



Nottinghamshire County Council Pension Fund

Annual General Meeting
2024 Actuarial Valuation
11 January 2024

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Re-cap from 2022 valuation



What has happened since then?



What has this done to the funding level?

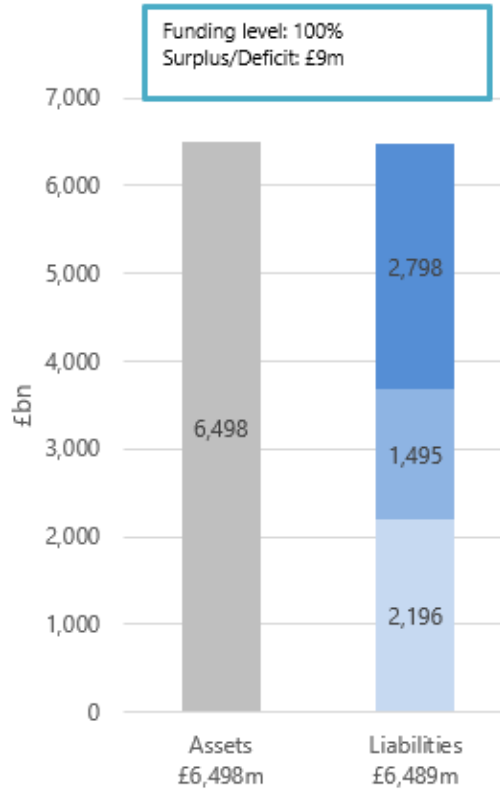


Looking forward to 2025

Recap of 2022 valuation results



2022 whole Fund results



- Fund had a small surplus of £9m at 2022 valuation
- The funding level had increased from 93% at 2019 to 100% at 2022
- Majority of employers had a deficit but a much smaller deficit than 2019

2022 primary rate (whole Fund level)

Using the proposed assumptions, the resulting average primary rate across the whole Fund is set out in the table below.

	2022	2019
Primary rate	% of payroll p.a.	% of payroll p.a.
Average total future service rate	25.4%	24.2%
Less average member rate	6.4%	6.3%
Fund primary rate	19.0%	17.9%

What's happened since March 2022



The inside story of the mini-budget disaster

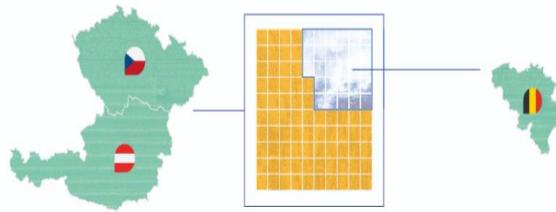
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A lot!

Lasting effects of the war

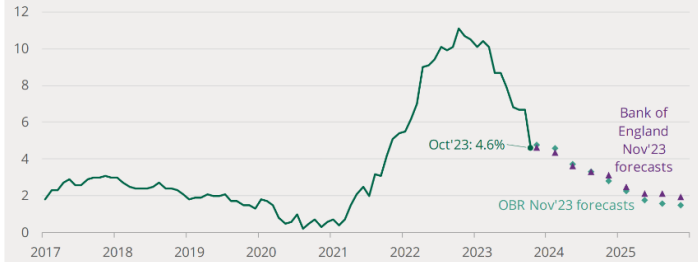
In 2021 Ukrainian farmers sowed almost 17 million hectares of spring crops. That is more than the combined area of **Austria and Czechia**. However, following the start of the war, in 2022 farmers sowed 22% less. The area not sown – 2.8 million hectares – is almost as large as **Belgium**.



Source: Food and Agriculture Organization of the United Nations

OBR and Bank of England forecast inflation of around 3% at end-2024

%, annual change in consumer prices (CPI)



Note: Quarterly forecasts based on market expectations of interest rates

Sources: ONS monthly outturn data up to October 2023, then quarterly forecasts from Bank of England, Monetary Policy Report, Nov 2023 and OBR, Economic and fiscal outlook, Nov 2023

War in Gaza hits McDonald's with 'meaningful business impact' following calls for boycotts

The fast-food giant has faced controversy after its Israeli franchise donated thousands of meals to the country's troops fighting in Gaza. The firm's chief executive said markets in both the Middle East and outside the region had been affected.

By Daniel Binns, business reporter

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What's the impact – assets?

- Higher interest rates should (in theory?!) lead to higher returns
- Actual asset returns are behind expectations.
 - The return for the period to 31 March 2023 was – 1.75%.
 - Returns have been positive returns over the last 9 months
- Our model isn't correlated to interest rates and so is more stable
- However, if asset returns do not pick up in next 15 months,
funding levels likely to be lower than at 2022

What's the impact – liabilities?

- High inflation
 - good for members ~10% increase in CPI linked benefits in 2023, 6.7% in 2024
 - increases cost for employers as **increases** liabilities and **reduces** funding levels
- Higher interest rates
 - Implies higher expected returns on certain assets which **reduces** liabilities and **increases** funding levels

Where are we at
now?

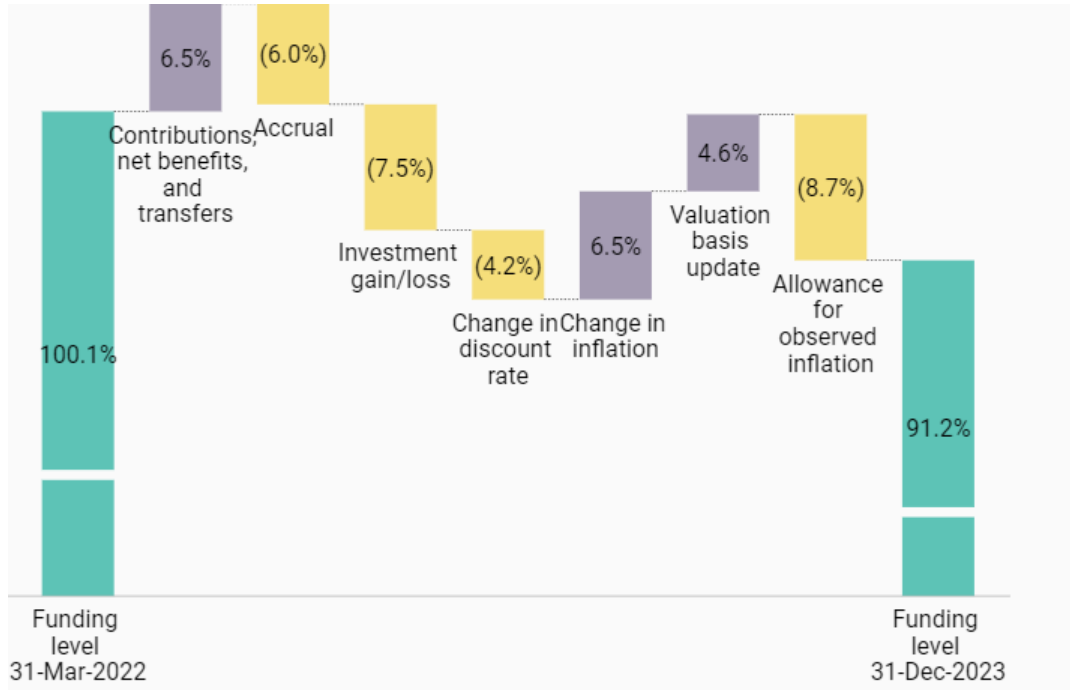
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FUNDING LEVELS



Funding level at 31 December 2023

- › Forecast assets to have remained flat at £6.52bn
- › Liabilities increased from £6.5bn to £7.15bn
- › Updated discount rate to allow for markets
- › Funding level decreased from 100% to 91%



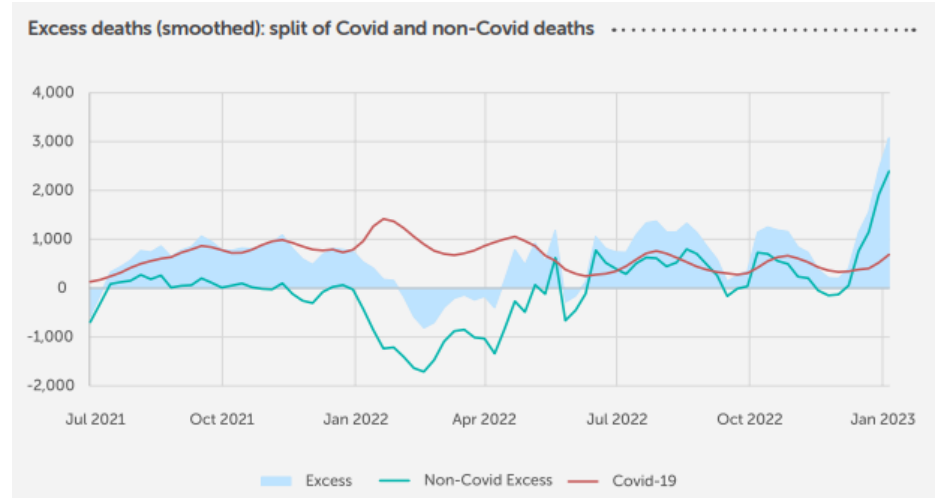
■ Deficit
 ■ Increase in deficit
 ■ Reduction in deficit

Why has the funding level decreased since March 2022?

- > Asset returns lower than assumed (circa 1% vs 8.4%)
- > High actual CPI inflation
- > But largely offset by lower long-term future expected inflation

Mortality

- Continue to see excess deaths above pre-pandemic levels
- Continued uncertainty about long-term life expectancy
- Latest actuarial models project life expectancies 2% - 3% lower than 2022 valuation model



Source: Barnett Waddingham [Covid-19 briefing](#), June 2023

Looking ahead to 2025

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What does it all mean for 2025?

- Greater uncertainty for the long-term outlook in 2025, with a mixture of positive and negative factors affecting funding levels and contributions
- Greater uncertainty generally leads to higher contributions to guard against adverse conditions
- However, the Fund has started from a good position at 2022
- Long-term view and stability of approach aims to protect employers against any significant changes in contributions