

Report to: Audit & Accounts Committee Meeting 22 April 2026

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| <b>Report Summary</b>    |   |
|--------------------------|---|
| <b>Report Title</b>      | <i>UNDERLYING PENSION ASSUMPTIONS FOR 2025/2026 STATEMENT OF ACCOUNTS</i>   |
| <b>Purpose of Report</b> | <i>To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2025/2026 Statement of Accounts.</i> |
| <b>Recommendations</b>   | <i>Members note and approve the assumptions used in the calculation of pension figures for 2025/2026.</i>   |

## **1.0 Background**

- 1.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts.
- 1.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.
- 1.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.
- 1.4 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.
- 1.5 A formal actuarial valuation is carried out every three years, the last being as at 31 March 2025. The purpose of the valuation is to review the financial position of the Fund

and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2026 to 31 March 2029 as required under Regulation 62 of the Regulations.

- 1.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

## **2.0 Financial Assumptions**

|  | 2025/2026 | 2024/2025 |
|--|-----------|-----------|
| Discount Rate (30years)<br>This allows for the effect of inflation on the liabilities in the scheme.               | 6.40%     | 6.00%     |
| Pension Increase Rate (20 years)<br>Public sector pension increases are linked to the Consumer Prices Index (CPI). | 2.80%     | 3.00%     |

Based on market conditions at 31 March 2026, most employers will see the value of their defined benefit obligation decrease. However, the extent of this will depend on employer's membership profile, cashflows over the year and any bespoke assumptions or approaches.

## **3.0 Demographic Assumptions**

The standard approach taken by the actuary for the key demographic assumption of mortality assumption is to use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

Other Demographic Assumptions;

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

#### 4.0 Impact in Financial Statements

| Assumption            | Movement | Impact   |
|-----------------------|----------|--|
| Price Inflation       | Decrease | Decrease in charge for cost of future pensions |
|                       | Increase | Increase in charge for cost of future pensions |
| Pension Increase Rate | Decrease | Decrease in liabilities                        |
|                       | Increase | Increase in liabilities                        |
| Salary Increase Rate  | Decrease | Decrease in charge for cost of future pensions |
|                       | Increase | Increase in charge for cost of future pensions |
| Discount Rate         | Decrease | Reduction in liabilities                       |
|                       | Increase | Increase in liabilities                        |

Attached at **Appendix A** is the full employer briefing note pre-accounting date as received from the pension fund. Also attached at **Appendix B** is a useful accounting Glossary and FAQs.

#### 5.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

| Implications Considered                           |    |                      |    |
|---|----|----------------------|----|
| Yes – relevant and included / NA – not applicable |    |                      |    |
| Financial   | NA | Equality & Diversity | NA |
| Human Resources                                   | NA | Human Rights         | NA |
| Legal   | NA | Data Protection      | NA |
| Digital & Cyber Security                          | NA | Safeguarding         | NA |
| Sustainability                                    | NA | Crime & Disorder     | NA |
| LGR   | NA | Tenant Consultation  | NA |

#### Background Papers and Published Documents

Nil