Actuarial Valuation of the Parklands Retirement Benefits Scheme <u>as at 12th November 2001</u>



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1. <u>Introduction</u>

I have been instructed by the Trustees to prepare an actuarial valuation of the Parklands Retirement Benefits Scheme as at 12th November 2001 in line with Inland Revenue rules. The purpose of the valuation is to calculate the contributions that would be required to provide for the maximum benefits that the Inland Revenue allow using assumptions specified by the Inland Revenue. The method assumes that members remain with the company until normal retirement age.

As far as is practicable for this type of pension scheme, this report has been prepared in accordance with Guidance Note 9 issued by the Institute of Actuaries.

2. <u>Benefits and Contributions</u>

The scheme operates on a money purchase basis. The contributions and any transfer payments received in respect of a member are credited with investment returns to accumulate a fund at retirement. The benefits payable depend on the value of the accumulated fund and the cost of buying pensions on the open market at that time. However, the aggregate of the benefits from all private pension arrangements cannot exceed limits which are imposed by the Inland Revenue.

There is no requirement for contributions to be paid to the scheme at any particular level.

3. <u>Membership Details</u>

The details of the membership of the scheme as at 12th November 2001 which have been provided to me can be summarised as:-

Member	Date of Birth	Date Service Commenced	Date Joined Scheme	<u>NRA</u>
C L Vaz	11/04/1953	01/05/1995	12/11/2001	60
Miss C A Bedster	26/05/1970	01/05/2001	12/11/2001	60

NRA = Normal retirement age.

	Valuation	Remuneration
Rei	nuneration	Basis Used
	£ p.a.	
C L Vaz	45,000	Latest reported earnings
Miss C A Bedster	15,000	Latest reported earnings



4. Inland Revenue Limits

The maximum pension that can be received from all schemes of this employer at retirement (taking into account length of service and the date of joining the pension scheme), as a percentage of final remuneration is:

	Max Pension as % of FR	PSO Limits Basis
C L Vaz	59.82	No continued rights
Miss C A Bedster	66.67	No continued rights

This may be restricted further if there are pension benefits relating to previous occupations. This employment cannot provide a pension in excess of 2/3rds of final remuneration less the benefits from previous occupations. This applies whether or not the previous benefits are transferred to this scheme.

Final remuneration is usually calculated as the average of total taxable remuneration over a period of at least 3 years ending within 10 years of retirement. The earnings can be increased by the increase in the Retail Prices Index over the period to retirement.

If "continued rights" do not apply or they are given up by a member, final remuneration has to be limited. The maximum limit is currently £95,400 p.a. and it increases with future retail price inflation. Continued rights apply for a member if the PSO limits basis is "Pre 1st June 1989" or "Pre 17th March 1987".

On death after retirement a pension can be paid to a surviving spouse equal to two-thirds of the member's pension before commutation. Both pensions can increase each year after retirement in line with inflation.

5. <u>Benefits Elsewhere</u>

I have been advised that the position relating to previous pension sch emes is:-

- a) There are no other schemes of this employment.
- b) Retained benefits relating to previous occupations have been valued accordingly.

6. <u>Scheme Assets</u>

The scheme had no assets at 12th November 2001.



7. <u>Actuarial Assumptions</u>

The amounts of the benefits payable at retirement depend on the future progress of several factors. To project the benefits and to calculate the rate of contributions, assumptions have to be made for these factors. The size of the scheme membership is too small for the past actuarial experience to be statistically significant and so I have not analysed that experience.

The assumptions that are used to value the benefits and calculate the contributions are specified by the Savings, Pensions, Share Schemes section of the Inland Revenue (SPSS). Full details are set out in Appendix IX to the Practice Notes (IR12) issued by the SPSS. The principal assumptions are :-

	<u>% p.a.</u>
Total rate of return on investments after expenses	8.5
Interest rate used to calculate annuities	8.5
Average rate of increase of remuneration	6.9
Average retail price inflation after retirement	5.3

The method allows for contributions to increase in line with increases in remuneration. Contributions are assumed to increase every 3 years.

Mortality is based on a standard table known as PA(90), with members and spouses assumed to be 2 years younger than their actual age to allow for improvements in mortality.

In calculating the company contributions, no allowance can be made for the possibility that retirement may take place before normal retirement age.

8. <u>Valuation Results</u>

On the above assumptions, the annual contributions required to provide for the maximum benefits that the Inland Revenue would allow at normal retirement age are $\pounds 42,390$ p.a..

In theory the contributions would increase every 3 years in line with assumed increases in pensionable remuneration. In practice, the contribution rates will be reviewed every 3 years to take into account difference between the assumptions and actual experience. Due to the nature of the scheme it should not be expected that the contributions at successive actuarial valuations would follow a stable pattern.

9. <u>Discontinuance</u>

The calculations assume that each active member remains an active member of the scheme until normal retirement age and maximum benefits are then provided. If a member leaves the scheme before normal retirement age for any reason, the benefits payable will depend on the funds available at that time. The actual benefits may be less than the maximum or a situation may occur where maximum benefits are provided and the balance of the member's share of the fund remains in the scheme. Further details can be provided, if required, for specific circumstances.

There is no guarantee of any particular level of benefits. The scheme is not subject to the Minimum Funding Requirement.



10. <u>Conclusion</u>

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On the assumptions used the contribution rate quoted will enable the scheme to provide maximum benefits for each member. Obviously the actual benefits will depend on the actual experience of the scheme in future and so it is important that the progress of the scheme is monitored regularly.

The assumptions may not be borne out in practice and so it may not be prudent to pay the maximum contributions outlined above. Further advice on the risks involved can be given if required.

Signed

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Date: 2nd January 2002

