

London Borough of Waltham Forest Pension Fund

Ascham Homes

Disclosure items - 12 month period ended 31 March 2011

| Balance sheet items as at 31 March 2011 | £000s | | Change in benefit obligation during period to 31 March 2011 | |
|---|----------|---|---|--------------------------------------|
| | £000s | % | £000s | % |
| Present value of funded benefit obligations | 22,401 | | Benefit obligation at beginning of period | 21,962 |
| Present value of unfunded benefit obligations | 0 | | Current service cost | 768 (17.3% of pensionable payroll) |
| Total present value of benefit obligations | 22,401 | | Interest on pension liabilities | 1,235 |
| Fair value of plan assets | (17,962) | | Member contributions | 291 |
| Unrecognised past service cost | 0 | | Past service cost (gain) | (1,295) |
| Deficit/(surplus) | 4,439 | | Actuarial (gains)/losses on liabilities | 148 (0.7% of period-end liabilities) |
| | | | Curtailments | 159 |
| | | | Settlements | 0 |
| | | | Benefits/transfers paid | (867) |
| | | | Business combinations | 0 |
| | | | Benefit obligation at end of period | 22,401 |

| Components of pension cost for period to 31 March 2011 | £000s | Change in plan assets during period to 31 March 2011 |
|--|---------|--|
| Current service cost | 768 | Fair value of plan assets at beginning of period |
| Interest on pension liabilities | 1,235 | Expected return on plan assets |
| Expected return on assets | (1,106) | Actuarial gains/(losses) on assets |
| Past service cost (gain) | (1,295) | Business combinations |
| Effect of curtailments or settlements | 159 | Settlements |
| Effect of paragraph 41 limit | 0 | Employer contributions |
| Total pension cost recognised in I&E | (239) | Member contributions |
| | | Benefits/transfers paid |
| | | Fair value of plan assets at end of period |

| Statement of other comprehensive income | £000s | % |
|---|-------|----------------------------------|
| Actuarial (gains)/losses | (148) | |
| Effect of paragraph 41 limit | 0 | |
| Total pension cost recognised in SOCI | (148) | (0.7% of period-end liabilities) |

| Additional disclosure items | Assets at 31 March 2010 | Assets at 31 March 2011 | Actual Return on plan assets |
|-----------------------------|-------------------------|-------------------------|--|
| | £000s | £000s | % |
| Equities | 12,346 | 13,921 | 1,664 |
| Government bonds | 0 | 0 | 296 (1.5% of period-end assets) |
| Other bonds | 2,321 | 2,335 | (276) (1.2% of period-end liabilities) |
| Property | 938 | 898 | |
| Cash/liquidity | 230 | 269 | |
| Other | 625 | 539 | (1,295) |
| Total | 16,460 | 17,962 | 0 |

Note: The "Past Service Cost (gain)" shown above is made up of the following figures:
 Gain due to change in Scheme benefits (1,295)
 Costs due to early retirements etc. during the period 0

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The accounting figures have been based on the information set out below.

| | Information provided | Revised estimate made (if applicable) | Notes |
|---|----------------------|---------------------------------------|--|
| Investment return on plan assets | 10.40% | 10.08% | The investment return used in calculating the year end assets is 1.1008 (i.e. 10.08%). This is made up of 10.40% as advised to us by the Fund's administrators for the year to 31 March 2011, less a 0.32% allowance for expenses. |
| 31 March 2010 balance sheet assets | N/A | £16,460,000 | We have taken this figure from our 2009/10 calculations. |
| 31 March 2010 balance sheet liabilities | N/A | £21,962,000 | We have taken this figure from our 2009/10 calculations. |
| Pensionable payroll for the 12 month period | N/A | £4,305,911 | We have estimated the pensionable payroll from the employer contributions details supplied. According to the data supplied to us, there has been a significant increase (about 26%) in the level of average pensionable pay per member since the 31 March 2010 actuarial valuation, but we have been unable to ascertain whether this is due to discrepancies in the underlying data or to a genuine increase in pay. In the absence of further information, we have carried out the accounting calculations using the standard roll-forward methodology, using the 2010 actuarial valuation calculations as a base. The results of our calculations would be affected if there were any significant inaccuracies in the data. |

| | | | |
|---|----------|--|--|
| Employer normal contributions | £675,573 | | |
| Employer other contributions | £0 | | |
| Employee contributions | £291,465 | | |
| Transfer values received | £0 | | |
| Retirement lump sums paid | £304,028 | | |
| Pensions paid | £291,181 | | |
| Lump sum death benefits paid | £0 | | |
| Payments on account of leavers | £272,091 | | |
| Total benefits recharged during the period (on a £ for £ basis) | £0 | | |
| Additional early retirement costs due to redundancy | £145,040 | | |
| Additional early retirement costs (non-redundancy) | £0 | | |
| Additional augmentation costs due to redundancy | £0 | | |
| Additional augmentation costs (non-redundancy) | £0 | | |

Membership numbers as at 31 March 2011

| | |
|------------|-----|
| Actives | 109 |
| Deferreds | 23 |
| Pensioners | 37 |
| Widows | 2 |

Materiality Limit

£0

Not provided

Particular events relevant to this employer of which we have been notified

None

Notes:

Deferred taxation has been ignored.
 Compensatory Added Years benefits which are recharged to the employer have been included in the liabilities and contributions for the purpose of the calculations.
 We have not carried out any specific investigations in relation to whether the average age of the membership has increased, but we have not been given any reason to believe that there have been substantial changes since the 2010 actuarial valuation. For any employers who are not admitting new entrants to the Fund the average age can be expected to increase gradually over time.
 As part of our data request, we asked to be notified of the following events in relation to each employer: outsourcing of more than 5% of the workforce; bulk transfer to or from the Fund of more than 5% of the employer's workforce; amalgamation/reorganisation of employers; redundancy/restructuring programs involving a loss of more than 5% of the workforce; and average real pay increases of more than 3% in excess of the assumptions adopted. Only the events listed above have been notified to us.
 In preparing these calculations we have relied on the information provided as summarised above. While we have carried out broad checks on the overall reasonableness of the details provided, Mercer accepts no liability for any errors which may arise due to incomplete or inaccurate information.

Summary of actuarial assumptions used

Financial assumptions (Mature duration profile of liabilities at end of accounting period)

| | Beginning of period (p.a.) | End of period (p.a.) |
|--------------------------------|----------------------------|----------------------|
| - Rate of RPI inflation | 3.3% | 3.4% |
| - Rate of CPI inflation | 2.8% | 2.9% |
| - Rate of increase in salaries | 4.8% | 4.4% |
| - Rate of increase in pensions | 3.3% | 2.9% |
| - Discount rate | 5.6% | 5.5% |

Expected rate of return on assets (gross of expenses)

| | Beginning of period (p.a.) | End of period (p.a.) | Asset split by investment category |
|--------------------|----------------------------|----------------------|--|
| - Equities | 7.5% | 7.5% | 75.0% |
| - Government bonds | N/A | N/A | 0.0% |
| - Other bonds | 5.2% | 5.1% | 14.1% |
| - Property | 6.5% | 6.5% | 5.7% |
| - Cash/liquidity | 0.5% | 0.5% | 1.4% |
| - Other | 7.5% | 7.5% | 3.8% |
| Expenses deduction | 0.32% | 0.6% | 100.0% (determined as at 31 December 2009) |
| | | | 100.0% (determined as at 31 March 2011) |

Post retirement mortality assumptions for members retiring in normal health

| | | |
|-----------------------|-----------------------------|---|
| - Non-retired members | PA92mc YoB Tables + 2 years | Males - 107% S1PMA CMI_2009_M [1%] Females - 98% S1PFA CMI_2009_F [1%] |
| - Current pensioners | PA92mc YoB Tables + 2 years | Males - 107% S1PMA CMI_2009_M [1%] Females - 98% S1PFA CMI_2009_F [1%] |

| | | |
|---|--|-------------------|
| Life expectancy of a male (female) | | |
| - future pensioner aged 65 | 21.3 (24.1) years | 22.7 (25.6) years |
| - In 20 years' time | | |
| - current pensioner aged 65 | 20.4 (23.2) years | 21.3 (24.1) years |
| Commutation of pension for lump sum at retirement | | |
| | 50% take maximum cash, 50% take 3/80ths cash | |

Budgeting information for the year commencing 1 April 2011

Based on the above details, the budgeted Current Service Cost for the year commencing 1 April 2011 is approximately 17% of pensionable payroll. The pensionable payroll which we have used for the period ended 31 March 2011 was £4,305,911, and if this rate of pay were to continue to apply for the year commencing 1 April 2011 the service cost would then be approximately £732,000.

| | | |
|---|---------------------------------|---------|
| Based on the above details, the projected finance cost items are as follows (£000's): | Interest on pension liabilities | 1,236 |
| | Expected return on assets | (1,155) |
| | Net finance cost/(gain) | 81 |

Projected surplus/(deficit) at 31 March 2012

Based on the above details, the projected surplus/(deficit) as at 31 March 2012, assuming the actuarial assumptions are borne out in practice, is (£4,592,000).

Details of future contributions for the year commencing 1 April 2011

| | Value (£m) | Determined as at: | Normal contributions for £ recharges |
|--|------------|-------------------|--------------------------------------|
| Expected employer contributions (as a percentage of pensionable pay plus any additional contributions) | 480 | 31 March 2010 | 13.0% |
| | 450 | 31 December 2009 | 13.3% |
| | 532 | 31 March 2011 | 13.4% |

| | | |
|---|-------------------|-----|
| The projected employer contributions which arise from the above figures are (£000's): | £ for £ recharges | 560 |
| | Total | 0 |
| | | 560 |

Notes:

The actuarial assumptions used in the calculation of the year end balance sheet liabilities are based on the 2010 actuarial valuation assumptions, other than the financial assumptions, which are shown above. The percentage rate used to calculate the current service cost shown above is a budgeted figure only, and could change if there were any significant factors affecting the Scheme or the employer (e.g. a change in accounting policy, a change in the Scheme's benefit structure, a substantial change in the age/sex/service profile of the employees, or a reorganisation of employments within the employer). The budgeting figures shown above assume the same levels of pay, employee contributions and benefit payments for 2011/12 as for 2010/11. Any changes in these amounts could affect the Finance Cost items shown. They could be particularly affected by any bulk transfers in or out of the Fund in respect of the employer. The projected employer contributions shown are based on the "Expected employer contributions" details as set out above. We are not always notified of the up-to-date figures so the employer should check that they are correct. No allowance is made in the above for special employer contributions (e.g. contributions for early retirement costs). The details shown above are based on CIPFA's guidance on Local Authority Accounting Practice for 2010. As the budgeting and contributions figures shown above are estimates, the figures shown above should not be taken as giving any information about budgeted figures for years subsequent to 2011/12. We have not included in the budgeting information for 2011/12 any details relating to costs/gains due to past service changes (including the effects of members taking early retirement), curtailments, settlements or business combinations. Any such changes would give rise to additional amounts over and above those shown.

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Sensitivity Analysis - 31 March 2011 Year End

| Disclosure item | Central | Sensitivity 1 + 0.1% p.a. discount rate as at 31 March 2011 | Sensitivity 2 + 0.1% p.a. salary inflation as at 31 March 2011 | Sensitivity 3 + 0.1% p.a. expected return on equities as at 31 March 2011 | Sensitivity 4 1 year addition to members' life expectancy as at 31 March 2011 |
|--|-----------------|---|---|--|--|
| Liabilities as at 31 March 2011 | £000s 22,401 | £000s 22,004 | £000s 22,552 | £000s 22,401 | £000s 22,921 |
| Assets as at 31 March 2011 | (17,962) | (17,962) | (17,962) | (17,962) | (17,962) |
| Deficit/(Surplus) as at 31 March 2011 | 4,439 | 4,042 | 4,590 | 4,439 | 4,959 |
| Projected Current Service Cost for year commencing 1 April 2011 | 732 | 711 | 743 | 732 | 750 |
| The above figure is based on a percentage rate applied to payroll. The percentage rate is: | 17.0% | 16.5% | 17.3% | 17.0% | 17.4% |
| The projected pensionable payroll used in the above calculation is: | 4,306 | 4,306 | 4,306 | 4,306 | 4,306 |
| Projected Expected Return on Assets for year commencing 1 April 2011 | (1,155) | (1,155) | (1,155) | (1,168) | (1,155) |
| Projected Interest Cost for year commencing 1 April 2011 | 1,236 | 1,236 | 1,245 | 1,236 | 1,265 |

Notes:

The percentage rate used to calculate the service cost shown above is a budgeted figure only, and could change if there were any significant factors affecting the Scheme or the employer (e.g. a change in accounting policy, a change in the Scheme's benefit structure, a substantial change in the age/sex/service profile of the employees, or a reorganisation of employments within the employer). The Finance Cost items shown above assume the same levels of pay, contributions and benefit payments for 2011/12 as for 2010/11. Any changes in these amounts could affect the Finance Cost items shown. They could be particularly affected by any bulk transfers in or out of the Fund in respect of the employer.

In "Sensitivity 1" above we have not allowed for any knock-on effects of the change in discount rate on the projected expected return on assets (e.g. as a result of an increase in yields on corporate bonds). In practice, we would expect any effects to be very small.

The above figures are approximate, and different results would be produced if the figures were to be fully recalculated. The details shown above are based on CIPFA's guidance on Local Authority Accounting Practice for 2010/11. The figures shown above should not be taken as giving any information about figures for years subsequent to 2011/12.