



**BARNETT  
WADDINGHAM**  
beyond the expected

## Nottinghamshire Pension Fund

Newark & Sherwood District Council

IAS19 Report as at 31 March 2022

25 May 2022



## Introduction

We have been instructed by Nottinghamshire County Council, the administering authority to the Nottinghamshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the Employer and its advisers; in particular, this report is likely to be of relevance to the Employer's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website ([www.lgpsregs.org/](http://www.lgpsregs.org/)) and the Fund's membership booklet ([www.lgpsmember.org/](http://www.lgpsmember.org/)).

The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

This report is prepared in accordance with our understanding of IAS19 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures disclosed are in respect of the Employer's pension obligations under the LGPS as at 31 March 2022.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

We have not made any allowance for IFRIC14 in our calculations. We would be happy to speak to the Employer or their auditor if more information is required.

IAS19 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the data section of this report.

This report supersedes previous versions of this report and has been updated to reflect the actual whole fund asset information at 31 March 2022, which wasn't available when the initial report was required by.

We would be pleased to answer any questions arising from this report.



**Matthew Paton FFA**  
**Senior Consulting Actuary**

### Additional notes

With regards to the scheduled contributions section of this report, Newark & Sherwood District Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2023 by making a single lump sum payment of £2,235,000 by 30 April 2020.

## Data used

We have used the following items of data which we received from the administering authority:

31 March 2019	- results of the previous funding valuation
31 March 2021	- results of the latest IAS19 report
n/a	- actual Fund returns to
31 March 2022	- Fund asset statement
31 March 2022	- Fund income and expenditure items (estimated where necessary) to
31 March 2022	- Employer income and expenditure items (estimated where necessary) to
31 March 2022	- details of any new unreduced early retirement payments in respect of the Employer to
31 March 2022	- details of any settlements to/from the Employer for the period to

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

## Employer membership statistics

The table below summarises the membership data at 31 March 2019 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	522	12,671	45
Deferred pensioners	773	1,662	47
Pensioners	700	3,930	71
Unfunded pensioners	100	197	80

### Employer payroll

The total pensionable payroll and projected payroll for the Employer is set out below and is based on information provided to us by the administering authority. This has been used to calculate the service cost and projected service cost respectively.

Estimated payroll for the year to 31 March 2022	£14,190,000
Projected payroll for the year to 31 March 2023	£14,498,000

### Scheduled contributions

The table below summarises the minimum employer contributions due from the Employer to the Fund over this inter-valuation period. The Employer may pay further amounts at any time. Future contributions may be adjusted on a basis approved by us.

The calculated cost of accrual of future benefits is 17.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of payroll	17.5%	17.5%	17.5%
plus monetary amount (£000s)	771	800	829

### Funding approach

The Employer currently participates in the Newark & Sherwood District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2022 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 8.08%. The actual return on Fund assets over the year may be different.

The Employer's share of the assets of the Fund is approximately 1.96%.

The estimated asset allocation for the Employer at 31 March 2022 and 31 March 2021 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	77,930	61%	78,518	65%
Gilts	3,788	3%	4,073	3%
Other bonds	8,773	7%	8,308	7%
Property	16,528	13%	12,383	10%
Cash	7,200	6%	5,512	5%
Inflation-linked pooled fund	6,777	5%	5,865	5%
Infrastructure	7,643	6%	6,556	5%
<b>Total</b>	<b>128,639</b>	<b>100%</b>	<b>121,215</b>	<b>100%</b>

The table below sets out the percentages of the Fund's assets held in each asset class at 31 March 2022 (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 March 2022	
		% Quoted	% Unquoted
Fixed Interest Government Securities	UK	3%	-
	Overseas	-	-
Index Linked Government Securities	UK	-	-
	Overseas	-	-
Corporate Bonds	UK	2%	-
	Overseas	5%	-
Equities	UK	21%	0%
	Overseas	35%	-
Property		-	13%
Private Equity		-	4%
Infrastructure		-	6%
Unit trust		-	1%
Unit Trust Infl Linked		-	5%
Credit		-	3%
Cash/Temporary Investments		-	2%
<b>Total</b>		<b>66%</b>	<b>34%</b>

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the administering authority is contacted in the first instance.

## Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Employer's past service liabilities, estimated to be 20 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	110% / 105%	110% / 105%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.5% p.a.	0.5% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)	31 Mar 2022	31 Mar 2021
Retiring today	Males	21.6
	Females	24.3
Retiring in 20 years	Males	23.0
	Females	25.8

Financial assumptions	31 Mar 2022	31 Mar 2021	31 Mar 2020
	p.a.	p.a.	p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.20%	2.80%	1.90%
Salary increases	4.20%	3.80%	2.90%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.



### Financial assumptions used for remeasurements

The Employer's assets and defined benefit obligation have been remeasured throughout the accounting period at one or more settlement/curtailment event date, in line with the requirements under IAS19. The financial assumptions used to calculate the results at each remeasurement date are set out below. These have been derived consistently with the assumptions adopted at 31 March 2021.

Remeasurement date	Discount rate % p.a.	Pension increases (CPI) % p.a.	Real discount rate % p.a.
31 March 2021	2.00%	2.80%	-0.80%
13 April 2021	1.90%	2.75%	-0.85%
31 March 2022	2.60%	3.20%	-0.60%

### Past service costs

Past service costs arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. We are not aware of any additional benefits which were granted over the year ending 31 March 2022.

### Curtailments

Over the year, we understand that one former employee became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £90,000. This figure has been included within the service cost in the statement of profit and loss.

### Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

## Results

Net pension asset in the statement of financial position as at	31 Mar 2022	31 Mar 2021	31 Mar 2020
	£000s	£000s	£000s
Present value of the defined benefit obligation	211,102	213,871	168,822
Fair value of Fund assets (bid value)	128,639	121,215	99,844
<b>Deficit / (Surplus)</b>	<b>82,463</b>	<b>92,656</b>	<b>68,978</b>
Present value of unfunded obligation	2,281	2,429	2,379
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
<b>Net defined benefit liability / (asset)</b>	<b>84,744</b>	<b>95,085</b>	<b>71,357</b>

  

The amounts recognised in the profit and loss statement	Year to	Year to
	31 Mar 2022	31 Mar 2021
	£000s	£000s
Service cost	7,032	6,528
Net interest on the defined liability / (asset)	1,826	1,627
Administration expenses	64	48
<b>Total loss / (profit)</b>	<b>8,922</b>	<b>8,203</b>

  

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to	Year to
	31 Mar 2022	31 Mar 2021
	£000s	£000s
Return on Fund assets in excess of interest	7,418	19,994
Other actuarial gains / (losses) on assets	-	-
Change in financial assumptions	9,692	(44,510)
Change in demographic assumptions	-	1,904
Experience gain / (loss) on defined benefit obligation	(522)	2,225
Changes in effect of asset ceiling	-	-
<b>Remeasurement of the net assets / (defined liability)</b>	<b>16,588</b>	<b>(20,387)</b>

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
<b>Opening defined benefit obligation</b>	<b>216,300</b>	<b>171,201</b>
Current service cost	6,942	6,324
Interest cost	4,112	3,244
Change in financial assumptions	(9,692)	44,510
Change in demographic assumptions	-	(1,904)
Experience loss/(gain) on defined benefit obligation	522	(2,225)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(5,659)	(5,760)
Past service costs, including curtailments	90	204
Contributions by Scheme participants and other employers	921	874
Unfunded pension payments	(153)	(168)
<b>Closing defined benefit obligation</b>	<b>213,383</b>	<b>216,300</b>

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
<b>Opening fair value of Fund assets</b>	<b>121,215</b>	<b>99,844</b>
Interest on assets	2,286	1,617
Return on assets less interest	7,418	19,994
Other actuarial gains/(losses)	-	-
Administration expenses	(64)	(48)
Contributions by employer including unfunded	2,675	4,862
Contributions by Scheme participants and other employers	921	874
Estimated benefits paid plus unfunded net of transfers in	(5,812)	(5,928)
Settlement prices received / (paid)	-	-
<b>Closing Fair value of Fund assets</b>	<b>128,639</b>	<b>121,215</b>

Sensitivity analysis	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	209,225	213,383	217,628
Projected service cost	6,253	6,435	6,622
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	213,752	213,383	213,017
Projected service cost	6,439	6,435	6,431
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	217,230	213,383	209,611
Projected service cost	6,620	6,435	6,254
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	223,340	213,383	203,894
Projected service cost	6,722	6,435	6,159

#### Projected pension expense

Year to  
31 Mar 2023  
£000s

Service cost	6,435
Net interest on the defined liability / (asset)	2,169
Administration expenses	63
<b>Total loss / (profit)</b>	<b>8,667</b>
<b>Employer contributions</b>	<b>2,538</b>

These projections are based on the assumptions as at 31 March 2022, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.