

FUNDING VS ACCOUNTING



	FUNDING	ACCOUNTING
PURPOSE	To determine amount of contributions to be paid into the Fund each year.	Disclosure of pension costs in accounts.
MEASUREMENT DATE	31 March 2016 and every subsequent three years.	Every year at employer's year end.
Market Conditions	Takes account of market conditions at measurement date.	Takes account of market conditions at measurement date.
METHODOLOGY & ASSUMPTIONS	In line with Funding strategy set by Administering Authority on advice of Actuary. Complies with LGPS Regulations.	Prescribed by accounting standard but employer can set own assumptions within that.
Discount Rate	Reflects prudent assumed future investment returns based on Fund's long term investment strategy	Derived from high quality corporate bond yields-not influenced by Fund's investment strategy
Inflation assumption	Reflects market expectations for long term future price inflation.	Similar approach to funding
Other assumptions Salary Increases Life expectancy, etc	Set at each triennial valuation	Typically follows funding assumptions although some margins for prudence removed and employers may request their own
EXPERIENCE		
Investment performance	Actual investment returns allowed for.	Actual investment returns allowed for. Index returns used for periods where actual returns not available.
Other experience Inflation Salary growth Membership changes, etc.	All items of experience allowed for at each funding valuation.	Experience typically only allowed for in accounting year following completed triennial funding valuation.