

# Nottinghamshire County Council Pension Fund

## AGM 2021 - Actuarial update

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## What has happened since March 2019?

...a lot!

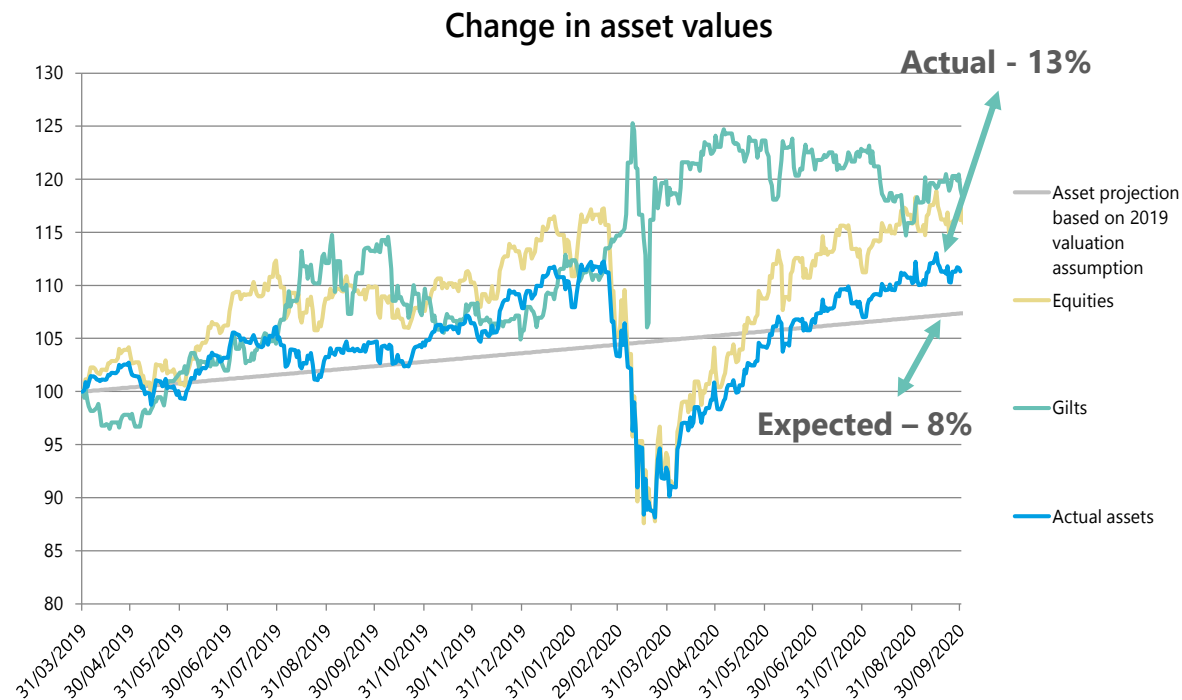
- › COVID-19 Crisis
  - › Market falls and volatility
  - › Mortality experience
- › Regulatory activity
  - › McCloud
  - › £95k exit cap
  - › Employer flexibilities

## > 2019 Valuation results

### Summary of outcomes

- › Improvement in overall funding position from 87% (2016) to 93% (2019)
- › Reduction in deficit from £621m to £405m
- › Key reasons for improvement were
  - › Strong investment performance – actual 10.3% p.a. vs expected of 5.4% p.a.
  - › Slow down in mortality improvements
- › Increase in primary rate from 14.5% to 17.9%
  - › Reduction in discount rate
  - › Higher expected inflation
- › Broadly stable contributions for Fund, but variations by employer

# Market volatility

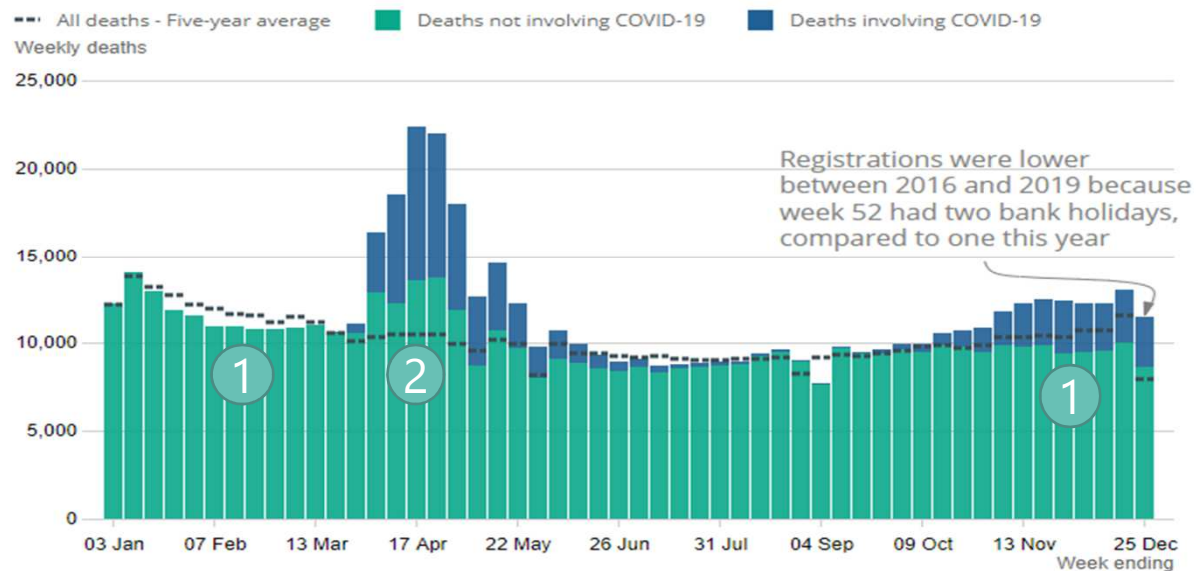


# Funding update

- Returns have been volatile but strong – increase in assets
- Lower future returns expected 0.7% p.a. – increase in liabilities
- Lower inflation expected of around 0.3% p.a. – decrease in liabilities
- Assumption reviewed prior to 2022 valuation

# Mortality - Excess deaths

Number of deaths registered by week, England and Wales, 28  
December 2019 to 25 December 2020



Source: Office for National Statistics – Deaths registered weekly in England and Wales

Over 73,000 more deaths than 5 year average in E&W in 2020, an increase of around 12%

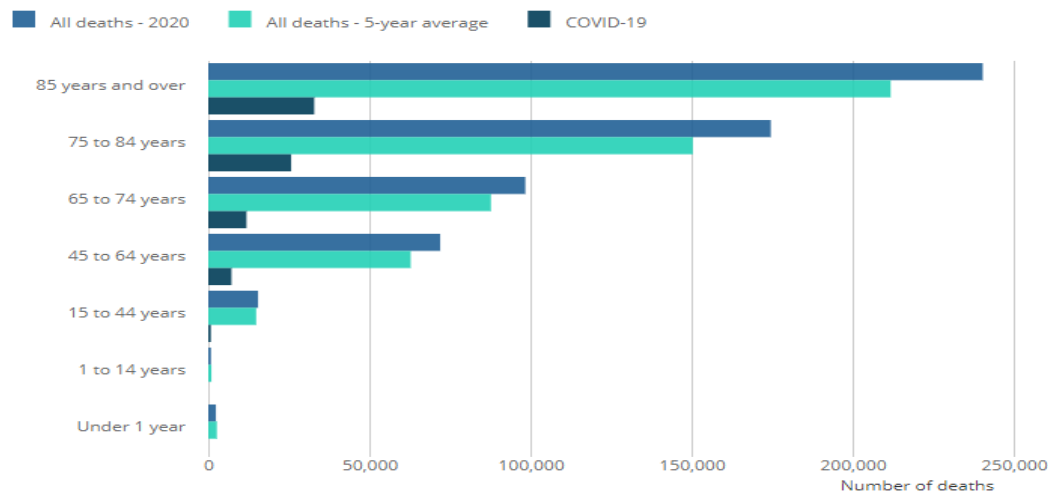
1 Deaths not involving covid generally lower than the 5 year average – would life expectancy be improving if not for covid?

2 Some deaths where covid was a factor but not registered

# Mortality - Excess deaths

**Figure 4: The number of deaths in 2020 exceeded the five-year average in age groups 15 years and over**

Number of deaths registered by week and age group, England and Wales, 28 December 2019 to 25 December 2020



Source: Office for National Statistics – Deaths registered weekly in England and Wales

Pensioners dying reduces liability but majority of excess deaths are at older ages so less impact on liabilities and cost

Impact might reduce liabilities by 0.5%

LGPS experience may be different compared to population

Likely to see greater variation across UK

Still lots of uncertainty on long term impact on liabilities

Future mortality assumption

- complicates experience analyses
- leads to implausible results from "business as usual" projections



## Recent flurry of consultation activity

**McCloud  
consultation  
published**

**Response to  
£95k cap  
consultation**

**Employer  
flexibilities**

**GMP  
Equalisation**

# McCloud

## Background

- Two consultations issued (LGPS / unfunded schemes)
- Remedy proposed extends to all members active on 31/3/2012
- Underpin to apply from 1 April 2014 to 31 March 2022
- Higher of pension accrued under CARE and FS scheme

## Funding

- £2.5bn estimated impact in LGPS (GAD estimate)
- Lower on the Fund's pay growth assumption
- Contributions may increase by around 0.5% - 0.7% of pay
- May be more material for some employers

## Administration

- Administration issues are significant
- Review of member records back to 1 April 2014
- Historic data collection required and problematic
- Communications with members



# Rules of thumb for employers



## Salary increase assumption

Higher = more effect (underpin more likely to bite)

Difficult to allow for individual member risk



## Withdrawal assumption

Stronger = more leavers (underpin less likely to bite)



## Age profile

Younger = more effect (time)

Final salary has longer to outrun CARE

More exposure to salary risk (promotions)

Need further  
Check out c  
impactful pi  
document [!](#)



## Councils

- › Older profile
- › Individual member risk
- › Stability?

## Academies

- › Generally younger profile
- › Lower salary increases

## Admission bodies

- › Range of profiles
- › More volatility

# Employer flexibilities



## Contribution reviews

Significant changes during inter-valuation period

Ability to review if change in liabilities / covenant



## Exit payments

Too expensive to stay, too expensive to go

Spreading of exit payments



## Deferred debt arrangements

Unaffordable cessation debt

Continued participation without triggering a debt

Risk remains with employer, revised valuation

# Considerations

- › Consider approach to be taken
  - › Key factors triggering a review / spreading exit / allowing DDA
  - › Impact on/risk to other employers
  - › Monitoring required
  - › Timing and costs – when, how often, who meets costs
- › Revise FSS
- › Communicate changes (if any) to employers
- › Review any existing arrangements/admission agreements

## Looking forward



### Data

Annual employer  
cashflow checks

Annual member  
data checks



### Funding

Monitoring funding  
positions online

Review actuarial  
assumptions (both  
financial and  
demographic)



### Employers

Communications to  
employers

Data quality –  
engage with and  
assist the Fund

# THANK YOU