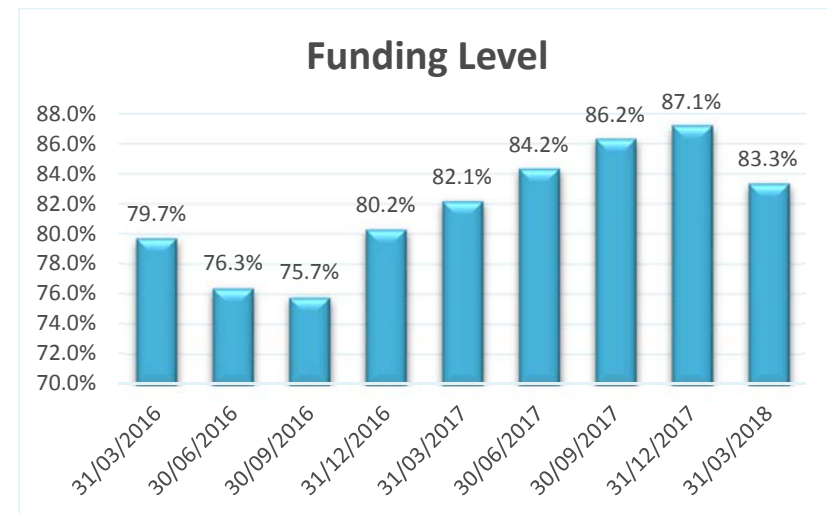
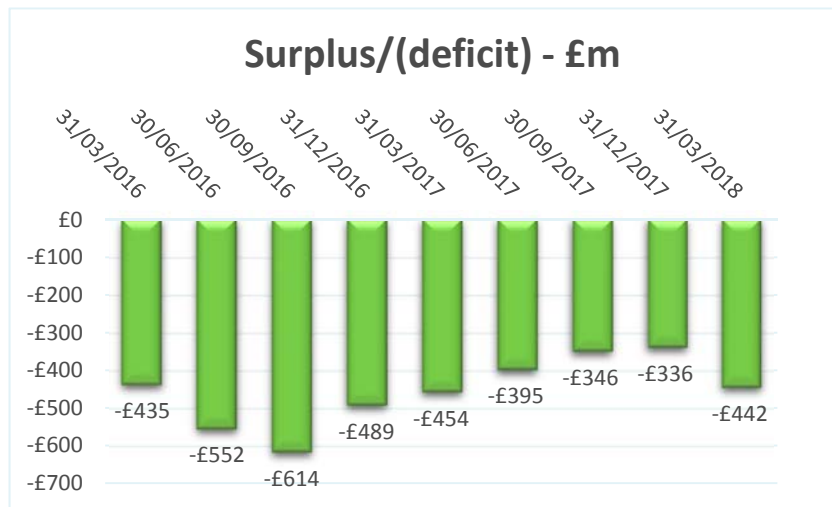


Gloucestershire County Council Pension Fund

Funding update as at 31 March 2018



Summary

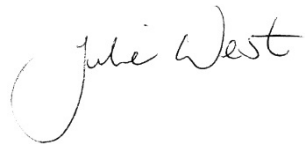
This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 31 March 2018, for the Gloucestershire County Council Pension Fund (“the Fund”). It is addressed to Gloucestershire County Council in its capacity as the Administering Authority of the Fund and has been prepared in my capacity as your actuarial adviser.

The funding level at the latest formal valuation was 79.7%. As at 31 March 2018 the funding level has risen to 83.3%. This represents a deficit of £435m at 31 March 2016 increasing to a deficit of £442m at 31 March 2018.

This report has been produced exclusively for the Administering Authority. This report must not be copied to any third party without our prior written consent.

This report looks at the whole fund position and does not allow for the circumstances of individual employers. The results for individual employers can be quite different to the fund as a whole depending on their own experience and the profile of their liabilities.

Should you have any queries please contact me.



Julie West FFA
Fund Actuary

Estimated funding position

The table below sets out the funding position at the formal valuation date, the date of your last funding update, and the latest quarter end.

Ongoing basis	31 March 2016	30 June 2017*	31 March 2018
Assets	£1,703m	£2,114m	£2,199m
Liabilities	£2,138m	£2,509m	£2,642m
Surplus/(deficit)	(£435m)	(£395m)	(£442m)
Funding level	79.7%	84.2%	83.3%

*Please note that the funding position at 30 June 2017 has been updated from your last funding update with the Fund's known investment returns.

What's happened since the 2016 formal valuation

- Falling gilt yields lead to a lower discount rate. This increases the value placed on past service liabilities
- Inflation has risen which increases the value placed on past service liabilities, as benefits are linked to the Consumer Price Index;
- The combined impact of the change in market conditions is an increase in deficit of £295m
- This has been offset by investment performance being significantly better than expected (26.4% vs 8.2%) leading to a gain of £307m
- Contributions received by the Fund have a positive impact on the deficit, but these have been offset by the cost of benefits accruing and interest on the deficit (leading to a loss of £19m).

The net effect of the above changes has led to an improvement in the overall funding level and a slight increase in deficit.

Other points to note

- The funding level has dropped over the last quarter due to negative investment returns
- Market conditions have remained broadly constant over the same period
- This report has been prepared using a single set of market-related assumptions derived in line with your Funding Strategy Statement as set out in the Data and Assumptions section below
- Contributions will be re-assessed following the 2019 formal valuation. Contributions are set allowing for many future economic scenarios.

Data and Assumptions

Financial assumptions

Financial assumptions	31 March 2016	30 June 2017	31 March 2018
Discount rate	4.0%	3.6%	3.5%
Salary increases	2.4%	2.7%	2.6%
Pension increases (CPI)	2.1%	2.4%	2.3%

The financial assumptions have been derived in the same way as the 2016 formal valuation and as set out in your Funding Strategy Statement. The assumptions have been updated to reflect market conditions at the calculation date.

Cashflows

Contributions paid into the Fund have been estimated based on the contributions certified since the latest formal valuation, and allowing for the payroll of the Fund to increase in line with our expectations.

The contributions paid in to the Fund from 31 March 2016 to 31 March 2018 are estimated to be **£203m**.

The benefits payable have been estimated from data provided for the latest formal valuation. These have been projected allowing for experience in line with the assumptions set out in our formal valuation report. Benefits paid from 31 March 2016 to 31 March 2018 are estimated to be **£157m**.

Investment returns

The investment returns on the Fund's assets have been supplied from the Fund over the period from 31 March 2018 to 31 December 2017. We have calculated an index return over the period from 1 January 2018 to 31 March 2018 based on the Fund's assets as at 31 December 2017. Details are below:

Investment returns	
Actual return from 31 March 2016 to 31 December 2017	30.9%
Index return from 1 January 2018 to 31 March 2018	-3.4%
Total investment return from 31 March 2016 to 31 March 2018	26.4%