



Nottinghamshire Pension Fund

(3) Newark & Sherwood District Council

IAS19 Report as at 31 March 2024

v2

20 May 2024



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). These benefits are provided to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2024. 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/).

This report is prepared in accordance with our understanding of IAS19 and complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2024.

The figures contained in this report are in respect of the Employer's pension obligations under the LGPS as at 31 March 2024.

Please note that we have not allowed for an asset ceiling to be incorporated into the balance sheet at the specific request of the Employer. 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 2024, 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 and the Employer via the use of MS Forms:

Results of the latest funding valuation as at	31 March 2022
Results of the previous IAS19 report as at	31 March 2023
Actual Fund returns to	n/a
Fund asset statement as at	31 March 2024
Fund income and expenditure items to	31 December 2023
Employer income and expenditure items to	31 March 2024
Details of any new unreduced early retirement payments to	31 March 2024
Details of any settlements to/from the Employer for the period to	31 March 2024

The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and the data is within tolerances for the purposes of this report.

Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be significant to the results in this report.

We have not been notified of any significant changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2022 from the latest funding valuation 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 (salary/pension weighted)
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 2024	£18,301,000
Projected payroll for the year to 31 March 2025	£18,922,000

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.

	Primary rate	Secondary rate for period beginning:			Minimum employer contributions due for the period beginning:		
		1 Apr 2023	1 Apr 2024	1 Apr 2025	1 Apr 2023	1 Apr 2024	1 Apr 2025
Total percent of payroll	18.6%	0.0%	0.0%	0.0%	18.6%	18.6%	18.6%
plus monetary amount (£000s)		459	477	495	459	477	495

The table of scheduled contributions above relates to the entity and all associated employers. The primary rate shown is the appropriate weighted average.

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 2024 is calculated to be 8.46% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The Employer's share of the assets of the Fund is approximately 1.93%.

The estimated asset allocation for the Employer at 31 March 2024 and 31 March 2023 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2024		31 Mar 2023	
	£000s	%	£000s	%
Public Equities	81,967	60%	72,922	58%
Gilts	3,246	2%	2,586	2%
Other bonds	6,724	5%	7,410	6%
Property	14,409	11%	14,849	12%
Cash/temporary investments	8,160	6%	6,546	5%
Inflation Plus	6,894	5%	6,315	5%
Infrastructure	9,799	7%	9,833	8%
Private Equities	4,340	3%	4,649	4%
Total	135,539	100%	125,110	100%

The table below sets out the percentages of the Fund's assets held in each asset class at 31 March 2024 (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 March 2024	
		% Quoted	% Unquoted
Fixed Interest Government Securities	UK	2%	-
	Overseas	-	-
Index Linked Government Securities	UK	0%	-
	Overseas	-	-
Corporate Bonds	UK	0%	-
	Overseas	5%	-
Equities	UK	17%	0%
	Overseas	43%	-
Property		-	11%
Private Equity		-	3%
Infrastructure		-	7%
Unit Trust Infl Linked		-	5%
Credit		-	3%
Cash/Temporary Investments		-	2%
Net Current Assets	Debtors	-	0%
	Creditors	-	-0%
Total		68%	32%

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 2024 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2024	31 Mar 2023	31 Mar 2022
	p.a.	p.a.	p.a.
Discount rate	4.90%	4.80%	2.60%
Pension increases (CPI)	2.90%	2.90%	3.20%
RPI inflation	3.25%	3.30%	3.55%
Salary increases	3.90%	3.90%	4.20%

Projected unit method is used in our calculations.

We have allowed for actual pension increases up to and including the 2024 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 2023 to February 2024.

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, except for an update of the CMI projection model. 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 2024	31 Mar 2023
Base table	S3PA	S3PA
Multiplier (M/F)	115% / 110%	115% / 110%
Future improvements model	CMI_2022	CMI_2021
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial addition parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	0%	5%
2021 weight parameter	0%	5%
2022 weight parameter	25%	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 2024	31 Mar 2023
Retiring today	Males	20.4	20.7
	Females	23.3	23.5
Retiring in 20 years	Males	21.7	22.0
	Females	24.7	25.0

Employer duration

The estimated Macaulay 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 if member benefits are introduced, withdrawn or changed. For example, an award of additional discretionary benefits 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 2024.

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, which has been confirmed by the Fund.

Results

Balance sheet	As at 31 Mar 2024	As at 31 Mar 2023	As at 31 Mar 2022
	£000s	£000s	£000s
Net pension asset in the statement of financial position			
Present value of the defined benefit obligation	145,832	143,192	211,102
Fair value of Fund assets (bid value)	135,539	125,110	128,639
Deficit / (Surplus)	10,293	18,082	82,463
Present value of unfunded obligation	1,549	1,649	2,281
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	11,842	19,731	84,744

The amounts recognised in the profit and loss statement	Year to 31 Mar 2024	Year to 31 Mar 2023
	£000s	£000s
Service cost	3,386	7,438
Net interest on the defined liability / (asset)	853	2,165
Administration expenses	61	52
Total loss / (profit)	4,300	9,655

For the purposes of our calculations, we distribute fund administration expenses amongst the employers in the Fund in proportion to their individual asset shares.

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to 31 Mar 2024	Year to 31 Mar 2023
	£000s	£000s
Return on Fund assets in excess of interest	4,573	(5,999)
Other actuarial gains / (losses) on assets	-	563
Change in financial assumptions	2,367	84,917
Change in demographic assumptions	2,034	11,874
Experience gain / (loss) on defined benefit obligation	(793)	(19,628)
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	8,181	71,727

Investment expenses are included in return on Fund assets in excess of interest.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2024 £000s	Year to 31 Mar 2023 £000s
Opening defined benefit obligation	144,841	213,383
Current service cost	3,386	7,438
Interest cost	6,856	5,492
Change in financial assumptions	(2,367)	(84,917)
Change in demographic assumptions	(2,034)	(11,874)
Experience loss/(gain) on defined benefit obligation	793	19,628
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(5,147)	(5,212)
Past service costs, including curtailments	-	-
Contributions by Scheme participants and other employers	1,198	1,048
Unfunded pension payments	(145)	(145)
Closing defined benefit obligation	147,381	144,841

The experience loss/(gain) on the defined benefit obligation includes £793,000 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 2024 £000s	Year to 31 Mar 2023 £000s
Opening fair value of Fund assets	125,110	128,639
Interest on assets	6,003	3,327
Return on assets less interest	4,573	(5,999)
Other actuarial gains/(losses)	-	563
Administration expenses	(61)	(52)
Contributions by employer including unfunded	4,008	2,941
Contributions by Scheme participants and other employers	1,198	1,048
Estimated benefits paid net of transfers in	(5,292)	(5,357)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	135,539	125,110

Investment expenses are included in actual return on assets in excess of interest.

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	136,806	145,161	147,381	149,657	159,360
Projected service cost	2,803	3,220	3,333	3,450	3,960
Adjustment to long term salary increase	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	148,135	147,530	147,381	147,234	146,655
Projected service cost	3,344	3,335	3,333	3,331	3,322
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0.0%	-0.1%	-0.5%
Present value of total obligation	158,791	149,551	147,381	145,264	137,289
Projected service cost	3,978	3,452	3,333	3,218	2,787
Adjustment to life expectancy assumptions		+1 Year	None		-1 Year
Present value of total obligation		153,157	147,381		141,849
Projected service cost		3,455	3,333		3,214

Projected pension expense	Year to 31 Mar 2025 £000s
Service cost	3,333
Net interest on the defined liability / (asset)	480
Administration expenses	61
Total loss / (profit)	3,874
Employer contributions	3,996

These projections are based on the assumptions as at 31 March 2024. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2024.

Appendix - Auditor Data Pack

Newark & Sherwood District Council's auditor will generally need to receive sufficient appropriate audit evidence to carry out the audit. This is particularly the case with actuarially calculated values, which are considered to be accounting estimates under ISA(UK)540. The auditor will wish to evaluate the appropriateness of the Barnett Waddingham actuary's report as audit evidence (IAS(UK)500), and may engage the services of an Auditor's Expert to do so (ISA(UK)620). The Auditor's Expert will have specific knowledge of defined benefit pensions and will often wish to carry out substantive analytical procedures as referred to in ISA(UK)330 and ISA(UK)520.

The purpose of this Appendix is to provide, at the outset, many of the additional data items often requested. This should streamline the overall audit process by providing the required additional data in a single report, reducing the number of additional data queries flowing via the fund. The following data supplements the information in the main accounting report and should be read in conjunction with it. We do not expect this report to be audited - it is provided to aid in the audit of main report.

This additional data is ultimately based on the results of the funding valuation as at 31 March 2022 on which the accounting results are based. Some of the statistics are derived using approximate methods, but we expect that they will be suitable for the intended purpose, which is to carry out approximate rollforward and rebase calculations to verify the results quoted in the main report.

Past and future service liability duration information

Duration, including definition (years)	As at 31 Mar 2024	As at 31 Mar 2023	Change over the period
Overall Macauley duration ⁽¹⁾	16.0	16.1	(0.1)
Overall modified duration ⁽²⁾	15.7	15.8	(0.2)
Active (Final Salary) modified duration	19.7	19.9	(0.1)
Active (CARE) modified duration	24.2	24.4	(0.2)
Active (PUM) modified duration	26.1	26.4	(0.2)
Deferred modified duration	20.4	20.6	(0.2)
Pensioner modified duration	10.3	10.3	(0.1)
Unfunded modified duration	7.2	7.3	(0.0)
CPI-linked modified duration	15.0	15.2	(0.2)
FS-linked modified duration	19.7	19.9	(0.1)

⁽¹⁾ The Macauley duration is the weighted average term to maturity of the benefit cashflows

⁽²⁾ The Modified duration is the sensitivity of the present value of the benefit cashflows to a change in discount rate
All duration calculations use the accounting assumptions at the respective date - the change over the period is due to the change in assumptions

Liability split information

Approximate proportion of total past service liability in each main category	As at 31 Mar 2024	As at 31 Mar 2023
Active (Final Salary) liability	14%	14%
Active (CARE) liability	13%	13%
Deferred liability	23%	23%
Pensioner liability	49%	49%
Unfunded liability	1%	1%
CPI-linked liability	86%	86%
FS-linked liability	14%	14%

Please note that these splits of liability are based on actual cashflow projections as at the last funding date. We have not made any allowance for member movements or liabilities being extinguished in these estimated splits. We have allowed for the change in financial assumptions which applied at the relevant dates shown in the table above.

Approximate proportion of total liability split by gender	Proportion of liability female
Active (Final Salary) members	48%
Active (CARE) members	53%
Deferred members	51%
Pensioner members	43%
Overall membership	48%

Splits quoted are as at the last funding valuation. Liability weighted statistics use accounting assumptions at the last funding date.

Average age information	Weighted by salary	Weighted by pension	Weighted by liability
Active members	46.4	51.2	50.7
Active (Final Salary) members		53.7	53.2
Active (CARE) members		49.4	48.4
Deferred members		51.0	51.0
Pensioner members		71.9	67.5

Tranche average retirement age	Weighted by pension	Weighted by liability
Active members	65.0	65.1
Active (Final Salary) members	64.0	64.0
Active (CARE) members	65.9	66.0
Deferred members	63.2	63.0

Ages quoted are as at the last funding valuation. Liability weighted statistics use accounting assumptions at the last funding date.

Allowance for actual inflation

Detailed information on CPI statistics for known inflation allowance	Statistic date	Statistic value	Annualised rate
Latest known CPI (start)	February, 2023	127.9	
Latest known CPI (end)	February, 2024	132.3	3.44%
Inflation assumption at start of period			2.90%
Allowance for actual inflation vs assumed			0.54%

The experience gain (loss) from actual inflation is shown as an annual effective rate which can be interpolated if required.

Asset information

Value of assets (£000s) and asset share	As at 31 Mar 2024	As at 31 Mar 2023
Total fund assets	7,018,789	6,463,924
Employer assets	135,539	125,110
Employer asset share	1.931%	1.936%