

Early Retirements Report

Client London Borough of Hammersmith and Fulham Pension Fund **Date** 8 June 2011

Subject Review of Early Retirements Allowance

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Prepared for Les Green

1 Introduction

- 1.1.1 We have been requested by Les Green to undertake a review of the early retirements over the year to 31 March 2011, and advise whether certified contribution rates from the triennial valuation as at 31 March 2010 for any of the employers who participate in the London Borough of Hammersmith and Fulham Pension Fund will have to be revised as a result of the review.
- 1.1.2 This report complies with all Generic Technical Actuarial Standards (TASs).

2 Data

- 2.1.1 We have been provided with data by the London Borough of Hammersmith and Fulham of early retirements within the year to 31 March 2011 in order to carry out the review. We have not carried out any data validation checks on this data. The data categorised by type of retirement is summarised below.

Type of Retirement	Number	Total Pension in Payment (£)
Deferred to Pensioner	87	188,886
Ill Health Retirement	7	31,431
Normal Retirement	29	417,582
Early Retirement (Employer Consent)	1	14,560
Redundancy Retirement	27	256,012
Efficiency Retirement	0	
Late Retirement	35	172,922
Total	186	1,081,393

- 2.1.2 In reviewing whether the certified contribution rate for any of the employers within the Fund should change in light of these early retirements, we only have to consider ill-health retirements.
- 2.1.3 When an employee or deferred member retires through normal age retirement, the Fund does not incur a cost in excess of what has been allowed for in the actuarial valuation.
- 2.1.4 When an employee retires early with employer consent or later than expected, the pension is actuarially reduced or increased and so is also expected to be cost neutral on the funding basis.
- 2.1.5 When an employee retires on redundancy or efficiency grounds, the employer is required to immediately fund the additional cost separately and so these retirements can also be ignored.

2.1.6 Therefore we have only considered ill-health retirements in our analysis.

3 Calculation of Allowance

3.1.1 Our calculations have been based on the method and assumptions consistent with the funding model and assumptions adopted at the 2010 funding valuation.

3.1.2 For each employer within the Hammersmith and Fulham Pension Fund, we allow for a certain number of ill-health retirements in each year as part of the future service cost.

3.1.3 Where there are more retirements than this, it may be prudent to ask for additional funding. The Regulations require that local authorities should monitor the number of ill-health retirements arising over each Fund year and refer the position to the Actuary if numbers exceed the allowed levels.

3.1.4 However, it is more relevant to the funding position to consider the expected amount of pension that would come into payment as a result of ill-health retirement, rather than just the number of retirements.

3.1.5 The table below shows the number of retirements and pension expected to come into payment as a result of ill health for all employers in the London Borough of Hammersmith and Fulham Pension Fund.

Code	Employer	Expected Number of Ill Health Retirements in 2010/11	Expected IH Pension to come in to payment in 2010/11 (£)
80	London Borough of Hammersmith and Fulham	2.9253	21,509
81	Mortlake Crematorium Board	0.0191	44
83	Family Mosaic Housing	0.0589	253
84	Hammersmith and Fulham Community Law Centre	0.0021	31
88	Urban Partnership Group	0.0072	65
89	London Oratory School	0.0396	204
90	Disabilities Trust	0.0049	8
91	Medequip Assistive Technology Ltd	0.0024	11
92	H+F Homes	0.3353	2,844
94	Glencross Cleaning Ltd	0.0061	13
95	Inspace Partnerships Ltd - Fulham Repairs	0.0102	59
96	Inspace Partnerships Ltd - Voids Repairs	0.0086	73
97	Burlington Danes Academy	0.0558	195
98	H & F Bridge Partnership	0.0357	555
99	P H Jones Ltd	0.0018	8
830	Irish Cultural Centre	0.0003	2
831	Kier Support Services Ltd	0.0215	172
832	Quadron Services Ltd	0.0603	455
833	Serco	0.1480	718
834	Tendis	0.0011	12
835	Turners Cleaning	0.2018	509
836	FM Conway	0.0201	193
837	Family Mosaic - Supporting People contract	0.0035	20
840	Kier - Non Responsive Repairs contract	0.0001	1
841	Thames Reach	0.0013	4
842	Eden Food Services	0.2151	724
843	Financial Data Management Ltd	0.0007	8
844	EC Harris LLP	0.0074	105
845	Crime Reduction Initiatives (CRI)	0.0015	7

3.1.6 The pension amounts shown are the annualised payroll of the total pension paid to members who retire through ill-health, after they have taken any cash on retirement.

- 3.1.7 We could then suggest that if ill-health pension comes into payment above the expected amounts shown above, then this triggers the Fund to seek extra payment from the employer. However this would mean for most small employers that any ill-health retirement would trigger an increase in their contribution rate, as statistically for these employers we expect significantly less than 1 retirement per annum.
- 3.1.8 We would suggest that the monitoring could allow a margin above the expected pension amounts, which if breached would trigger the Fund to seek extra payment. Technically, we suggest the margin would be approximately one standard deviation above the expected ill-health pension, rounded up to the nearest thousand pounds.
- 3.1.9 Based on this, we get the below allowances:

Code	Employer	Allowance for IH Pension to come into payment including margin (£)
80	London Borough of Hammersmith and Fulham	35,000
81	Mortlake Crematorium Board	1,000
83	Family Mosaic Housing	2,000
84	Hammersmith and Fulham Community Law Centre	1,000
88	Urban Partnership Group	1,000
89	London Oratory School	2,000
90	Disabilities Trust	1,000
91	Medequip Assistive Technology Ltd	1,000
92	H+F Homes	8,000
94	Glencross Cleaning Ltd	1,000
95	Inspace Partnerships Ltd - Fulham Repairs	1,000
96	Inspace Partnerships Ltd - Voids Repairs	1,000
97	Burlington Danes Academy	2,000
98	H & F Bridge Partnership	4,000
99	P H Jones Ltd	1,000
830	Irish Cultural Centre	1,000
831	Kier Support Services Ltd	2,000
832	Quadron Services Ltd	3,000
833	Serco	3,000
834	Tendis	1,000
835	Turners Cleaning	2,000
836	FM Conway	2,000
837	Family Mosaic - Supporting People contract	1,000
840	Kier - Non Responsive Repairs contract	1,000
841	Thames Reach	1,000
842	Eden Food Services	3,000
843	Financial Data Management Ltd	1,000
844	EC Harris LLP	2,000
845	Crime Reduction Initiatives (CRI)	1,000

4 Review of Retirements

4.1.1 The table below summarises the ill-health retirements that have come into payment over the year since 31 March 2010.

Code	Employer	Number of IH Retirements in 2010/11	Pension in payment
80	London Borough of Hammersmith and Fulham	3	14,820
92	H+F Homes	1	11,144
832	Quadron Services Ltd	1	3,802
833	Serco	2	1,664

4.1.2 These figures can then be compared with the allowances in table 3.1.9 to determine whether additional payment should be made into the Fund.

4.1.3 Of these employers, two (H+F Homes and Quadron Services) have breached their limit. The cost of these retirements can be calculated as

((Total Payroll for actual ill-health retirements LESS Expected Payroll for actual ill-health retirements) X 20)

4.1.4 We can then decide whether this additional cost is large enough that the ongoing contribution rate for these employers needs to be revised, based on the recovery period used in the 2010 valuation.

4.1.5 We have shown the current ongoing contribution rates, and suggested new contribution rates as a result of the excess ill-health retirements in the table below

Code	Employer	Target Rate from 2010 valuation	Additional Contribution Required as a result of Ill Health Retirements	Suggested New Rate
92	H+F Homes	23.3%	0.0%	23.3%
832	Quadron Services Ltd	22.3%	0.9%	23.2%

4.1.6 As H+F Homes are transferring back to the London Borough of Hammersmith and Fulham, the combined salary of the two employers is large enough that there will not need to be an increase in contribution rate to cover the cost.

4.1.7 However the ill health retirement for Quadron Services Ltd is significant in comparison to their payroll. Please let us know if you wish for us to revise the contribution rate for this employer.

4.1.8 We would be happy to answer any questions in relation to this report.



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