



**BARNETT
WADDINGHAM**
beyond the expected

Nottinghamshire Pension Fund

(3) Newark & Sherwood District Council

IAS19 Report as at 31 March 2023

23 May 2023



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 2023. 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/) and the Fund's membership booklet (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 2023.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023.

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 2023, which wasn't available when the initial report was requested.

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



Barry McKay FFA
Partner

Data used

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

Results of the latest funding valuation as at	31 March 2022
Results of the previous IAS19 report as at	31 March 2022
Actual Fund returns to	n/a
Fund asset statement as at	31 March 2023
Fund income and expenditure items to	31 March 2023
Employer income and expenditure items to	31 March 2023
Details of any new unreduced early retirement payments to	31 March 2023
Details of any settlements to/from the Employer for the period to	31 March 2023

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

Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in 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 2022 for members receiving funded benefits, and as at 31 March 2022 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	552	14,192	46
Deferred pensioners	808	1,863	51
Pensioners	771	4,632	72
Unfunded pensioners	87	175	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 2023	£15,968,000
Projected payroll for the year to 31 March 2024	£16,817,000

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 18.6% of payroll p.a.

Minimum employer contributions due for the period beginning	1 Apr 2023	1 Apr 2024	1 Apr 2025
Percent of payroll	18.6%	18.6%	18.6%
plus monetary amount (£000s)	459	477	495

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 2022 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 2025 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 2023 is calculated to be -2.09% based on the Fund asset statements and Fund cashflows as set out in the Data section above.

The Employer's share of the assets of the Fund is approximately 1.94%.

The estimated asset allocation for the Employer at 31 March 2023 and 31 March 2022 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2023		31 Mar 2022	
	£000s	%	£000s	%
Public Equities	72,922	58%	77,930	61%
Gilts	2,586	2%	3,788	3%
Other bonds	7,410	6%	8,773	7%
Property	14,849	12%	16,528	13%
Cash/temporary investments	6,546	5%	7,200	6%
Inflation Plus	6,315	5%	6,777	5%
Infrastructure	9,833	8%	7,643	6%
Private Equities	4,649	4%	0	0%
Total	125,110	100%	128,639	100%

The table below sets out the percentages of the Fund's assets held in each asset class at 31 March 2023 (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 March 2023	
		% Quoted	% Unquoted
Fixed Interest Government Securities	UK	2%	-
	Overseas	-	-
Index Linked Government Securities	UK	-	-
	Overseas	-	-
Corporate Bonds	UK	1%	-
	Overseas	5%	-
Equities	UK	17%	0%
	Overseas	41%	-
Property		-	12%
Private Equity		-	4%
Infrastructure		-	8%
Unit Trust Infl Linked		-	5%
Credit		-	3%
Cash/Temporary Investments		-	2%
Net Current Assets	Debtors	-	1%
	Creditors	-	-0%
Total		66%	34%

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 2023 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2023	31 Mar 2022	31 Mar 2021
	p.a.	p.a.	p.a.
Discount rate	4.80%	2.60%	2.00%
Pension increases (CPI)	2.90%	3.20%	2.80%
Salary increases	3.90%	4.20%	3.80%

In addition, we have allowed for actual pension increases up to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have also allowed for actual CPI inflation experienced from September 2022 to February 2023.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. These assumptions have been updated from those adopted at the last accounting date. Details of the post retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post retirement mortality	31 Mar 2023	31 Mar 2022
Base table	S3PA	S3PA
Multiplier (M/F)	115% / 110%	110% / 105%
Future improvements model	CMI_2021	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.5
Initial addition parameter	0.0% p.a.	0.5% p.a.
2020 weight parameter	5%	5%
2021 weight parameter	5%	n/a

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)		31 Mar 2023	31 Mar 2022
Retiring today	Males	20.7	21.6
	Females	23.5	24.3
Retiring in 20 years	Males	22.0	23.0
	Females	25.0	25.8

Employer duration

The estimated duration of the Employer as at the accounting date, using the assumptions set out above is 16 years.

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 2023.

Curtailments

Over the year, we understand no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

Settlements

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

Results

Balance sheet	As at 31 Mar 2023	As at 31 Mar 2022	As at 31 Mar 2021
	£000s	£000s	£000s
Net pension asset in the statement of financial position			
Present value of the defined benefit obligation	143,192	211,102	213,871
Fair value of Fund assets (bid value)	125,110	128,639	121,215
Deficit / (Surplus)	18,082	82,463	92,656
Present value of unfunded obligation	1,649	2,281	2,429
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	19,731	84,744	95,085
The amounts recognised in the profit and loss statement	Year to 31 Mar 2023	Year to 31 Mar 2022	
	£000s	£000s	
Service cost	7,438	7,032	
Net interest on the defined liability / (asset)	2,165	1,826	
Administration expenses	52	64	
Total loss / (profit)	9,655	8,922	
Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to 31 Mar 2023	Year to 31 Mar 2022	
	£000s	£000s	
Return on Fund assets in excess of interest	(5,999)	7,418	
Other actuarial gains / (losses) on assets	563	-	
Change in financial assumptions	84,917	9,692	
Change in demographic assumptions	11,874	-	
Experience gain / (loss) on defined benefit obligation	(19,628)	(522)	
Changes in effect of asset ceiling	-	-	
Remeasurement of the net assets / (defined liability)	71,727	16,588	

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2023 £000s	Year to 31 Mar 2022 £000s
Opening defined benefit obligation	213,383	216,300
Current service cost	7,438	6,942
Interest cost	5,492	4,112
Change in financial assumptions	(84,917)	(9,692)
Change in demographic assumptions	(11,874)	-
Experience loss/(gain) on defined benefit obligation	19,628	522
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(5,212)	(5,659)
Past service costs, including curtailments	-	90
Contributions by Scheme participants and other employers	1,048	921
Unfunded pension payments	(145)	(153)
Closing defined benefit obligation	144,841	213,383

The experience loss/(gain) on the defined benefit obligation includes £16,327,000 in respect of the allowance for actual pensions increases and CPI inflation over the accounting period.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2023	Year to 31 Mar 2022
	£000s	£000s
Opening fair value of Fund assets	128,639	121,215
Interest on assets	3,327	2,286
Return on assets less interest	(5,999)	7,418
Other actuarial gains/(losses)	563	-
Administration expenses	(52)	(64)
Contributions by employer including unfunded	2,941	2,675
Contributions by Scheme participants and other employers	1,048	921
Estimated benefits paid plus unfunded net of transfers in	(5,357)	(5,812)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	125,110	128,639

Sensitivity analysis	£000s	£000s	£000s	£000s	£000s
Adjustment to discount rate	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	134,351	142,638	144,841	147,099	156,733
Projected service cost	2,620	3,007	3,112	3,221	3,696
Adjustment to long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	145,613	144,993	144,841	144,690	144,097
Projected service cost	3,122	3,114	3,112	3,110	3,102
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	156,132	146,987	144,841	142,746	134,864
Projected service cost	3,711	3,222	3,112	3,005	2,605
Adjustment to life expectancy assumptions		+1 Year	None		-1 Year
Present value of total obligation		150,622	144,841		139,305
Projected service cost		3,225	3,112		3,002

Projected pension expense

Year to
31 Mar 2024
£000s

Service cost	3,112
Net interest on the defined liability / (asset)	858
Administration expenses	52
Total loss / (profit)	4,022
Employer contributions	3,587

These projections are based on the assumptions as at 31 March 2023, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023.