

Nottinghamshire Pension Fund

Mansfield District Council

IAS19 Report as at 31 March 2022

8 April 2022



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) to employees of Mansfield District Council (the Employer) as at 31 March 2022. 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/).

The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

This report is prepared in accordance with our understanding of IAS19 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures disclosed are in respect of the Employer's pension obligations under the LGPS as at 31 March 2022.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

We have not made any allowance for IFRIC14 in our calculations. 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.

We would be pleased to answer any questions arising from this report.



Matthew Paton FFA
Senior Consulting Actuary

Additional notes

With regards to the scheduled contributions section of this report, Mansfield District Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2023 by making a single lump sum payment of £5,184,000 by 30 April 2020.

Data used

We have used the following items of data which we received from the administering authority:

31 March 2019	- results of the previous funding valuation
31 March 2021	- results of the latest IAS19 report
n/a	- actual Fund returns to
31 December 2021	- Fund asset statement
31 March 2022	- Fund income and expenditure items (estimated where necessary) to
31 March 2022	- Employer income and expenditure items (estimated where necessary) to
31 March 2022	- details of any new unreduced early retirement payments in respect of the Employer to
31 March 2022	- details of any settlements to/from the Employer for the period to

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2019 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	744	15,665	48
Deferred pensioners	978	1,770	48
Pensioners	1,090	5,938	72
Unfunded pensioners	207	330	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 2022	£14,971,000
Projected payroll for the year to 31 March 2023	£14,971,000

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. The calculated cost of accrual of future benefits is 19.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of payroll	19.5%	19.5%	19.5%
plus monetary amount (£000s)	1,789	1,855	1,922

Funding approach

The Employer currently participates in the Mansfield District Council pool with other employers.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 6.32%. The actual return on Fund assets over the year may be different.

The Employer's share of the assets of the Fund is approximately 2.61%.

The estimated asset allocation for the Employer at 31 March 2022 and 31 March 2021 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	103,976	62%	104,896	65%
Gilts	5,299	3%	5,441	3%
Other bonds	12,348	7%	11,099	7%
Property	19,336	11%	16,543	10%
Cash	9,650	6%	7,363	5%
Inflation-linked pooled fund	8,488	5%	7,836	5%
Infrastructure	9,238	5%	8,759	5%
Total	168,335	100%	161,937	100%

The table below sets out the percentages of the Fund's assets held in each asset class at 31 December 2021 (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 December 2021	
		% Quoted	% Unquoted
Fixed Interest Government Securities	UK	3%	-
	Overseas	-	-
Index Linked Government Securities	UK	-	-
	Overseas	-	-
Corporate Bonds	UK	2%	-
	Overseas	5%	-
Equities	UK	20%	0%
	Overseas	37%	-
Property		-	11%
Private Equity		-	3%
Infrastructure		-	5%
Unit trust		-	1%
Unit Trust Infl Linked		-	5%
Credit		-	3%
Cash/Temporary Investments		-	3%
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 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Employer's past service liabilities, estimated to be 19 years.

Post retirement mortality		31 Mar 2022	31 Mar 2021
Base table		S3PA	S3PA
Multiplier (M/F)		110% / 105%	110% / 105%
Future improvements model		CMI_2020	CMI_2020
Long-term rate of improvement		1.25% p.a.	1.25% p.a.
Smoothing parameter		7.5	7.5
Initial addition parameter		0.5% p.a.	0.5% p.a.
2020 weight parameter		25%	25%

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	21.6	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	23.0	22.9
	Females	25.8	25.7

Financial assumptions	31 Mar 2022	31 Mar 2021	31 Mar 2020
	p.a.	p.a.	p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.20%	2.80%	1.90%
Salary increases	4.20%	3.80%	2.90%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Past service costs

Past service costs arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member 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 2022.

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.

Results

Net pension asset in the statement of financial position as at	31 Mar 2022	31 Mar 2021	31 Mar 2020
	£000s	£000s	£000s
Present value of the defined benefit obligation	287,429	292,618	236,649
Fair value of Fund assets (bid value)	168,335	161,937	131,901
Deficit / (Surplus)	119,094	130,681	104,748
Present value of unfunded obligation	3,892	4,145	4,020
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	122,986	134,826	108,768

The amounts recognised in the profit and loss statement	Year to	Year to
	31 Mar 2022	31 Mar 2021
	£000s	£000s
Service cost	7,167	7,192
Net interest on the defined liability / (asset)	2,665	2,361
Administration expenses	78	64
Total loss / (profit)	9,910	9,617

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to	Year to
	31 Mar 2022	31 Mar 2021
	£000s	£000s
Return on Fund assets in excess of interest	6,926	26,635
Other actuarial gains / (losses) on assets	-	-
Change in financial assumptions	12,327	(57,424)
Change in demographic assumptions	-	2,722
Experience gain / (loss) on defined benefit obligation	(693)	3,060
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	18,560	(25,007)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening defined benefit obligation	296,763	240,669
Current service cost	7,167	6,999
Interest cost	5,867	4,531
Change in financial assumptions	(12,327)	57,424
Change in demographic assumptions	-	(2,722)
Experience loss/(gain) on defined benefit obligation	693	(3,060)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(7,529)	(7,978)
Past service costs, including curtailments	-	193
Contributions by Scheme participants and other employers	946	971
Unfunded pension payments	(259)	(264)
Closing defined benefit obligation	291,321	296,763
Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening fair value of Fund assets	161,937	131,901
Interest on assets	3,202	2,170
Return on assets less interest	6,926	26,635
Other actuarial gains/(losses)	-	-
Administration expenses	(78)	(64)
Contributions by employer including unfunded	3,190	8,566
Contributions by Scheme participants and other employers	946	971
Estimated benefits paid plus unfunded net of transfers in	(7,788)	(8,242)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	168,335	161,937

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	285,977	291,321	296,770
Projected service cost	6,456	6,627	6,801
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	291,785	291,321	290,860
Projected service cost	6,630	6,627	6,623
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	296,269	291,321	286,463
Projected service cost	6,800	6,627	6,458
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	305,594	291,321	277,750
Projected service cost	6,922	6,627	6,342

Projected pension expense

Year to
31 Mar 2023
£000s

Service cost	6,627
Net interest on the defined liability / (asset)	3,157
Administration expenses	77
Total loss / (profit)	9,861
Employer contributions	2,920

These projections are based on the assumptions as at 31 March 2022, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.