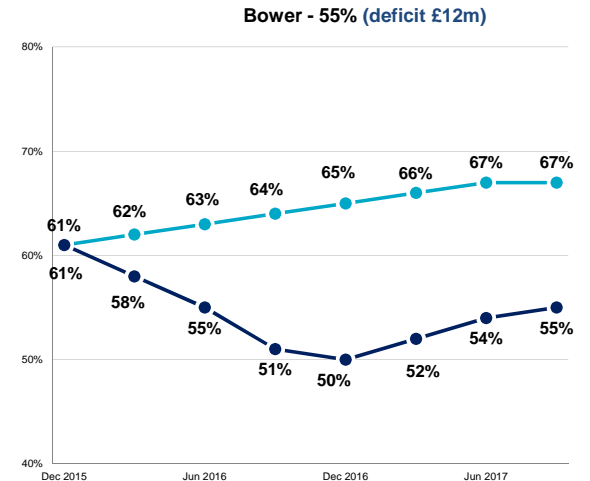
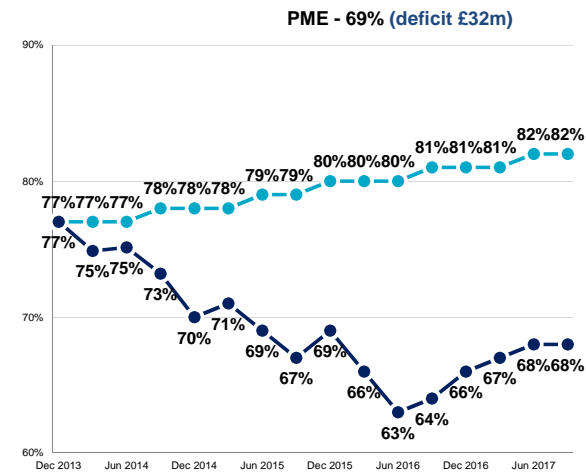
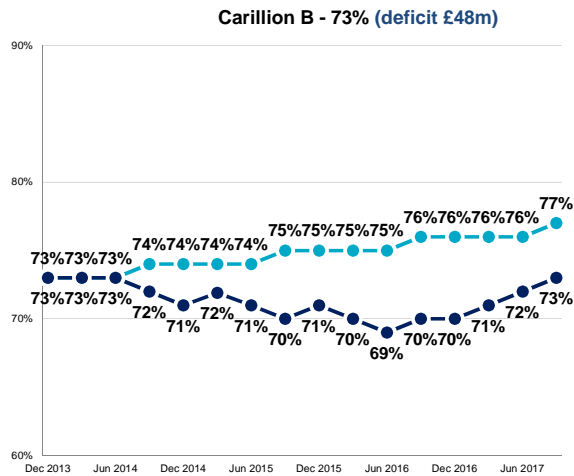
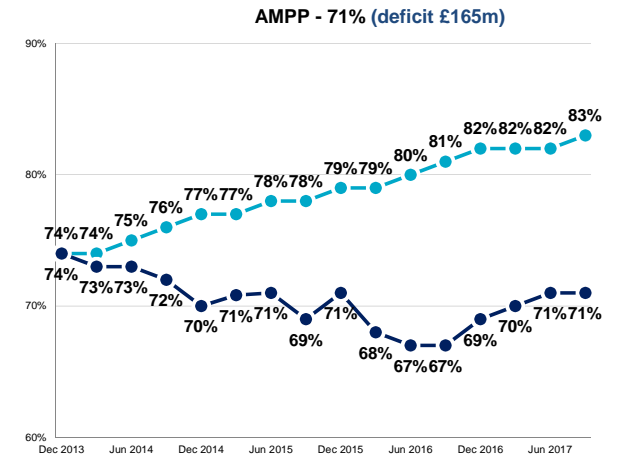
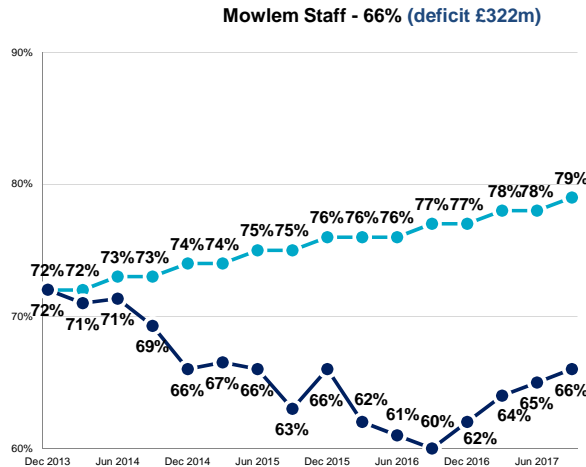
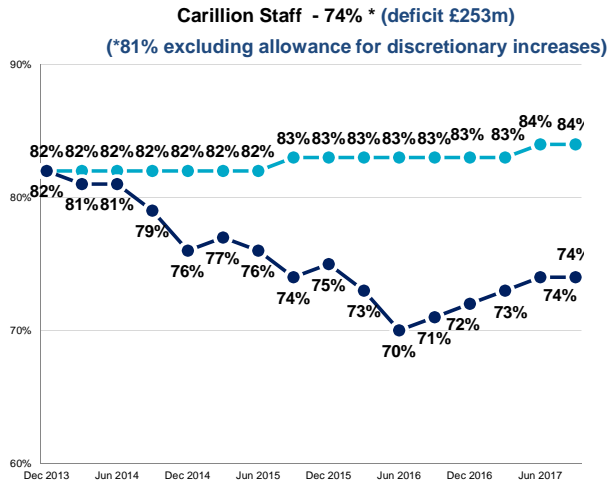


# CARILLION SINGLE TRUSTEE: Quarterly funding updates as at 30 September 2017

—●— Expected funding level  
—●— Actual funding level



Mercer comment: Funding levels improved marginally over the quarter due to small positive investment returns and two months' deficit contributions being paid. Transfer values are currently being reduced based on coverage struck as at 31 December 2014 (Bower 30 June 2016) where funding levels are within 2% of the insufficiency report effective date levels. In the light of these small changes to funding levels, I would normally recommend the current reduction percentages are maintained. However, I have updated the CETV reduction percentages to be in line with the 30 September 2017 funding levels (save Bower Scheme) to avoid the need to suspend transfer values in the event that the 2016 valuations are signed-off before a new insufficiency report is put in place. This course of action will allow a more considered review of the Schemes' CETV assumptions after completion of the 2016 valuations.



## CARILLION SINGLE TRUSTEE: Quarterly funding updates as at 30 September 2017

Assumptions	Carillion Staff		Mowlem Staff		AMPP		Carillion B		PME	
	Valuation 31/12/2013	This Quarter	Valuation 31/12/2013	This Quarter	Valuation 31/12/2013	This Quarter	Valuation 31/12/2013	This Quarter	Valuation 31/12/2013	This Quarter
Fixed interest gilt yield (p.a.) *	3.65%	1.80%	3.65%	1.80%	3.65%	1.80%	3.45%	1.80%	3.65%	1.80%
Market's expectation for future inflation (p.a.) *	3.60%	3.40%	3.60%	3.40%	3.60%	3.40%	3.55%	3.40%	3.60%	3.40%
Pre-ret discount rate (p.a.)	5.35%	3.50%	5.65%	3.80%	5.65%	3.80%	4.80%	3.15%	5.55%	3.70%
Post-ret discount rate (p.a.)	4.35%	2.50%	4.35%	2.50%	4.35%	2.50%	4.15%	2.50%	4.35%	2.50%
RPI price Inflation (p.a.)	3.40%	3.20%	3.40%	3.20%	3.40%	3.20%	3.35%	3.20%	3.40%	3.20%
CPI price Inflation (p.a.)	2.80%	2.60%	2.80%	3.60%	2.80%	2.60%	2.75%	2.60%	2.80%	2.60%

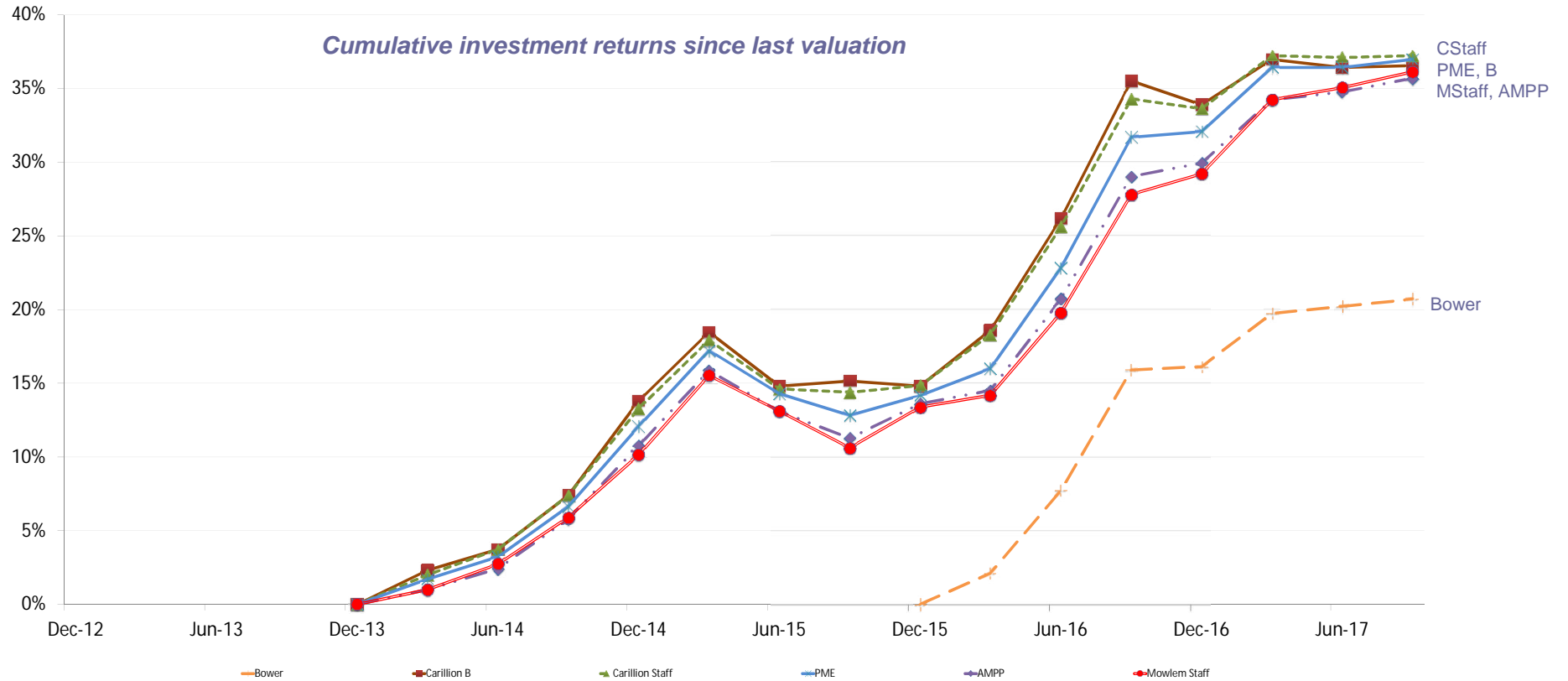
Assumptions	Bower	
	Valuation 31/12/2015	This Quarter
Pre-retirement discount rate for members less than 15 years to retirement (p.a)	3.20%	1.50%
Pre-retirement discount rate for members greater than 15 years to retirement (p.a)	2.10%	1.50%
Non-pensioner post retirement discount rate (p.a)	2.60%	1.80%
Pensioner post retirement discount rate (p.a)	3.00%	1.90%
Deferred revaluation (p.a.)	3.30%	3.50%
Non-pensioner pension increases LPI 5% (p.a.)	3.90%	3.80%
Pensioner pension increases LPI 5% (p.a.)	3.20%	3.40%

\* Adjusted for appropriate duration of Scheme's liabilities

# CARILLION SINGLE TRUSTEE: Quarterly funding updates as at 30 September 2017

Asset returns	Estimated Q3 2017 return	Cumulative return since last valuation	Estimated Q2 2017 return in last quarterly update	Actual Q2 2017 return	Benchmark asset distribution (growth / mid / bonds) %
Carillion Staff	0.1%	37.2%	-0.7%	-0.1%	30 / 18 / 52
Mowlem Staff	0.8%	36.1%	0.1%	0.6%	60 / 10 / 30
AMPP	0.7%	35.7%	-0.3%	0.4%	60 / 5 / 35
Carillion B	0.1%	36.6%	-0.8%	-0.4%	24 / 13 / 63
PME	0.4%	37.0%	-0.7%	0.0%	48 / 13 / 39
Bower	0.4%	20.7%	-0.3%	0.4%	50 / - / 50

Index asset returns over last quarter	
UK equity return (FTSE All-Share)	2.1%
Overseas equity return (FTAW World TRI)	1.9%
UK fixed-interest gilt return (over 15 years TRI)	-0.5%
UK indexed-linked gilt return (over 5 years TRI)	-0.8%
UK corporate bond return (iBoxx AA +15 years TRI)	-0.5%



## CARILLION SINGLE TRUSTEE: Quarterly funding updates as at 30 September 2017

The results set out in this paper are calculated by updating the results from the 31 December 2013 valuations (31 December 2015 for Bower Scheme) on the technical provisions basis (or ongoing funding basis for the Carillion Staff Scheme) but updated to allow for market conditions. This update allows primarily for benchmark investment returns and changes to market conditions. Whilst these are usually the two most significant items affecting the funding position there are other factors (e.g. actual pension increases, membership movements etc) not taken into account for the purpose of this update.

Preliminary valuation assumptions have been proposed by the Trustee for the 31 December 2016 valuations. The deficits would generally be slightly higher in these updates were they to allow for these proposed assumptions.

Lower discount rates will serve to increase liabilities as will higher pension increase assumptions. The return for the last quarter is based on benchmark returns and will be updated with the actual return when this information becomes available.

For the Carillion Staff Pension Scheme, the estimated ongoing position shown in the graph on page 1 includes funding for discretionary increases. The technical provisions funding level excludes discretionary increases and the funding level on this basis as at 31 December 2013 was 90%, compared with the 81% as at 30 September 2017.

The Trustee monitors the funding positions and should the funding plans move ahead of target, it may seek to reduce the risk in the investment strategy for each Scheme. The "expected" funding positions as per the valuation recovery plans are shown (in light blue) in the charts on the first page.

This information is not intended to be used in isolation to make decisions regarding the funding of the Single Trustee Schemes. Consequently, we would recommend that this information should be used as a tool to monitor and decide whether further consideration and/or action is required. For example, identifying trigger points for potential funding or investment strategy action, or reviewing reductions applied to Cash Equivalent Transfer Values would be a complimentary and valuable extension of this monitoring process.

**E S Topper FIA  
October 2017**

*This paper does not contain recommendations of any changes to the method and assumptions, nor the contribution/ benefit structure. Further advice is likely to be needed if decisions are to be taken in relation to contributions, the method and assumptions in the statement of funding principles, or the level of benefit provision.*

*The advice set out in this paper and accompanying documents is covered by and compliant with the following Technical Actuarial Standards 100 (TAS 100) issued by the Financial Reporting Council. It should be read in conjunction with the 31 December 2013 actuarial valuation report dated December 2014, other component reports and interim funding updates (31 December 2015 actuarial valuation report dated January 2017 for the Bower Scheme).*

*The calculations in the paper use methods and assumptions appropriate for the purpose of reviewing the financial position of the Schemes. Mercer does not accept liability to any third party in respect of this paper; nor do we accept liability to the Trustee if the information is used for any purpose other than that stated (for example for company accounting, or corporate mergers or acquisitions).*