided School for Girls*	24	11	2	0
Hurstmere Foundation School*	27	6	4	0
St Michael's CE Voluntary Aided Primary School JM & I*	0	0	2	0
BETHS Grammar School*	22	8	5	0
Rose Bruford College	30	8	9	0
Thamesmead Family Service Unit**	1	6	2	0
ACOB Limited	0	1	0	0
London and Quadrant Housing Trust	11	6	15	1
Orbit Housing Association	4	16	17	2
Area Health Authority	0	0	13	1
Swanscombe District Council	0	2	1	3
Kent Community Housing Trust	129	49	50	1
Care Partners Trust	217	39	58	1
Bexley Heritage Trust	9	4	3	0
Danson Youth Trust	4	3	0	0
MCCH Society Limited	108	16	5	0
Business Academy Bexley	22	5	0	0
Bexley Primary Care Trust	79	1	3	0
Southlake Primary School***	14	0	0	0
Abbey Primary School***	22	0	0	0
Totals	4,284	2,955	2,620	486

In addition to the above there were 25 dependant pensioners as at 31 March 2004.

- * These schools are combined with Bexley Council for the purposes of the employer contribution rate
- ** The sole active member employed by this body left service after the valuation date. A separate assessment is being made of any deficit arising.
- *** These schools are combined as a single body, Business Academy Bexley (Primary), for the purposes of the employer contribution rate

Appendix D

Summary of assets

Based on the information supplied, the market value of the assets of the Fund at the valuation date is made up as follows:-

	£m	%
UK Fixed Interest Securities	80.3	27.0
UK Index Linked Securities	16.5	5.5
Overseas Fixed Interest Securities	5.1	1.7
UK Equities, Convertibles and Unit Trusts	115.2	38.8
Overseas Equities, Convertibles and Unit Trusts	68.8	23.1
Property and Property Unit Trusts	1.5	0.5
Cash and temporary investments	3.1	1.1
Other Net Assets	6.9	2.3
Total	297.4	100

At the 2001 valuation, the market value of the Fund was £314,379,000. Therefore, the market value of the assets of the Fund has fallen by 5.4 per cent over the three year period.

Appendix E

Summary of income and expenditure

INCOME	Year ending 31 March			Total
	2002	2003	2004	
	£000s	£000s	£000s	£000s
Fund at beginning of year	314,379	305,469	239,825	314,379
Contributions to Fund:				
Employees	3,538	3,705	3,877	11,120
Employers	5,103	5,417	6,258	16,778
Transfer Values received	2,744	2,746	2,640	8,130
Investment income	9,492	8,666	8,611	26,769
Realised Gains	-3,035	-17,253	-2,952	-23,240
Change in market value of investments	-11,181	-51,467	57,112	-5,536
TOTAL:	321,040	257,283	315,371	348,400

EXPENDITURE	Year ending 31 March			Total
	2002	2003	2004	
	£000s	£000s	£000s	£000s
Retirement and Spouses' Benefits	10,510	10,868	11,446	32,824
Retiring allowances and death gratuities	1,602	2,281	2,656	6,539
Withdrawals	66	87	99	252
Transfer Values paid	2,091	3,153	2,562	7,806
Investment Expenses	805	566	730	2,101
Administration Expenses	497	503	526	1,526
Fund at end of year	305,469	239,825	297,352	297,352
TOTAL:	321,040	257,283	315,371	348,400

Appendix F

Experience Analysis of the Membership of the Fund during the period 1 April 2001 to 31 March 2004

1. Ill Health Retirements


	Actual	Expected
Males	13	26
Females	44	88
Total	57	114

2. Withdrawals

	Refund	Transfers	Preserved	Total Actual	Expected (excluding transfers)
Males	80	3	234	317	35
Females	379	34	935	1,348	259
Total	459	37	1,169	1,665	294

3. Deaths

	Active Members		Pensioners	
	Actual	Expected	Actual	Expected
Males	6	13	115	144
Females	3	15	173	176
Total	9	28	288	320



Appendix G

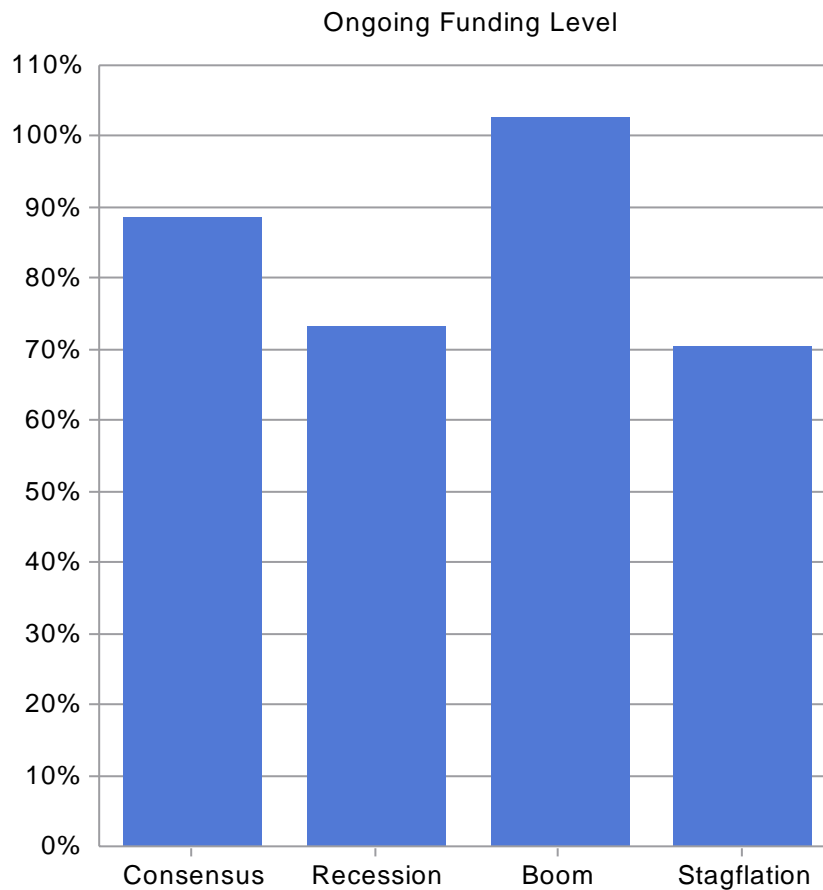
Scenario analysis

- G.1 The ongoing valuation of the Fund has been carried out based on the assumptions set out in Section 3 of this report. The actual outcome is likely to be different from these assumptions, especially in the short term. Scenario analysis, carried out as part of the valuation process, shows the potential impact of a range of possible economic outcomes on the past service funding position and normal contribution over the next three years.
- G.2 The purpose of this process is two-fold:
- to illustrate the potential variation in the funding level and normal contribution depending on the extent to which experience over the next three years differs from the assumptions; and
 - to highlight the risk (and potential rewards) inherent in the current investment strategy.
- G.3 The results of the analysis are set out below. At this stage the impact of changing investment strategy has not been considered.
- G.4 The scenarios investigated are designed to form a broad spectrum of possible outcomes and are neither equally likely nor intended to represent extremes. The investment assumptions underlying the various scenarios are designed to model possible short-term experience of the Fund over the next few years, as against the long-term valuation assumptions used in the ongoing valuation of the Fund. However, as the experience of the last three years has confirmed, returns on investments – equities in particular – do not always follow the logic implied by economic statistics; rather, the return depends significantly on how investors' views about the future at the end of the period of measurement compare with their corresponding views at the start.

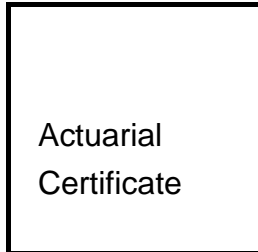
G.5 Full details of the actuarial assumptions underlying each scenario can be provided, if required. Some of the more extreme scenarios are designed to test the robustness of the investment strategy to critical conditions for the Fund, not because they are all equally likely. In summary, the four scenarios considered are:

- Consensus (moderate growth, low inflation)
- Recession (low growth, low inflation)
- Boom (high growth, moderate inflation)
- Stagflation (low growth, high inflation)

G.6 The following chart shows the Fund's approximate ongoing funding level after three years under each scenario, assuming employer contribution rates from 1 April 2005 are paid as indicated in the Rates and Adjustments Certificate. This chart assumes that no changes would be made to the key actuarial assumptions underlying the valuation.



- G.7 Changes in funding level will, of course, impact on future contribution requirements to the Fund, subject to any mechanisms which may be adopted to smooth out contribution rate fluctuations.



Local Government Pension Scheme Regulations 1997
(as amended)

Rates and Adjustments Certificate issued in accordance
with Regulation 77

Regulation 77(3)

I hereby certify that, in my opinion, the Common Rate of employers' contributions payable in each year of the period of three years beginning 1 April 2005 should be at the rate of 11.1 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contribution rate payable in each year of the period of three years beginning with 1 April 2005, as set out above, should be individually adjusted by the rate per cent of Pensionable Pay set out in the attached Schedule.

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of the Rates and Adjustments Certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contribution rates set out in the attached Schedule represent the minimum contribution which may be paid by each employer. Additional contributions may be paid if requested by the employer concerned.

Regulation 77(7)

I have also shown on the attached Schedule for each employer the number and expected liabilities of non-ill health early retirements over the period of three years beginning with

1 April 2005 taken into account when setting the employer's contribution rate. The additional liabilities anticipated have been assessed using the method and assumptions set out in this report.

Signature

Name

Stephen Jacquest

Date of signing

Bexley Heritage Trust	(2.2)	8.9	(2.2)	8.9	(2.2)	8.9	-
Danson Youth Trust	5.1	16.2	5.1	16.2	5.1	16.2	-
MCCH Society Limited	1.3	12.4	1.3	12.4	1.3	12.4	12,000
Business Academy Bexley	(1.5)	9.6	(1.5)	9.6	(1.5)	9.6	-
Bexley Primary Care Trust	1.2	12.3	1.2	12.3	1.2	12.3	-
Business Academy Bexley (Primary)	(1.4)	9.7	(1.4)	9.7	(1.4)	9.7	-

* Additional lump sum contributions to be paid in respect of Orbit Housing Association deficit and early retirement allowance.

Other interested bodies with no pensionable employees

Former Employers	Proportion of Pension Increases to be Recharged %
Swanscombe UDC	100
Area Health Authority	100
ACOB Limited	Nil
Bexley Magistrates Courts Committee	Nil

Note:

The Administering Authority will monitor the additional liabilities arising in respect of non-ill health early retirements actually occurring over the 3 years beginning 1 April 2005 for each employer. Where the total liabilities for an employer which are not met directly by that employer exceed the allowance set out above, the Administering Authority will require the actuary to review that employer's contribution rate as set out in Regulation 78 of the 1997 Regulations.

Actuarial
Certificate

Surplus certificate

The certificate is given to the Commissioners of Inland Revenue for the purposes of paragraph 2 of Schedule 22 to the Income and Corporation Taxes Act 1988.

Name of Fund

Bexley London Borough Pension Fund

Inland Revenue Reference No.

PS49/1897

A. I hereby certify that:

1. In my opinion as at 31 March 2004 the value of the assets of the Fund did not exceed 105% of the value of the liabilities of the Fund;
2. The assets and liabilities to which paragraph (1) refers have been determined in accordance with principles and requirements prescribed by the Pension Fund Surpluses (Valuation) Regulations 1987.

Signature

Name

Stephen Jacquest

Date of signing

Address

Mercer Human Resource Consulting Limited
Mercury Court, Tithebarn Street,

Liverpool, L2 2QH

Qualification

Fellow of the Institute of Actuaries

MERCER

Human Resource Consulting

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