

NOTTINGHAMSHIRE PENSION FUND FUNDING STRATEGY STATEMENT

APPENDIX B

This table sets out the comments and questions raised in response to the consultation on the Funding Strategy Statement, information and advice provided by the actuary, Barnett Waddingham in response to these, and the resultant changes made in the Funding Strategy Statement together with any relevant explanations.

Comment/Question received	Barnett Waddingham information and advice	Changes made in the FSS
<p>Comments on the appropriateness of the financial assumptions. In particular the discount rate is too low</p>	<p>The Fund Actuary takes the same approach to setting the discount rate assumption across all the LGPS Funds they advise and can provide wording to explain the approach.</p> <p>In particular, there have been comments about the relationship between the adopted discount rate and long-dated gilt yields. However the approach to setting assumptions at the 2025 valuation determines the discount rate on the expected risk-adjusted long-term investment return of the Fund rather than gilt yields.</p>	<p>None</p>
<p>Comments on the target success probability – can we reduce from 70% to 65%</p>	<p>Comments around the Fund taking an approach that is too prudent based on the target success probability of 70%.</p> <p>The draft FSS sets out a target success probability of 70%, which is consistent with the 2022 valuation. The Fund agreed that the success probability of 70% based on their own risk appetite, after consideration of the short and long term risks the Fund is exposed to.</p> <p>It is worth noting that the prudence adjustment has reduced slightly since 2022 (1.4% to 1.3%), despite the success probability staying the same, as a result of the Fund de-risking a proportion of the Fund assets.</p>	<p>None</p> <p>The 70% target success probability is reasonable and at the lower end of the range of success probabilities adopted across the BW Funds (70%-75%).</p>
<p>Inclusion of a minimum contribution rate should be removed</p>	<p>This doesn't apply to any employers and therefore we could remove it</p>	<p>Minimum contribution rate removed. No employers impacted by this amendment</p>

Comment/Question received	Barnett Waddingham information and advice	Changes made in the FSS
Request to remove the surplus retention level of 115%	The draft FSS states that surplus will only be refunded to employers over 115% funded. This approach has been taken as a mechanism to stabilise contributions. Employers in deficit will still be funded towards 100%	None, this is a common approach and aims to provide stability in the total contributions payable
Request to use a shorter surplus spreading period than the deficit spreading period	<p>Some requests asked for the surplus to spread over a shorter period to enhance investment opportunities for employer. The draft FSS applies the same recovery period for both deficits and surpluses. This approach is consistent with previous valuations and is designed to ensure fairness and consistency across all employers in the Fund.</p> <p>It is worth noting that a number of these requests came from employers in deficit, so this point would not be applicable to them.</p>	None –the Fund and Actuary discussed the appropriate recovery / surplus spreading period at the initial results meeting and agreed a maximum of 17 years for both deficit and surplus spreading was appropriate at this valuation.
Request for any surplus to be used to meet the costs of strain payments	<p>The current default approach is for employers to pay an additional contribution when there is an early retirement strain cost (for example as a result of a redundancy). The suggestion made is for employers in surplus to be able to use the surplus to pay the strain cost instead.</p> <p>As drafted, the FSS does allow any strains to be met from surplus, but this would not be the usual approach.</p>	<p>None. Fund do not feel comfortable accepting the proposal at this stage as:</p> <ul style="list-style-type: none"> - Fund is not in surplus - Majority of employers are not in surplus
Comments on the appropriateness of the demographic assumptions In particular the mortality assumption is too prudent	The assumption is the best estimate assumption and does not include any additional prudence. The reason for the increase in life expectancies is due to the observed experience of the Nottinghamshire Pension Fund which shows an increase in expected life expectancies	None

Comment/Question received	Barnett Waddingham information and advice	Changes made in the FSS
<p>Consideration of approach to post valuation experience.</p> <p>Comment also asked whether Fund takes into account contributions paid over 2025/26 when setting the secondary contributions</p>	<p>The valuation does not currently consider any post valuation experience. However, the secondary contributions do allow for the contributions which are expected to be paid over 2025/26.</p>	<p>None</p>
<p>Consideration of approach to exit valuations</p>	<p>Comments that the approach is too prudent</p>	<p>None – there has been additional work setting out the justification to this approach</p>
<p>Consideration of approach to employer’s requesting contribution reviews</p>	<p>Comments that the Fund has added in restrictions that go beyond the Regulations.</p> <p>Currently wording in draft FSS reflects the guidance.</p>	<p>The wording has been amended in response to these comments.</p>
<p>Clarity over whether the establishment of a wholly owned company by a scheduled body would trigger a contribution review</p>	<p>Any new employers should refer to the new employer section of the FSS and would not trigger a contribution review</p>	<p>None</p>
<p>Alternative funding arrangements that can be pursued</p>	<p>The draft FSS states that different security options may be explored. Employer has asked whether Fund has any preferred options</p>	<p>No change to FSS.</p> <p>It is difficult to assess what would constitute an acceptable alternative without the Fund being presented with specific options to consider.</p>

Comment/Question received	Barnett Waddingham information and advice	Changes made in the FSS
<p>Surplus upon conversion to academies to be retained</p>	<p>Draft FSS states that when a maintained school converts to an academy, its assets are capped at 100%.</p> <p>This issue does not arise for the Nottinghamshire Pension Fund at present as the Local Authorities are not fully funded, and therefore no surplus exists to allocate on conversion.</p>	<p>No change to FSS</p> <p>FSS has been drafted to give protection to the Local Authority in relation to the historical liabilities which will remain with them upon conversion. The decision provides security in relation to the liabilities as there would not be the ability to recover any future shortfalls.</p>