

# Update from the actuary

Nottinghamshire Pension Fund AGM  
4 October 2018

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ASSOCIATE & ACTUARY

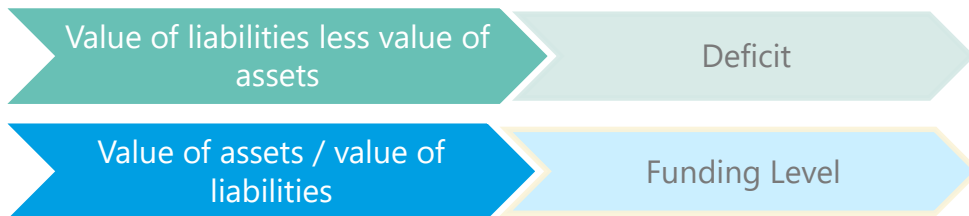
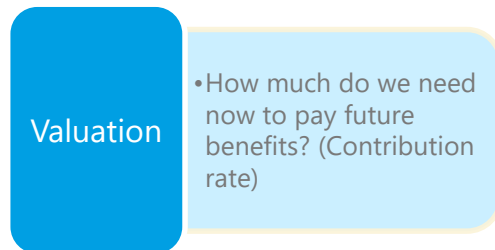
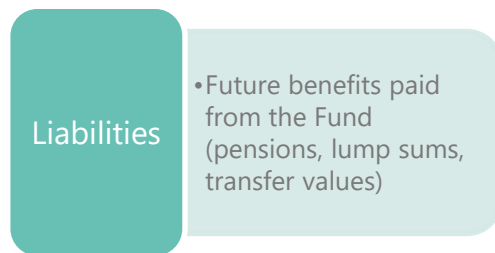
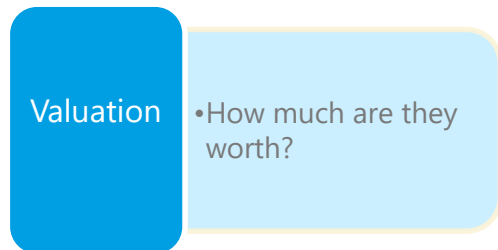
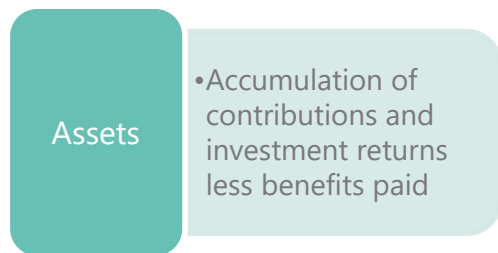
ROSS ANDERSON FFA  
ASSOCIATE & ACTUARY

# Agenda

- Purpose of valuations
- Short 2016 re-cap
- Current funding update
- 2019 valuation

# Purpose of valuations

# Valuations - recap



# Purpose of valuations

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Accounting  
(IAS19/FRS102)

To show cost/liabilities in accounts

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Assumptions are largely prescribed

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Liabilities/ costs much higher and more volatile

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Ongoing  
triennial  
funding  
valuation

To set future contributions

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Actuary agrees assumptions with Fund

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Liabilities/costs much lower and more stable

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# Short 2016 valuation re-cap

# Triennial funding valuations

## Set out in LGPS Regulations

- to *certify* levels of employer contributions to secure the *solvency* of the Fund and the *long term cost efficiency* of the Scheme

## Also have regard to the Funding Strategy Statement

- As determined by administering authority
- With some actuarial help!

Actuary to “have regard to desirability of maintaining as nearly constant a (primary) contribution rate as possible”

- Function of Funding Model / investment strategy
- Spreading and stepping

## Different approaches possible for different employer types

- Statutory/non statutory bodies
- Open or closed admission agreements
- Look at employer financial strength (“covenant”)

# Whole Fund results

Assets were 87% of the amount required to cover the cost of accrued benefits

Average employer cost of benefits accruing in year after the valuation date is 14.5% of payroll

## Past service funding position

		31 March 2016
		£m
<b>Smoothed asset value</b>		4,028
<b>Past service liabilities</b>		
	Actives	1,612
	Deferred pensioners	964
	Pensioners	2,073
	Total	4,649
<b>Surplus (Deficit)</b>		<b>(621)</b>
<b>Funding level</b>		87%

<b>Primary rate</b>	<b>% of payroll</b>
Total future service rate	20.8%
less employee contribution rate	<b>(6.3%)</b>
<b>Total primary rate</b>	<b>14.5%</b>

## Section 13

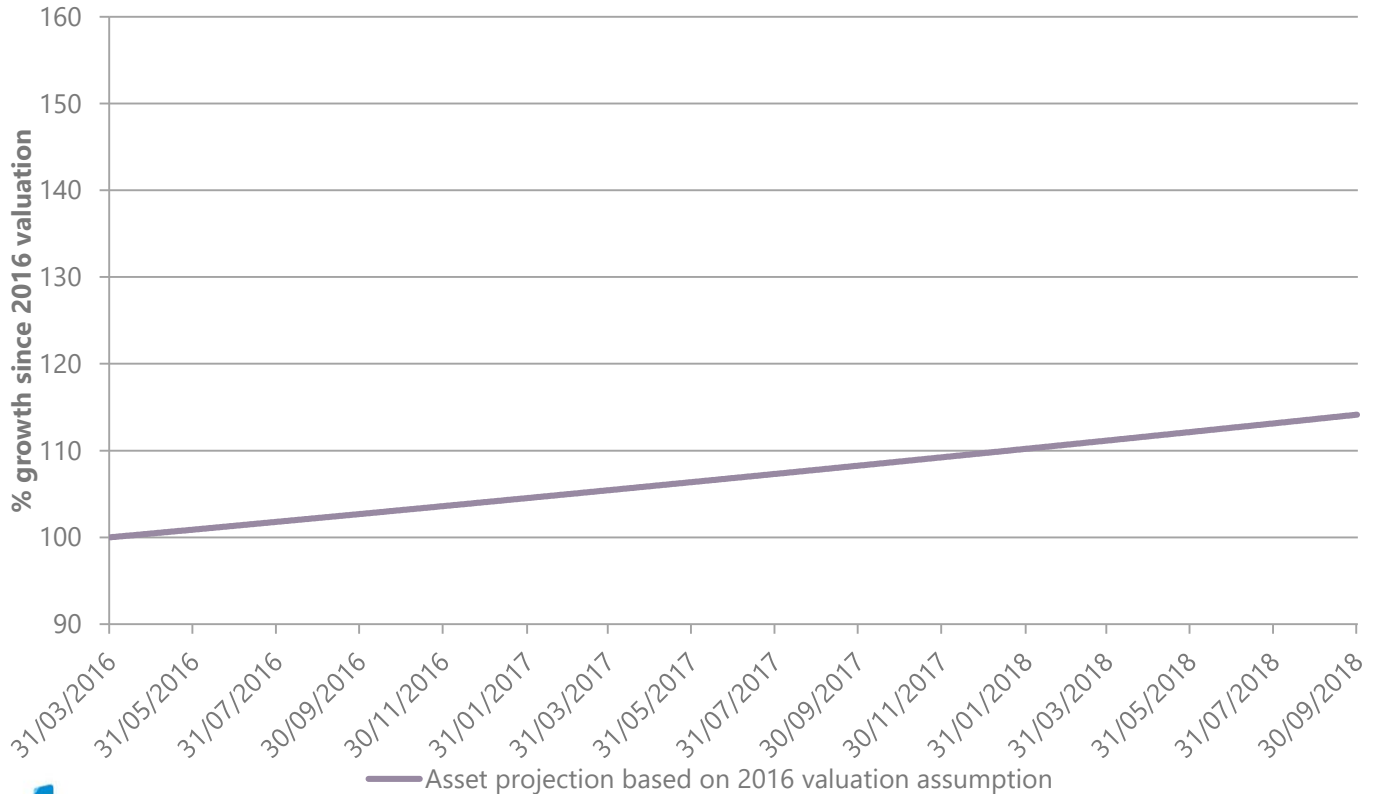
“Section 13 to provide for an independent review (by GAD) of the valuation and employer contribution rates to check that they are appropriate and requires remedial action to be taken where that review identifies a problem.”

**Government Actuary: LGPS in better position after funds make ‘significant’ progress – Professional Pensions 28 September 2018**

All green flags for Nottinghamshire Pension Fund!

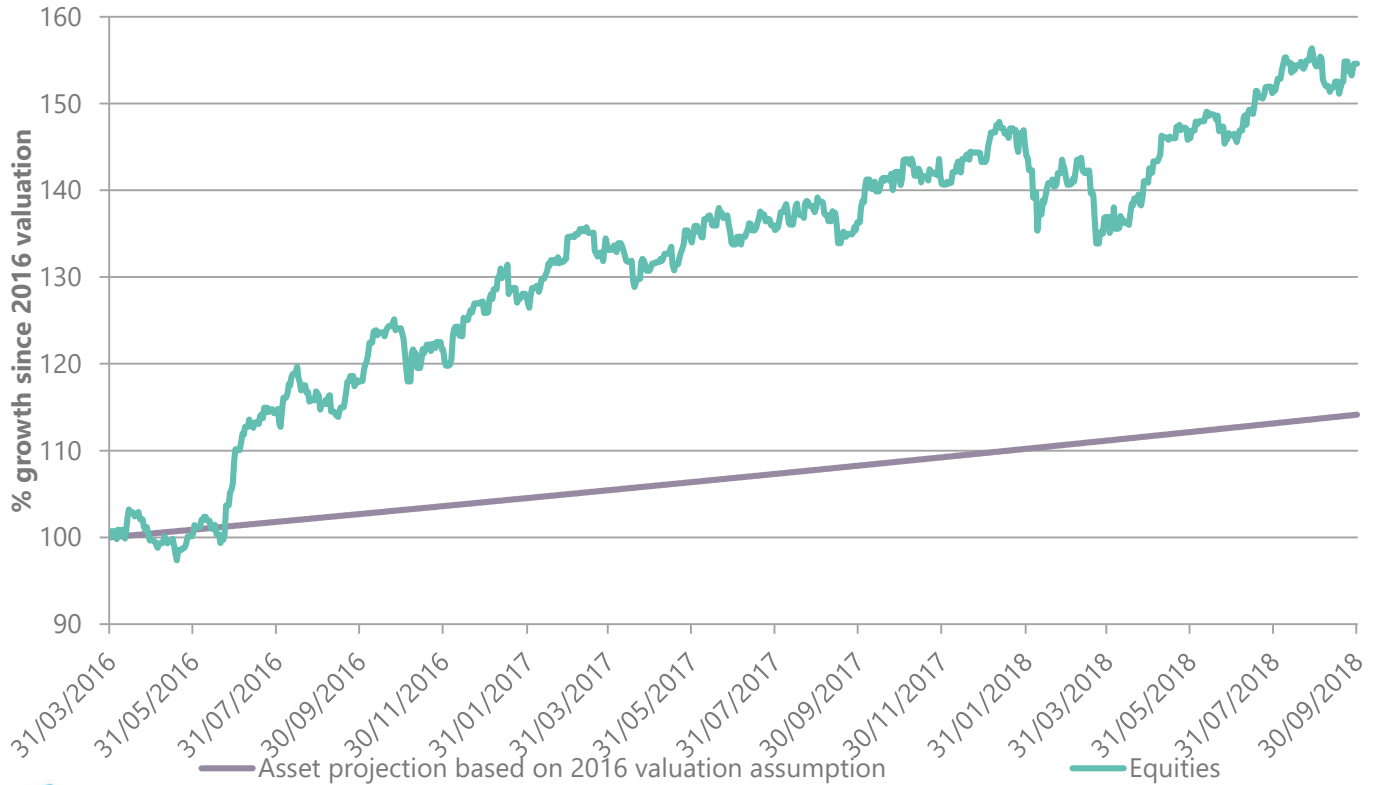
# Current funding update

# Assets

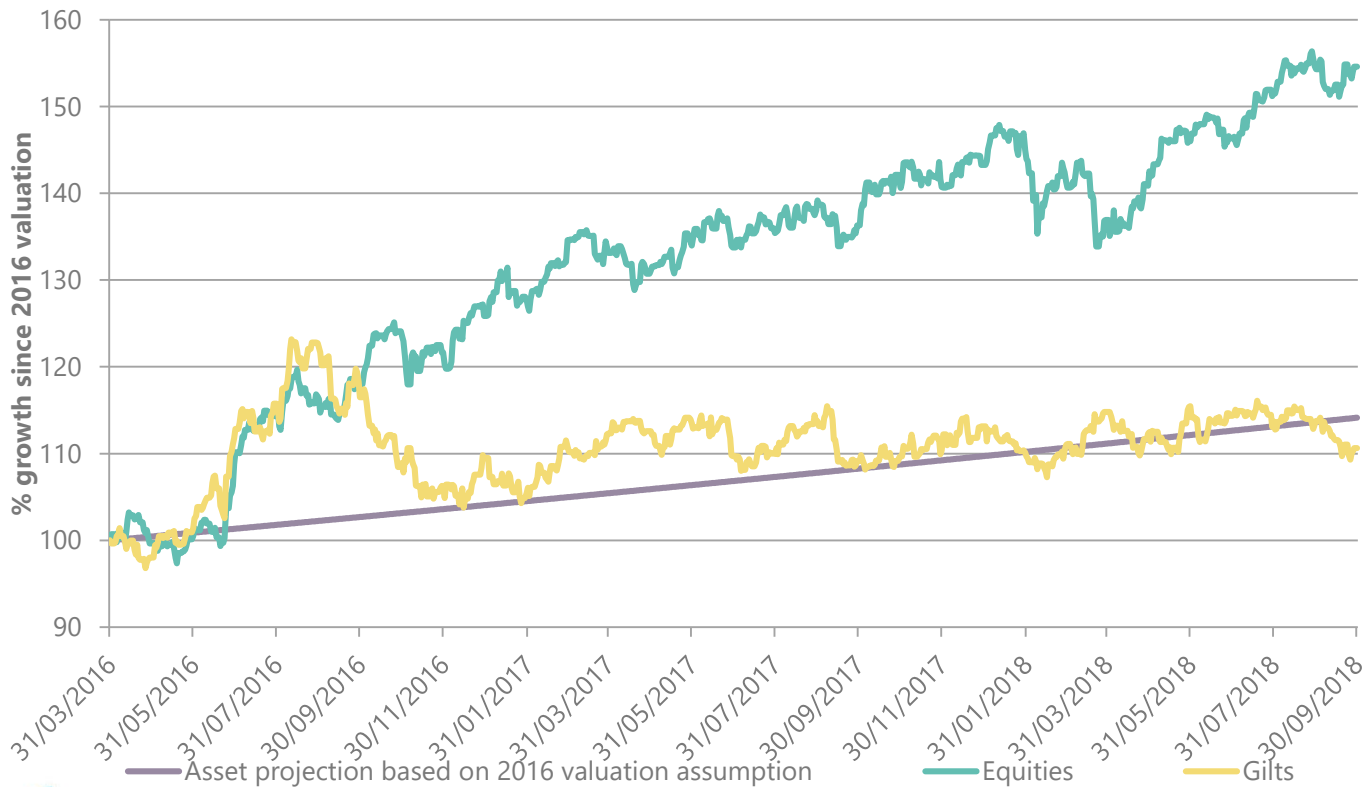


— Asset projection based on 2016 valuation assumption

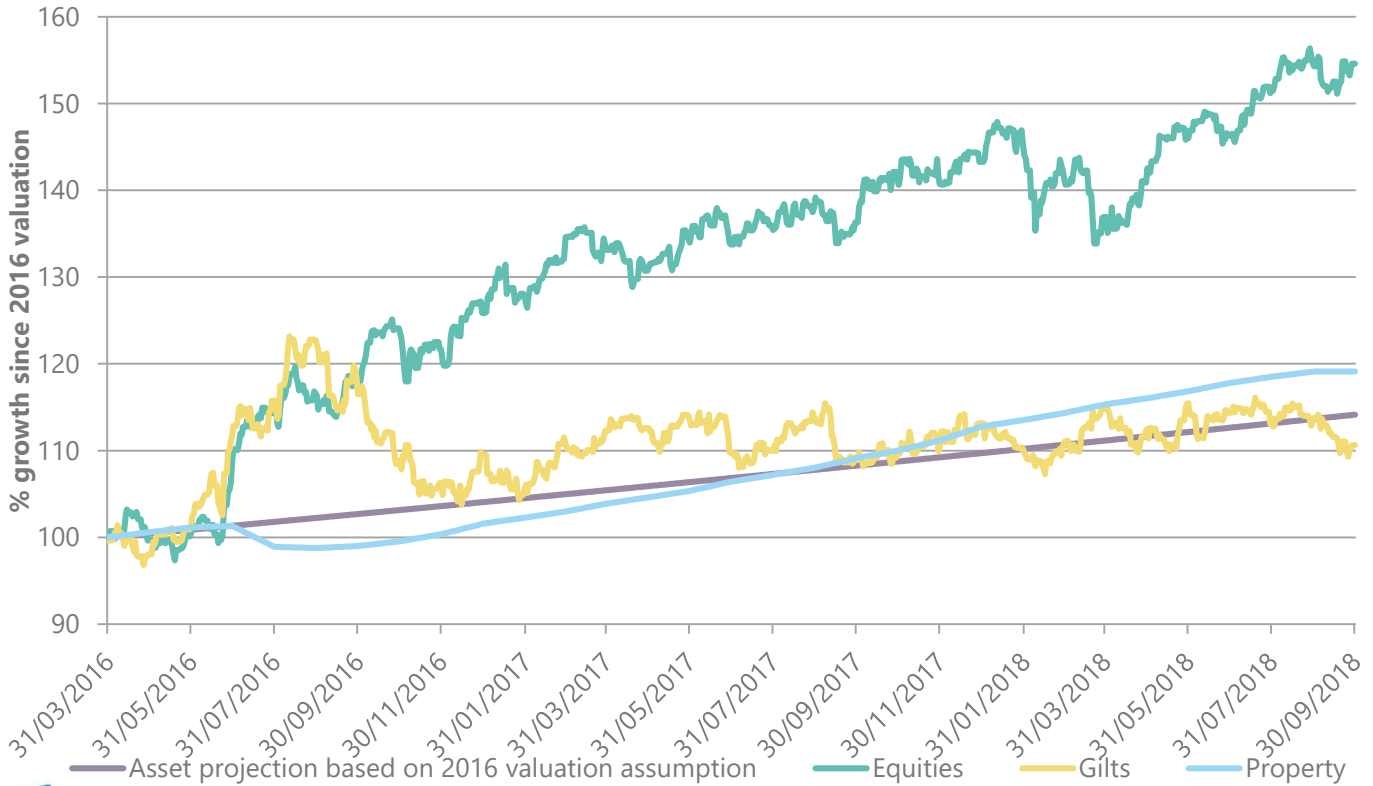
# Assets



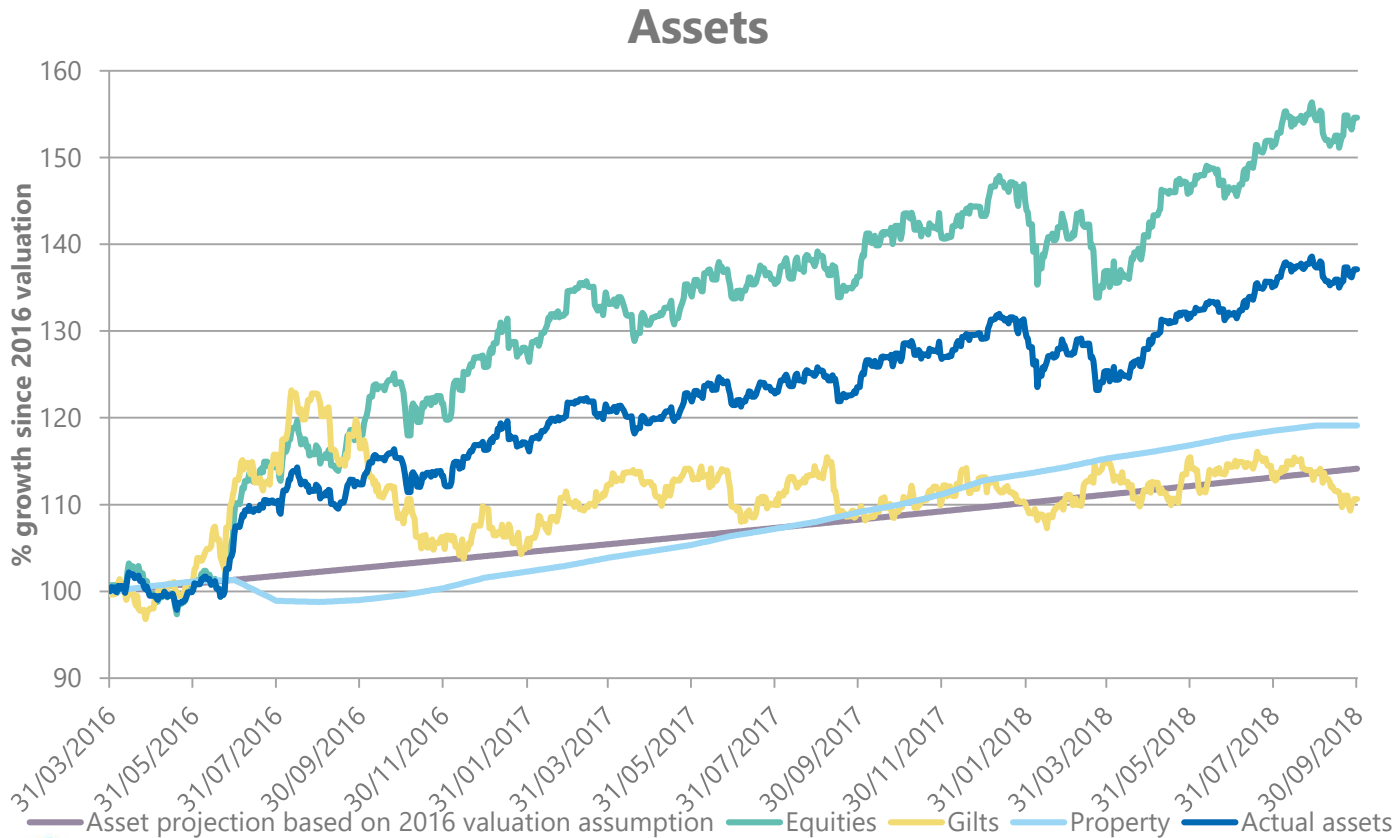
# Assets



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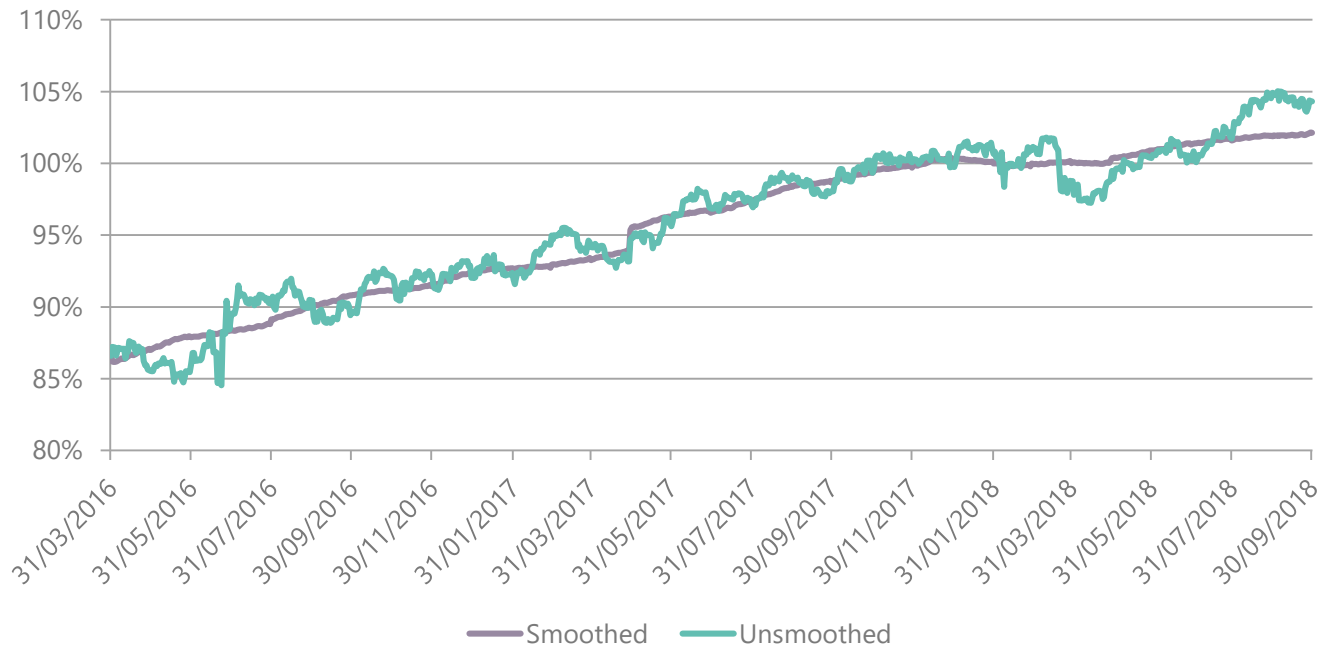
# Change in real discount rates - liabilities

## Change in real discount rate



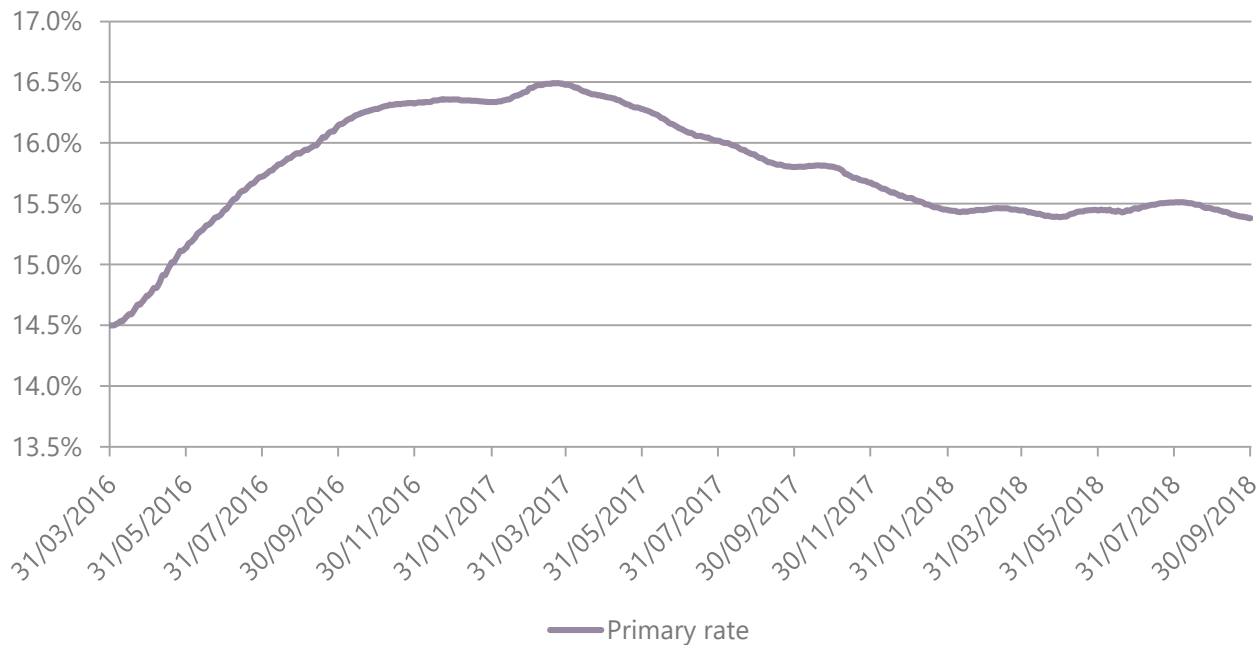
# Funding levels – the good news....

## Funding Level



# Future service costs – less good news.....

## Future service cost



# So.....

## Strong asset returns since 2016

- Great if you held the assets at 2016
- Not so great if you still have some to buy...

## Lower expected returns (above inflation) going forward

- Offsets some of the asset outperformance to date
- Still need to buy new assets for new liabilities
- More expensive than before so more cash required

## Looking forward to 2019 valuation?

- Higher cost of future accrual
- Improved funding level due to good asset returns
- **Aiming for stability of contributions**

## However!

- Still plenty of time for things to change
- We live in an uncertain world
- Our model designed to help withstand short-term "noise"

# How to plan for results

## Tricky to provide strong indication of any particular employer's results at this stage

- Assumptions not agreed yet
- Employer circumstances different from Fund as a whole

## What do we know?

- Returns have been really good
- Lower expected returns (above inflation) going forward
- Although, potential for things to change between now and 31 March

## What we know that we don't know

- Assumptions due to be agreed in September 2019
- Individual employer experience
- Individual funding strategy and flexibilities
- Won't know until individual results available in October/November 2019

## What we don't know that we don't know

# We can help!



Online ongoing funding tracker

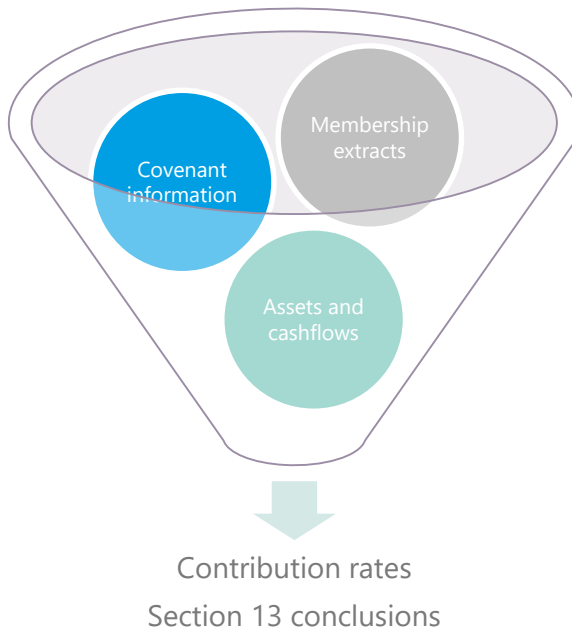
Works in real time

Can track accounting deficit too

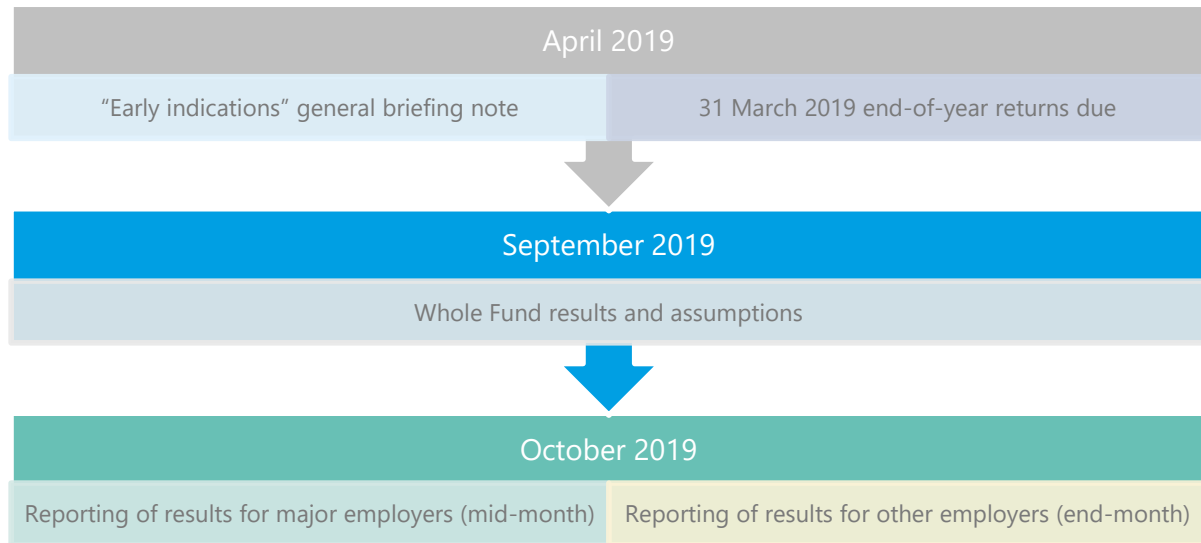
# 2019 valuation

# 2019 or 2020?

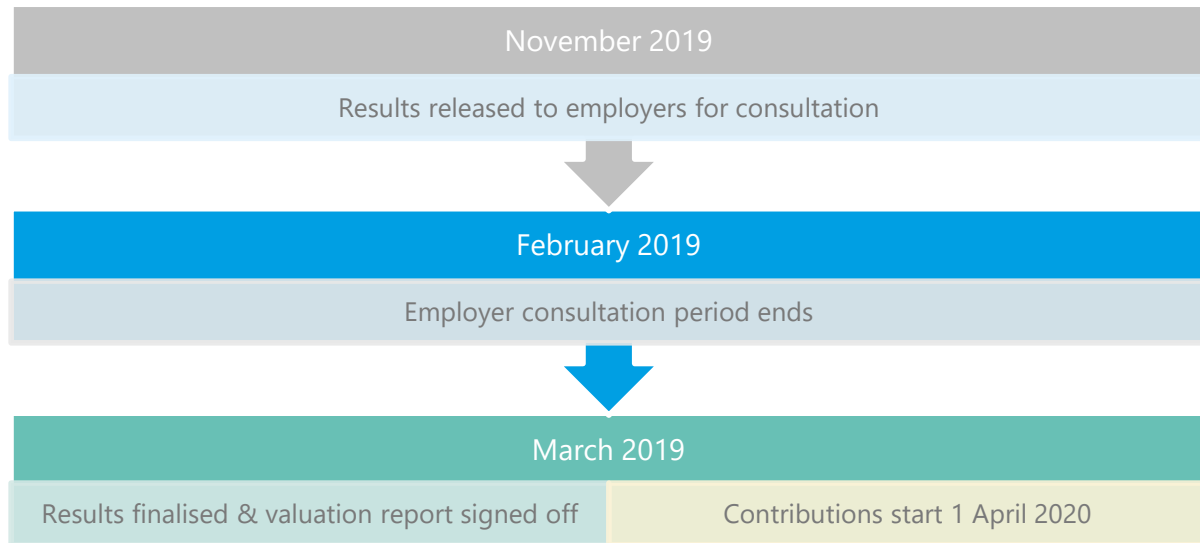
# Why is accurate valuation data so important?



# Timetable – key milestones



# Timetable – key milestones





Questions